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ABA Announcements

ABA Planning Committee Holds First Online Meeting

The 2021 ABA Planning Committee recently held its first online meeting on February 25, 2021, during which they discussed the new dates and format of the 37th ABA General Meeting and Conference and the 58th and 59th ABA Board of Directors meetings.

The meeting was presided over by Mr. Jonathan Alles, ABA Chairman and Managing Director and CEO of Hatton National Bank (HNB), and attended by ABA Board members and representatives of ABA member organizations.

According to Mr. Alles, the ABA Planning Committee plays a vital role in the functioning of the Association – as it is given the mandate to help implement the decisions of the ABA Board and to undertake activities that would effectively carry out the programs of the Association.

Discussing the 37th ABA General Meeting and Conference, the Committee agreed that it be held over a spread of four consecutive days, with each day featuring one session focusing on a specific topic.

Each session would run for a maximum of two hours, and will feature one or two keynote speakers, followed by a panel discussion and an open forum. They further endorsed the ABA Secretariat's proposal to schedule the four-day Conference on August 24-27, 2021, from 2:30 to 4:30pm Taipei time.

The Committee agreed that the four Conferences session will cover the following general topics:

- Session One: Assessment of the current macro-economic environment
- Session Two: New technologies to make banking more innovative, efficient, less costly, and more inclusive
- Session Three: CEO Roundtable on navigating the new world order and implications for banks
- Session Four: Regulators' Roundtable on current trends and developments in banking and their implications on Central Bank policies and regulations (e.g., compliance, risk management, etc.)

On the topic of the 58th and 59th ABA Board of Directors' Meetings, the Committee agreed to hold them as a combined meeting and separately from the 37th ABA General Meeting and Conference. The Board Meetings were scheduled on September 1, from 2:30 PM to 4:30 PM, Taipei time.

During the Planning Committee Meeting, Mr. Ernest Lin, Director-General of ABA, also provided a summary update on other ABA activities for 2021. These include: the publication of the 2020 Year-End Report, the ABA Journal of Banking and Finance, and the monthly ABA Newsletter; Fintelekt-ABA Joint Webinars; partnering with learning portal Fintelekt Academy; Oberthur Cash Protection webinar; ABA Policy Advocacy Committee meetings; ABA capsule webinars; and Peer Bank Networking Sessions.

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37th ABA General Meeting and Conference Scheduled for August 24 to 27

The 37th ABA General Meeting and Conference will be held in an online format from August 24 to 27, 2021, from 2:30 to 4:30pm Taipei time. The Conference – originally scheduled as a face-to-face event on November 12-13, 2020 in Negombo, Sri Lanka – will be spread over the four consecutive days, with two-hour session per day.

The new dates and format were agreed upon by the ABA Planning Committee during its recent online meeting on February 25, 2021. The Committee deemed that since it is likely travel restrictions would remain in place for most of the year due to the ongoing pandemic, this year's Conference would have to be conducted in an online format. The Committee members agreed that, given the continuing safety issues surrounding the pandemic, it was the safest way members could be brought together.

As in previous years, the 37th ABA General Meeting and Conference is designed to provide another platform for ABA members to exchange views with invited experts on: (a) current trends and developments in the regional and global markets that are expected to have a significant impact on the banking and financial sector of the region, and (b) how industry players can address the challenges - and take full advantage of the opportunities - presented by these developments.

The Tentative Program and other relevant information such as the meeting link, and registration procedure, will be sent out once they are available. In the meantime, ABA members are requested to block off the dates for the 4-day conference in their calendar.

ABA Board of Directors Meetings to be held online

ABA will be holding the 58th and 59th Board of Directors Meetings virtually as a combined meeting on September 1, 2021, from 2:30 PM to 4:30 PM, Taipei time. The date and format were decided during the recent online meeting of the ABA Planning Committee, which took into account the continuing uncertainty in the travel situation due to the ongoing Covid-19 pandemic and the sentiment of the majority of Board members.

Since the Board meetings are to take up internal matters and to be attended only by members of the Board, the Committee decided that they should be held separately from the 37th ABA General Meeting and Conference, which will take place on August 24-27, 2021 and attended by both ABA members and non-members.

RCBC President & CEO Eugene Acevedo to represent ABA at UN Inclusive Finance meeting

Eugene Acevedo, President and CEO of Rizal Commercial Banking Corporation (RCBC) and a Board Member of the Asian Bankers Association (ABA), has been invited to participate in the UN Inclusive Finance meeting on March 26. Mr. Acevedo will be representing ABA at the meeting as one of its Directors.

The UN Inclusive Finance meeting is a virtual, high-level convening to discuss the business case for financial health. The event is part of the work of the Working Group on Financial Health, set up by H.M. Queen Máxima of the Netherlands, in her capacity as the UN Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), to demonstrate a need to work toward financial health in the

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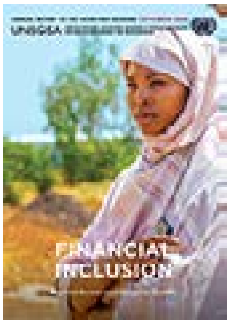


context of promoting financial inclusion.

In its invitation letter, UNSGSA explains that an inclusive and sustainable economic recovery from the COVID-19 pandemic is top of mind for policymakers, regulators, civil society and the private sector. To achieve this economic recovery, the financial health of consumers and small businesses will be paramount. While the topic of financial health has received increased attention from policy makers, private sector engagement, especially from the financial industry, will be key to realizing financial health for all.

The UNSGSA Working Group seeks to facilitate an honest and tactical conversation on how the financial sector can enhance businesses by mainstreaming financial health considerations into their strategy and operations. The session will include:

1. Presentation on the business case for financial health
2. Panel discussion with representatives from leading banks and financial companies that have prioritized financial health
3. Small-group breakouts to discuss the opportunities and challenges of embedding financial health into operations
4. Conclusions and next steps

This conversation will provide critical input into the deliberations of the UNSGSA Working Group, and will hopefully increase the interest of participating companies in deepening their engagement on financial health.

Training and Education

ABA conducts joint webinar with Oberthur Cash Protection

The Asian Bankers Association (ABA) and Oberthur Cash Protection (OCP) jointly conducted a webinar on March 3, 2021 on "IBNS, a new way to protect cash from ATM physical attacks."

Over 500 participants from all over Asia registered for the online event, which introduced the Intelligent Banknote Neutralization System (IBNS) as an effective way to protect ATMs from physical attacks. The webinar was moderated by Patrice Rullier, OCP Managing Director, and featured Paul Nicholls, OCP Business Development Director; Eric Hauw, OCP Sales & Marketing Director; and Ee Ling OOI, OCP Business Development Manager APAC, as speakers.

The three speakers elaborated on the features of IBNS, Central Bank regulations affecting the use of IBNS, the certification of IBNS' solutions, and ATM attacks that are happening across Asia.

Paul Nicholls initially introduced IBNS as an innovative security solution to combat crime, citing the following reasons:

- IBNS reduces the value of the note by indelibly marking it as a stolen.
- ATM IBNS solution compares between active and passive solutions.
- The active IBNS solution is an effective deterrent against all types of ATM physical attacks.
- Europol's answer to ATM crime is to "spoil the loot" by staining the notes and using taggants/infra-red markers

Training and Education

to help catching the criminals.

- There is evidence that IBNS works because ATM physical attacks have reduced drastically whenever IBNS systems are installed.

Eric Hauw then discussed Central Banks Regulations, Standards, and Certifications to implement IBNS. He said Central Banks play a role in the implementation of IBNS regulations, and that communication is key to creating public awareness. Additionally, the Central Bank and Ministry of Interior both play a technical role in defining IBNS' technical standards.

Hauw emphasized importance of deploying systems that have met French certification requirements. He described the unique ink used in the IBNS system as indelible, traceable, capable of covering 100% of all the notes and 20% of their surface, and compatible with polymer and paper banknotes.

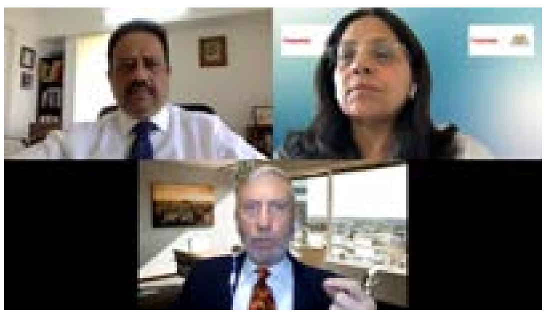
Ee Ling OOI, meanwhile, discussed physical ATM attacks that are happening in different regions in Asia-Pacific. The types of physical attacks include ram raids, explosives, pull out, torch, and grinder, among others.

She said that stained notes are considered as stolen notes, and thus, criminals do not consider further attacks because it is not worth the risk. As such, banks are highly recommended to collaborate with the Central Banks to have the IBNS regulation implemented, to allow ink staining system to be installed in high-risk locations to prevent ATM attacks from happening.

To watch the full video recording of the webinar, please visit the ABA Youtube channel. Meanwhile, the Powerpoint presentation used during the webinar can be accessed here.

ABA, Fintelekt hold webinar on “Conducting Enterprise-wide AML/CFT Risk Assessments”

The Asian Bankers Association (ABA) and its Knowledge Partner, Fintelekt Advisory Services, recently conducted a webinar on “Conducting Enterprise-Wide AML/CFT Risk Assessment” last March 3, 2021.



The webinar was moderated by Fintelekt Managing Director Shirish Pathak. Speakers were Madhu Sinha, Independent AML Compliance Professional and Former Head of AML of Citi Bank India and Stephen Cutler, Chief Enterprise Risk and Compliance Officer of Omnipay.

The speakers discussed the importance of comprehensive and ongoing Enterprise-Wide AML/CFT Risk Assessment (EWRAs), ensuring comprehensive inclusion of risks, regulatory expectations, international standards and managing costs and resources for EWRAs.

Madhu Sinha explained the approach to EWRAs – why conduct them, how to conduct them, the review process, desired outcomes, and regulatory expectations. Some of the key points she discussed include:

- An EWRA assesses a financial institution’s inherent AML/CFT risks, effectiveness of control environment, and the need to implement additional measures to mitigate residual risks where necessary.
- It forms the cornerstone of the AML/CFT risk management programme and helps Financial Institutions (FIs) to apply a risk-based approach based on residual risks of business lines.
- It is important to develop a model that includes all the risk factors and is customised to the size and complexity of the FI’s business.
- The EWRA model should consider customer types, products and services, geographies, channels and transactions and assign a risk rating to all of these elements.
- A quantitative analysis of data as well as qualitative inputs such as nature of the complex, hiring practices, provision of training, etc. are necessary to arrive at the residual risk.
- It is critical that the Board of Directors and senior management of the organisation are engaged and involved with every step of the EWRA process.
- Regulators expect that the process is followed in spirit and not approached as tick-mark exercise and hence they look for a structured methodology, deliberation by senior management, good use of data analytics and

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identification and action upon areas of improvement flagged off by the EWRA exercise.

Stephen Cutler emphasized that organisations need to be focused and serious in incorporating all of the risks in order to protect the employees, the company, the industry, the communities, and the nation. During the EWRA project, organisations should focus on aspects such as:

- A thorough understanding of the AML risks and the organisation's control mechanisms
- An assumption that there will always be risks and that these risks will keep on evolving
- Effective planning and continuous adjustment of the organisation's responses
- Providing effective training to employees involved in the process
- Adequate involvement of the Board and senior management
- Avoiding the use of copy-pasted tools from another organisation, instead of customizing the process to the specific organisation

To wit, EWRAs must be approached with an open mind. There is a risk of biases entering the process: such as over-reliance on the first piece of information available, overestimating the importance of available information, the tendency to see patterns in random events, or a confirmation bias.

A recording of the webinar is available on Fintelekt Academy. Registration on Fintelekt Academy is free and more than 80% of the content is free to view.

ABA to hold webinar with ACRAA on March 24

The Asian Bankers Association (ABA) and the Association of Credit Rating Agencies in Asia (ACRAA) will be conducting a webinar on "Opportunities for Green Cooperation in the Banking Sector and Financial Markets for a Greener and Better New Normal Post-Pandemic" on March 24, 2021 at 2:00pm Taipei time.

ACRAA was organized in 2001 at the Asian Development Bank headquarters, by 15 Asian credit rating agencies from 10 countries. As of September 2020, membership has increased to 29 members from 14 countries. An initiative of the ABA, unites domestic credit rating agencies in a regional cooperative effort to develop and promote interaction and the exchange of ideas, information, and skills. ACRAA aims to promote the adoption of best practices and common standards that ensure high quality and comparability of credit ratings throughout the region, following the highest norms of ethics and professional conduct.

The one-hour webinar features three experts, who will discuss Sustainable Finance development amid COVID 19 and the importance of linking social cohesion with green and environmental considerations:

1. Mr. Sakda Pongcharoenyong, President of TRIS Rating Co., Ltd, will make a presentation focusing on the efforts by the Thai government, regulators, and financial market participants to accelerate sustainable finance in Thailand.
2. Ms. Stella Chang, Head of International Business of Golden Credit Rating International Co., Ltd, will speak on issues such as China's commitment to climate change and how China is making efforts to encourage green bond issuers, including the 14th 5-year-plan for green economy.
3. Ms. Atsuko Kajiwara, Head of the Sustainable Finance Evaluation Dept. at the Japan Credit Rating Agency, Ltd, will talk about transition finance and its importance in realizing a carbon-neutral society, as global sustainable finance markets are focusing on how to move heavy CO_2 emission industries to adopt cleaner solutions. She will also cover the Green Deal Strategy announced by EU and Japan.

The presentations will be followed by a Q&A session.

ABA Members are encouraged to register for the webinar, here.

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World Bank, IMF to consider climate change in debt reduction talks

The World Bank is working with the International Monetary Fund (IMF) on ways to factor climate change into the negotiations about reducing the debt burdens of some poor countries, World Bank President David Malpass told Reuters in a February 19 interview.

Three countries - Ethiopia, Chad and Zambia - have already initiated negotiations with creditors under a new Common Framework supported by the Group of 20 major economies, a process that may lead to debt reductions in some cases.

Malpass said he expected additional countries to request restructuring of their debts, but declined to give any details.

The coronavirus pandemic has worsened the outlook for many countries that were already heavily indebted before the outbreak, with revenues down, spending up and vaccination rates lagging far behind advanced economies.

China, the United States and other G20 countries initially offered the world's poorest countries temporary payment relief on debt owed to official creditors under the Debt Service Suspension Initiative (DSSI). In November, the G20 also launched a new framework designed to tackle unsustainable debt stocks.

Malpass said the Bank and the IMF were studying how to twin two global problems - the need to reduce or restructure the heavy debt burden of many poorer countries, and the need to reduce fossil fuel emissions that contribute to climate change.

"There's a way to put together ... the need for debt reduction with the need for climate action by countries around the world, including the poorer countries," he said, adding that initial efforts could happen under the G20 common framework.

Factoring climate change into the debt restructuring process could help motivate sovereign lenders and even private creditors to write off a certain percentage of the debt of heavily-indebted poorer countries, in exchange for progress toward their sustainable development and climate goals, experts say.

The World Bank and the IMF play an important advisory and consultative role in debt restructuring negotiations since they assess the sustainability of each country's debt burden.

Many developing countries require huge outlays to shore up their food supplies and infrastructure as a result of climate change. Governments must also spend a large amount on alternative energy projects, but lack the resources to pay for those needed investments.

"There needs to be a moral recognition by the world that the activities in the advanced economies have an impact on the people in the poorer economies," Malpass said. "The poorer countries are not really emitting very much in terms of greenhouse gases, but they're bearing the brunt of the impact from the rest of the world," he added.

IMF Managing Director Kristalina Georgieva had previously told reporters about early-stage discussions underway about linking debt relief to climate resilience and investment in low-carbon energy sources. Doing so, she said, could help private sector creditors achieve their sustainable development targets: "You give the country breathing space, and in exchange, you as the creditor can demonstrate that it translates into a commitment in the country that leads to a global public good."

Reuters

How cloud banking can enhance financial inclusion across South-east Asia

Today, more than one billion people across Asia Pacific do not have access to formal financial services. Southeast Asia experiences particularly low levels of financial inclusion, with nearly three quarters of the population either 'under-banked', i.e. with limited access to financial services, or 'unbanked', i.e. completely excluded from the current financial services landscape.

The Philippines ranks among the lowest in Asia for financial inclusion, with only 34% of Filipino adults holding a bank account. Less than half (49%) of Indonesian adults are 'banked', however, while financial inclusion in Indonesia remains low, the country saw e-money transactions increase by 173% in the year ending January 2020, indicating a keen appetite

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for digital financial services.

Conversely, high performing ASEAN countries including Malaysia and Thailand have relatively high rates of financial inclusion (85% and 82% respectively), and Singapore has close to 100% of its population banked. These countries need to lead by example in enabling financial inclusion across the region.

Drivers of financial inclusion

One of the key drivers of financial inclusion across Southeast Asia has been rapid change and technological innovation in the financial services sector. Technology innovations transforming the financial services landscape in Southeast Asia include new forms of online payment, such as eWallets, which have experienced phenomenal growth in the region, and other new digital banking products that incorporate AI (artificial intelligence), data analytics and cloud technology to provide a personalised customer experience, all via a smartphone.

In Vietnam, leading commercial bank MSB launched Vietnam's first digital-only bank, TNEX, in 2020, specifically targeting the youth market of Millennial and Gen Z consumers. To attract and retain these customers, TNEX offers to simplify the lives of its customers, by channeling all financial requirements through one app, removing the need to use multiple apps. Impressively, TNEX offers Vietnam's first free everyday bank for individuals and businesses.

Cloud banking technology, such as that used by TNEX, is more agile, significantly cheaper to implement, and enables rapid speed to market - with new products launched in weeks, rather than the years that traditional core banking technology requires. These key benefits allow banks to service customers much more cost-effectively, which in turn empowers them to offer services at a reduced cost (or, like TNEX, at no cost) to consumers. This means these banks are able to appeal a wider customer base, particularly those population segments that have been traditionally excluded from formal financial services.

Barriers to financial inclusion

Cash has been king across much of Southeast Asia for many generations, and while the Covid-19 pandemic did see an increase in cashless transactions globally, millions of people still have greater trust in cash than they do in digital. In Southeast Asia, only 40% of all transactions are cashless, compared with 84% in the benchmark countries of the UK and USA (Bain & Co, 2019). While this figure may have increased due to Covid-19, it is likely it remains comparatively low.

This continued reliance on cash is a significant barrier to financial inclusion, as, without official financial records, individuals and small businesses are not able to participate in the formal economy – they're unable to take out a loan to grow their business or buy a house, and they have no access to lines of credit during times of hardship. This has had a particularly significant impact during the pandemic.

How can cloud technology help enable financial inclusion?

Innovative cloud-based financial products offered by fintechs and banks are changing the face of financial services across Southeast Asia. These products can be rolled out much faster – often in a matter of weeks - and at a greatly reduced cost compared with traditional banking products. They also offer greater flexibility and agility, meaning providers can respond swiftly to changing customer expectations and needs.

By removing the requirement for consumers to visit a branch to sign up and making products available via smartphone apps and online, these providers have bridged the gap between formal financial services and customers who have long been wary of financial institutions, particularly Millennial and Gen-Z consumers who expect to be able to manage their entire lives via their smartphones. The continued growth in adoption of cloud banking products and services across Southeast Asia needs to be encouraged and supported by regulators and governments across the region, which will ultimately enable financial inclusion for many millions of persons.

Business Times

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Asian banks are failing on climate by channeling billions into coal, report says

Many of the world's leading financial institutions have pledged in recent years to slash their support for the coal and oil industries. But a new report has found that hundreds of billions of dollars are still being channeled into fossil fuels, and Asia's banks are doing much of that business.

Globally, 380 commercial banks lent the coal industry $315 billion over the past two years, according to the report, which was compiled by more than two dozen non-governmental organizations, including Urgewald, Reclaim Finance, Rainforest Action Network and 350.org Japan. The groups say their research is the first to analyze the financiers and investors supporting the entire coal industry.

The top three lenders to the coal industry were all Japanese: Mizuho (MFG), Sumitomo Mitsui Banking Corporation (SMFG), and Mitsubishi UFJ Financial Group (MBFJF). Collectively, Japanese banks provided $75 billion in loans between October 2018 and October 2020, according to the report.

Mitsubishi told CNN Business that as of May 2019, it said it would no longer provide financing for new coal-fired power generation projects, with some exceptions. It also said it would not consider financing for new coal projects going forward "unless it is confirmed that the project will contribute to innovative technologies or transitions towards achieving the Paris Agreement goals."

Mizuho said that the NGO report "does not reflect the reality," adding that the report uses only publicly available data. "Mizuho sees sustainability as an integral part of our corporate strategy," the company said. It added that it is working to "proactively support initiative for transitioning to a low-carbon society," and has set financing goals to address climate change.

Sumitomo Mitsui said that as of last year, it pledged to no longer offer services supporting "newly planned coal-fired power plants." It added that it intends to reduce the balance of coal plant-related loans to zero by 2040.

While Japan leads the way in lending, the United States ranks second, providing loans worth $67.7 billion, or 21.5% of the total. American firms are also more heavily invested in coal than others, according to the report. Of the more than $1 trillion that the report found has been invested in companies working in the industry worldwide as of January, more than $600 billion of that comes from US investors.

Since the Paris Agreement was signed, the world's installed coal-fired power generation capacity has increased by 137 GW, an amount equal to the operating coal plants of Germany, Russia and Japan combined, according to the Global Coal Exit List. And over 500 GW of new coal-fired capacity are in the pipeline.

One of the main reasons for the increased investment is that globally coal remains the main energy source for electricity generation. "Until investments are made in renewable energy, the fact is that people still need electricity. This is especially true in Asia as compared to the US or Europe where coal use is decreasing," said Eri Watanabe, 350 Japan Finance Campaigner. "This is the main reason banks continue to invest, despite the fact that returns on investment are dipping."

The United Nations says it is necessary to phase out fossil fuels — like coal — to stop the very worst impacts of man-made climate change. The Paris Agreement is a pact signed by almost all the world's countries that seeks to limit global warming to well below 2°C and pursue efforts to limit it to 1.5°C. A recent report found that from now until 2030, the global production of coal would have to decline annually by 11% to reach this target.

In recent years, there has been some momentum among big banks to distance themselves from coal and oil companies whose long-term fortunes are threatened by the climate crisis. But environmental groups say fossil fuel policies adopted by banks don't go far enough and financial institutions should support their countries' climate goals by divesting of coal investments at home and abroad.

The world's leading underwriters for coal are all Chinese, according to the report, which singled out the Industrial and Commercial Bank of China (ICBC), the China International Trust and Investment Corporation, and the Shanghai Pudong Development Bank as the top banks raising money for the industry.

Chinese banks channeled $467 billion to the coal industry over the past two years through underwriting, followed by banks in the United States with $104 billion, then Japan, India and the United Kingdom. In total, 427 commercial banks underwrote $808 billion to companies on the GCEL over the past two years. 350 Asia Finance Campaigner Chuck Baclagon said continued investments in coal projects from the world's biggest banks will become even riskier as the world recovers

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from Covid-19.

Meanwhile, US investors are making by far the biggest institutional investments in the global coal industry, with shares and bonds worth $602 billion — 52% of the market share. Vanguard and BlackRock were the two largest institutional investors, holding more than $80 billion each, according to the report.

Japanese investors come next, with holdings in the coal industry of $81 billion. The report found that Japan's Government Pension Investment Fund alone holds bonds and shares in value of $29 billion in companies listed on the GCEL. The third largest group of investors are from the United Kingdom.

The United States, United Kingdom and Japan have all committed to achieve net zero carbon emissions by 2050, and China by 2060, but environmental groups say continued financing of fossil fuels will put those goals out of reach.

For example, Japan's carbon neutral goals don't highlight any concrete policy shifts for fossil fuel investment, according to 350.org.

"If these gaps are not addressed, what would happen is that nearer to 2050 they are going to realize that they can't meet those goals, and by that time we might have missed our chance to limit warming," said Watanabe. What is needed from the banking industry is a "speedy exit from coal finance" as a "question of survival," she added.

CNN Business

Digital Banking in Asia Sees Prime Time

Digital banks are proliferating in Asia on the back of favorable regulatory changes, market liberalization pushes by governments, and enhanced digital penetration by consumers.

In Singapore's digital banking race, the Monetary Authority of Singapore granted 4 digital banking licenses with SEA Group and the Grab-Singtel consortium securing the full digital banking license.

Across the causeway, in Malaysia, roughly 40 parties have registered their interest in Bank Negara Malaysia's digital banking license, the new regulatory framework is anticipated to spur massive funding rounds in Malaysia.

In February, Vietnamese ride-hailing company Be Group launched its digital banking offering Cake in partnership with VPBank. Integrated into the Be app, Cake provides products and services like a traditional bank, including a checking account and its accompanying debit card, money transfers, bill payments and savings accounts. With over 10 million customers, Be claims to account for nearly a third of the Vietnamese ride-hailing market.

In Indonesia, industry insiders expect 2021 to see several tech companies racing to launch their digital banking through partnerships and acquisition deals. Evidences suggest that next in line could be ride-hailing decacorn GoJek, Singaporean consumer Internet company the Sea Group, and e-commerce unicorn Bukalapak.

These new players will be joining an increasingly competitive landscape where digital pure players and consortia are already fiercely competing against incumbents that are introducing digital offering at an accelerated pace.

A McKinsey report released in January 2021 identified at least 30 digital banking offerings across Asia Pacific (APAC) in markets including China, Japan, South Korea, Taiwan, Hong Kong, India, Thailand, Vietnam, the Philippines, Indonesia, and Australia.

Successful digital banks in Asia often operate under a consortium business model which gives them a path to scaling relatively quickly, the report notes.

Examples include Tencent-backed WeBank, which serves some 200 million people, and Alibaba-supported MYbank, which counts more than 20 million small and medium-sized enterprise (SME) customers.

Not only that, but consortia have so far been awarded the highest number of licenses in recent licensing processes in

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Taiwan, South Korea and Hong Kong. In Hong Kong, five of the eight digital banking licenses were awarded to groups of companies, including Fusion Bank, which is led by Tencent and ICBC, and Standard Chartered-led Mox, which is backed by HKT, PCCW and online finance company CTrip Financial.

In South Korea, Toss Bank, a consortium led by fintech firm Viva Republica, was granted a preliminary license to operate an internet-only bank in December 2019, and plans to launch operations in mid-2021. Toss Bank would be the country's third Internet-only bank.

In Singapore, two of the four nominees eventually awarded digital banking licenses were consortia: the Grab-Singtel tie-up, which bagged a digital full bank license; and a consortium comprising Greenland Financial Holdings, Linklogis Hong Kong, and Beijing Co-operative Equity Investment Fund Management, which was granted a digital wholesale bank license.

In other Southeast Asian countries, regulators are accelerating their legislative efforts to open up the banking industry, increase competition and facilitate innovation. In Malaysia, the central bank issued the much anticipated digital banking framework in December 2020, and is expected to issue up to five licenses by Q1 2022.

The Philippines, while being home to several digital banking offerings from incumbents including CIMB and ING, introduced its digital banking framework in November 2020. The central bank received its first application in January 2021 and four other parties have shown interest in the licensing regime.

And in Indonesia, the country's financial watchdog is set to outline by the middle of this year how digital banks should operate, one of its top officials told The Straits Times earlier this month.

These new market entrants are joining an increasingly competitive landscape where incumbents are rapidly digitalizing their offerings. The COVID-19 pandemic has forced customers to turn to digital channels and mobile banking, leading many of these incumbents to witness record growth levels over the past year.

In Singapore, customer sign-ups for DBS Bank's Digibank mobile app rose by 216% between June and August 2020 compared to the same period the previous year. The bank hit a record of 3.5 million digital banking customers.

OCBC Bank, Singapore's second largest bank after DBS Bank, reported that the number of new SME accounts opened online grew 2.4 times in Q1 2020 compared to the same period the previous year. Similarly, UOB saw a 406% increase in the online purchase of its investment products in Q1 2020 compared to Q1 2019.

Digital banks have been praised for their potential to bring financial services to the large population of unbanked individuals and small businesses across the region, but with incumbents rapidly ramp up their digital efforts, it's still hard to tell who will come out as the winner of Asia's digital banking race.

Undoubtedly, there is still a place for incumbents and most consumers are still more comfortable with their money in a traditional bank. A recent Accenture survey found that customers were still very skeptical of digital challenger banks, with just 10% of UK respondents placing "a lot" of trust in neobanks to look after their data, compared to 41% for traditional banks.

But digital challenger banks still have a role to play too. Using advanced technologies, digital banks can use other criteria to ascertain credit worthiness and offer loans to customers who would typically be rejected by traditional banks. Digital banks can also offer lower fees and higher interest rates due to having far less overheads to contend with such as branch rentals and ATMs to maintain.

Some may even be able to waive the need for an account minimum, effectively opening up banking access to the most vulnerable members of the society.

Fintechnews Singapore

Asia's Central Banks Have Built a Buffer Against Surging Yields

Central banks in Asia's emerging economies added $467.7 billion to their foreign-exchange reserves last year, the most since 2013 when the region's markets were rattled by the taper tantrum.

The increase reflects intervention in foreign-exchange markets and positive valuation effects that pushed total holdings to $5.74 trillion, just shy of the record $5.8 trillion hit in 2014. The tally excludes developed economies such as Japan and Australia.

That provides Asia with an important buffer against a recent jump in global bond yields. Rising yields have historically triggered currency volatility and driven up borrowing costs in the region.

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A signal in 2013 by then-Federal Reserve Chairman Ben Bernanke that he planned to taper a massive bond-buying program ricocheted through Asia as investors fled and yields surged. The improving global economic outlook this year as Covid-19 vaccines are rolled out has sparked a surge in bond yields and fears that the Fed may withdraw support sooner than expected.

"Taper tantrums may haunt emerging market central banks yet again if the Fed exits prematurely from their bond-buying program," said Chua Hak Bin, senior economist at Maybank Kim Eng Research Pte in Singapore. "That will be another blow to poorer emerging markets, already lagging the recovery because of the uneven vaccine rollout and impact from lockdowns."

Robust trade surpluses and investor inflows will continue to support reserves, but the U.S. Treasury's increased scrutiny on foreign-exchange intervention will act as a brake on the pace of increase this year, according to Khoon Goh, Singapore-based head of Asia research at at Australia & New Zealand Banking Group Ltd.

While China's reserves are the world's biggest, the bulk of last year's increase came in the rest of Asia. The Reserve Bank of India has been intervening heavily to boost its reserves, and its $583.7 billion stockpile could overtake Russia's to become the world's fourth largest. That's mainly on the back of a rare current-account surplus and robust flows into stock markets.

Indonesia's reserves rose to a record $138 billion in January, providing a sizable war chest to defend the rupiah. The Philippines accumulated an all-time high of $110 billion in reserves in December, helped by remittances from migrant workers. Thailand's reserves remain near the all-time high of $259.2 billion reached in January.

Asia looks set to enjoy a cyclical rebound with low real rates to shield against volatility, according to based Alex Wolf, Hong Kong-based head of investment strategy Asia at JP Morgan Private Bank in Hong Kong.

"Bear in mind that insofar as rising yields are a reflection of growth optimism, a lot of that growth should come from Asia in 2021," he said.

Bloomberg

Women and sustainable finance: fuel for the engine of COVID recovery

Across the Global South, COVID-19 has had a disproportionate impact on women-focused small and medium-sized enterprises (WSMEs). The unprecedented social and economic changes brought about by the COVID-19 pandemic have put an increased burden on women.

Many face disproportionate responsibilities at home, are experiencing increased unemployment rates and are struggling to maintain their businesses. To add insult to injury, they are being overlooked by COVID-response policies that may even exacerbate home-based violence.

The Asia-Pacific region alone has over 50 million WSMEs, mostly in the micro, small and medium range that provide employment to over 100 million people. They form the backbone of the economy's success. Women can power the engine for recovery if we step up. Enter sustainable finance.

The pandemic-driven surge in social bonds has proven that investors are doubling down on inclusive growth. 2020 represented key milestones in the sustainable finance market – with social and sustainability bond issuances surpassing green bonds for the first time in April 2020.

These trends are promising, but they are not enough. At the end of 2020, the United Nations Conference on Trade and Development (UNCTAD) reported that international private-sector investment in areas related to the Sustainable Development Goals had fallen by 30% in developing economies, with the poorest countries grappling with pre-2015 levels of SDG investment activity.

In the Asia-Pacific region, the challenges are particularly tough:

- The pandemic has affected the livelihoods of more than 65% of those living in rural underserved communities and over 100 million entrepreneurs.
- 85% of WSMEs are at risk of bankruptcy across frontier

markets.

- 50% of WSMEs do not have access to capital for business operations across South and Southeast Asia.

To close these gaps, businesses are building innovative pathways to COVID resilience for underserved women. Here are four promising trends that are bringing females to the forefront of capital markets.

1. Mega cross-border alliances

An alliance of 84 global leaders have convened since April 2020 under the World Economic Forum's COVID-Response Alliance. Their aim? To harness the resources and collective strengths of the public and private sectors, in a bid to ensure that the world responds effectively to underserved communities.

Together with members ranging from Impact Investment Exchange (IIX) to Salesforce and the USAID Center for Innovation and Impact, the Alliance launched a 2021 Roadmap during the Davos Agenda that will drive critical resources – both financial and non-financial – for social entrepreneurs who are advancing inclusive recovery around the world.

2. A lens on gender

IIX built on its successful launch of the Women's Livelihood Bond Series (the world's first gender lens and impact-investing instrument to be listed on a stock exchange) when it closed its third Bond and raised an unprecedented $27.7 million in private capital for 180,000 underserved women. It did all this in the midst of a pandemic, determined to empower women to become agents of COVID relief, recovery and resilience.

ANZ took a pioneering role as the lead placement agent, and demonstrated to the world that Australian and New Zealand institutional investors, family offices, and high net-worth individuals are at the forefront of impact investing. These investors were attracted to the bond for its innovative structure and gender-lens outcomes.

Other partners that comprise the growing movement to scale the Women's Livelihood Bond Series include: USAID and DFC, Shearman & Sterling, Latham & Watkins, Global Affairs Canada (GAC), the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the United Nations Capital Development Fund (UNCDF).

3. Bolstering existing commitments

The fact that the United Nations has made 2021's International Women's Day about 'Women in leadership: Achieving an equal future in a COVID-19 world' pays heed to the fact that women are not only underrepresented in leadership in politics, but also in boardrooms the world over.

Research shows a clear positive link between board-gender diversity and firm performance. Integral to the vital issue of female leadership is the question of women's economic empowerment on a global scale. It is not only key to gender equality and to growing economies, but also to reaching the Sustainable Development Goals.

The Business for Peace Foundation is working to accelerate women's economic empowerment to ensure more 'business-worthy' corporate operations. Businesses must serve a higher social purpose, and a new and broader mindset is thus needed to ensure that efforts are applied ethically and responsibly to create social as well as economic value.

The Foundation recently launched the Future of Business program, specifically aimed to accelerate the development of responsible and inclusive investment practices. Among the primary stakeholders are women in the Global South. By creating easier access to capital for women entrepreneurs with an impact-driven agenda, activating a global network of socially oriented investors and highlighting global female role models, women's economic empowerment will increase. At the same time, the chances of achieving all the SDGs will rise too.

4. Standing firm with underserved women in Asia

Through access to inclusive finance and resources, SMEs and WSMEs in Asia are adapting their businesses to the pandemic, and pivoting so that they can continue to support livelihoods in their markets.

IIX's Women's Livelihood Bond Series has shown extraordinary resilience throughout the pandemic. Despite the upheaval to global markets, all borrowers of the second issuance (the WLB2) remained on track to hit or over deliver on their impact targets.

For example, one woman-focused enterprise in Cambodia – Amru Rice – continued to source sustainable rice from thousands of farming families and women smallholder farmers. Benefiting from its deep impact on women, Amru's business has been powering through to contribute to national food security, global economic recovery and women's empowerment.

This is just a glimpse of how women can become the engine of growth during the pandemic.

Through cross-sector partnerships, innovative financial instruments, and a renewed commitment to inclusive growth and women's empowerment, we can rebuild the foundations for sustainability that will outlast the pandemic era.

World Economic Forum

Special Features

Practical Ways to Improve Credit Data Quality

By Mark James, Rebecca Emerson, and Daniel Shackleford Capel, Oliver Wyman

Despite unremitting regulatory pressure and millions of dollars of investment in data governance, many banks have made little real progress in addressing the root causes of "dirty" credit data.

The consequences of this failure are enormous; data quality issues undermine basic credit risk management. For example, without reliable data, like single-client identifiers or product codes, banks struggle to connect various exposures in different products to the same counterparty. Without timely delivery of critical data, like mark-to-market collateral values, net exposure calculations may be incorrect.

Indeed, poor data often means that credit officers spend more time debating the accuracy of underlying data than they do addressing the critical credit issues that the data should inform. At a large bank, we found credit officers spent, on average, one to two hours every day checking and remediating exposure and collateral data.

COVID Has Been a Wake-Up Call

The COVID-19 crisis has served as a wake-up call for risk departments, underscoring the urgent need for better credit data. In the absence of clean data, credit officers have scrambled to answer critical questions about primary exposures to vulnerable industries such as airline, retail, and oil and gas companies. Many have been at a loss to explain potential secondary exposures to affected industries via supply chains or investment funds. Others have struggled to track drawdown behavior across products at a client level, connecting the dots only after a considerable delay — at one bank, it took a week to pull together its total exposure across all products to oil.

The crisis has shown that banks with better credit risk data can see potential problems earlier and react more quickly, getting ahead of peers with poor data. They can also operate more efficiently, dispensing with legions of "data elves" that manually validate and clean dirty data.

The benefits of clean credit data have not been lost on regulators. Even before the current crisis, many regulators had become more proactive in pushing banks to show credible plans for addressing the root causes of credit data issues. Amid continuing economic uncertainty, banks need to be able to quickly respond when the next spasm strikes. Regulators are watching.

Indeed, the ECB's recent letter to Significant Institutions underscores its concern about banks' ability to manage distressed portfolios.

Progress on Cleaning Data Has Been Limited

Many banks do not have a solid operational approach for their critical data processes. At most banks, the lack of process-related KPI's to track drivers of poor data (e.g., manual uploads, adjustments, hand-offs, checks and controls) is revealing. Banks are not applying the same level of operational rigor to critical report generation processes that they apply to, say, mortgage or other key customer processes.

The systems in place to ensure proper data "ingestion" into risk processing environments do not work well. In fact, traditional ETL (Extract-Transform-Load) tools have become a major cause of data indigestion. These systems struggle to control the quality of incoming data. For large banks, multiple layers of business rules (amounting to millions of lines of code) parse thousands of feeds per day from dozens — sometimes hundreds — of different data sources, creating an impenetrable barrier for those diagnosing the root causes of data issues.

Banks need to rethink their approach to cleaning up credit data as a matter of urgency. Based on practices at peers that are making progress, we have four recommendations for next generation credit data remediation.

Recommendation One: Source Consolidation

Leading banks are consolidating upstream data repositories to create single sources of truth or "golden sources" for critical types of data. Source consolidation reduces the effort that risk departments (and others) need to expend in data ingestion by decreasing the number of feeds by as much as 75%. Building golden sources for reference data domains (for example, book, product, party, legal entities, instruments) is particularly beneficial because so much risk data remediation work typically involves sorting through inconsistent reference data to create comparable data sets.

Leaders are also ensuring that the data in these "golden sources" are accurate, up-to-date and complete, reducing the effort involved in downstream data clean-up by as much as 95%. Since "accurate" may have a different meaning for risk than for data owners, a few banks have put in place service level agreements to define specific data quality standards.

Recommendation Two: Treat Your (Data) Indigestion

Pioneer banks are replacing their existing, over-engineered ETL tools with modern data orchestration layers, often leveraging tools from cloud storage providers that are highly customizable and less expensive than traditional tools.

These orchestration layers are typically simpler, more efficient and more flexible than older data ingestion systems. They contain far fewer business rules and have "user friendly" libraries that enable non-technical users to have a clear understanding of previously "hard-coded" adjustments.

Recommendation Three: Measure, Measure, Measure

Leading banks are also deploying incentives and penalties in order to encourage ownership and accountability among data providers. Corporate goodwill and good intentions are often not enough. Without carrots and sticks, it is tough to motivate busy executives to dedicate time and effort to clean data.

A few years ago, after a series of reporting issues, a leading European bank set up a central data quality team to monitor and control data inputs. This team flagged "dirty data" issues and communicated them back to data providers. If these issues persisted, the offending data providers received a punitive charge for internal reporting purposes until the problem was fixed. Senior executive bonuses could be directly affected by a failure to respond. After one year, the bank noticed a dramatic turnaround in its data quality, with errors and restatements falling by 80%. Moreover, the scheme created much greater awareness of (and cultural aversion to) dirty data.

Leading banks like the one mentioned above are measuring data quality with a level of precision that allows them to identify the root causes of problems. Ideally, these measurements should rely on controls and checks carried out at the source of data to give risk and other users advanced warning of issues.

Recommendation Four: Clean Up the Clean-Up Crews

Leading banks are revisiting the need for large teams of manual data fixers. Many risk departments have built clean-up crews to validate, correct and enrich data. These armies of data fixers often constitute a cheap and expedient way to deal with dirty data.

But the remedy can be worse than the disease over the long run. Clean-up crews reinforce a culture of manual workarounds that can become self-perpetuating and delay a proper reckoning with the root causes of dirty data.

Re-Thinking Credit Data

Banks can no longer afford to ignore the knocking and rattling coming from their credit engines. Poor credit data — like contaminated fuel in a combustion engine — can undermine performance, make it difficult to keep up with competitors and ultimately cause a complete breakdown.

Against the backdrop of the current crisis, banks need to revisit their existing programs and take decisive action to clean up credit data once and for all.

Brink

Legally Speaking, Is Digital Money Really Money?

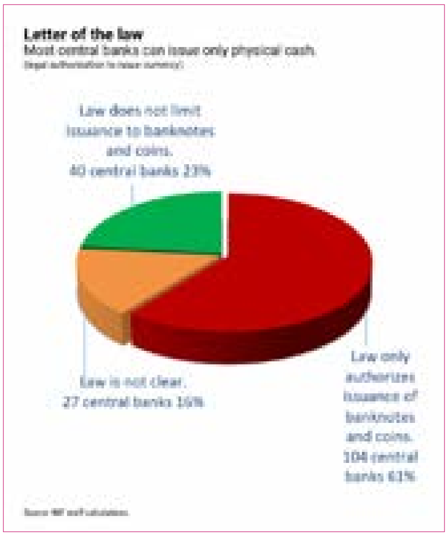
By Catalina Margulis and Arthur Rossi, IMF Legal Department's Financial and Fiscal Law Unit

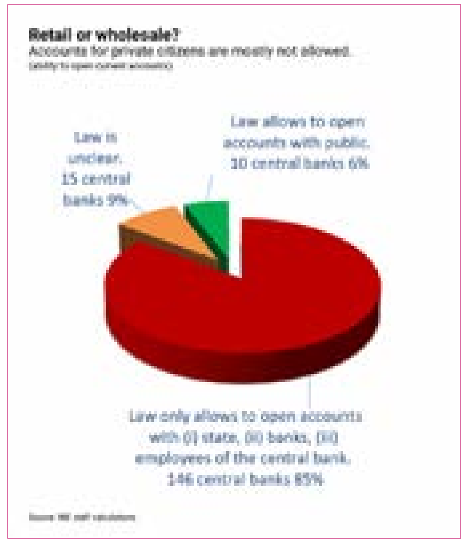
Countries are moving fast toward creating digital currencies — or, so we hear from various surveys showing an increasing number of central banks making substantial progress toward having an official digital currency.

But, in fact, close to 80% of the world's central banks are either not allowed to issue digital currency under their existing laws, or the legal framework is not clear.

To help countries make this assessment, we reviewed

Special Features





the central bank laws of 174 International Monetary Fund (IMF) members in a new IMF staff paper, and found out that only about 40 are legally allowed to issue digital currencies.

Not Just a Legal Technicality

Any money issuance is a form of debt for the central bank, so it must have a solid basis to avoid legal, financial and reputational risks for the institutions. Ultimately, it is about ensuring that a significant and potentially contentious innovation is in line with a central bank's mandate. Otherwise, the door is opened to political and legal challenges.

Now, readers may be asking themselves: If issuing money is the most basic function for any central bank, why then is a digital form of money so different? The answer requires a detailed analysis of the functions and powers of each central bank, as well as the implications of different designs of digital instruments.

Building a Case for Digital Currencies

To legally qualify as currency, a means of payment must be considered as such by the country's laws and be denominated in its official monetary unit. A currency typically enjoys legal tender status, meaning debtors can pay their obligations by transferring it to creditors.

Therefore, legal tender status is usually only given to means of payment that can be easily received and used by the majority of the population. That is why banknotes and coins are the most common form of currency.

To use digital currencies, digital infrastructure — laptops, smartphones and connectivity — must first be in place. But governments cannot impose on their citizens to have it, so granting legal tender status to a central bank digital instrument might be challenging. Without the legal tender designation, achieving full currency status could be equally challenging. Still, many means of payments widely used in advanced economies are neither legal tender nor currency (e.g., commercial book money).

Uncharted Waters?

Digital currencies can take different forms. Our analysis focuses on the legal implications of the main concepts being considered by various central banks. For instance, where it would be "account-based" or "token-based": The first means digitalizing the balances currently held on accounts in a central banks' books, while the second refers to designing a new digital token not connected to the existing accounts that commercial banks hold with a central bank.

From a legal perspective, the difference is between centuries-old traditions and uncharted waters. The first model is as old as central banking itself, having been developed in the early seventeenth century by the Exchange Bank of Amsterdam — considered the precursor of modern central banks. Its legal status under public and private law in most countries is well developed and understood. Digital tokens, in contrast, have a very short history and unclear legal status. Some central banks are allowed to issue any type of currency — which could include digital forms — while most (61%) are limited to only banknotes and coins.

Another important design feature is whether the digital currency is to be used only at the "wholesale" level, by financial institutions or could be

Special Features

accessible to the general public ("retail"). Commercial banks hold accounts with their central bank, being therefore their traditional "clients." Allowing private citizens' accounts, as in retail banking, would be a tectonic shift to how central banks are organized and would require significant legal changes. Only 10 central banks in our sample would currently be allowed to do so.

A Challenging Endeavor

The overlapping of these and other design features can create very complex legal challenges — and could well influence the decisions made by each monetary authority.

The creation of central bank digital currencies will also raise legal issues in many other areas, including tax, property, contracts and insolvency laws; payments systems; privacy and data protection; most fundamentally, preventing money laundering and terrorism financing. If they are to be "the next milestone in the evolution of money," central bank digital currencies need robust legal foundations that ensure smooth integration to the financial system, credibility and broad acceptance by countries' citizens and economic agents.

Brink

Among Member Banks

Bank of East Asia full-year profit rose 11% as mainland China losses narrowed

Bank of East Asia (BEA) reported on February 24 that annual profit for 2020 increased by 10.8%, or by HK$354 million, on year to HK$3.61 billion, from HK$3.26 billion earned in 2019.

Pre-provision operating profit fell by HK$1.51 billion, or 15.4%, to HK$8.34 billion. Profit increased mainly due to a significant drop in impairment losses in mainland China, the bank said.

The basic earnings per share were HK$0.97 in 2020, from HK$0.89 in 2019. Dividend for the year came in at HK$0.40.

The bank's return on average assets and return on average equity was 0.3% and 3%, respectively, in 2020, compared with 0.3% and 2.7%, respectively, in 2019.

Net interest income fell by HK$3.016 million, or 20.7%, to HK$11.55 billion. NIM fell from 1.86 %to 1.48 %, and average interest earning assets fell by 0.4 %. Net fee and commission income grew by by HK$47 million, or 1.6 percent, to HK$2.92 billion.

Net commission income from lending, retail banking services, securities and brokerage and sale of investment products grew, BEA said. This was partly offset by a decline in credit card and trade-related services resulting from the adverse macroeconomic conditions.

Taken together, net trading and hedging results and net results from other financial instruments increased by HK$268 million to HK$1.38 billion.

Net insurance profit was down by HK$55 million, mainly due to lower mark-to-market gain on financial instruments, the BEA said. Overall, non-interest income increased by 11% to HK$5.76 billion.

Total operating income fell by 12.4% to HK$17.31 billion. Total operating expenses fell by 9.4% to HK$8,963 million, due to declines in staff costs and internet platform charges Operating profit before impairment losses was HK$8.34 billion, down byHK$1.51 billion, or 15.4%, when compared with 2019.

Total deposits of customers increased by 2.7% to HK$589.20 billion.

The Standard

ASIAN BANKERS ASSOCIATION

Among Member Banks

State Bank of India joins JPMorgan's blockchain payments network

The State Bank of India (SBI) is looking to improve cross-border payments with a blockchain solution by US investment bank JPMorgan Chase.

According to a report by The Economic Times, the SBI has joined Liink, a new blockchain-based interbank data network developed by JPMorgan. By integrating the technology, the bank expects to reduce transaction costs and improve cross-border payments for its customers.

SBI deputy managing director Venkat Nageswar said that the bank has already gone live on Liink. "We are excited to be the first bank in India to go live on the network and look forward to closer partnership with JPMorgan on implementation and exploring applications as part of the network to better serve our clients," Nageswar stated.

Liink is a peer-to-peer network and ecosystem operating under the umbrella of JPMorgan's blockchain- and digital-currency-focused business, dubbed Onyx. Piloted in 2017, the product was originally referred to as Interbank Information Network and rebranded as Liink in October 2020.

The Liink solution has enlisted more than 400 financial institutions and corporations in 78 countries, including 27 of the world's top 50 banks. The network has around 100 live banks on the network, including both state-owned and private institutions, according to The Economic Times.

Prabdev Singh, managing director of JPMorgan Chase India, said that the latest partnership with the SBI falls in line with the company's plans to expand its blockchain presence in India.

In conjunction with rebranding to Liink in October 2020, JPMorgan also launched its proprietary stablecoin, JPM Coin. As previously reported by Cointelegraph, the stablecoin is implemented for cross-border transactions.

Cointelegraph

MUFG Bank inks MOU with India's ICICI Bank to aid Japanese firms

The banking unit of Japan's Mitsubishi UFJ Financial Group said on January 22 that it would Major Japanese commercial bank MUFG Bank has signed a memorandum of understanding with ICICI Bank to cooperate with the leading Indian bank in supporting Japanese companies operating in the South Asian country.

Under the MOU concluded on February 5, MUFG will introduce Japanese firms to ICICI in line with their needs so that they can use the Indian bank's financial services, including the opening of personal accounts and the use of automatic teller machines.

The Japanese bank will also offer corporate customers information on local industries, hold business-matching events for companies of the two countries and organize business meetings, taking advantage of ICICI's network of clients and more than 5,200 branches.

MUFG, which has four branches and a sub-branch in India, expects the number of Japanese companies doing business in the country to begin increasing again after a recent lull stemming from the coronavirus pandemic.

Kyodo

Mizuho Financial to appoint Kato as CEO of bank unit

Mizuho Financial Group has decided to appoint the current Managing Executive Officer of its banking unit, 55-year-old Masahiko Kato, as the new CEO of the bank. Kato is likely to assume the role in April.

Departing CEO Koji Fujiwara, 59, will be named Mizuho Bank's chairman.

A new management structure at the banking unit is expected to be unveiled after Fujiwara's four years as head.

Kato's other credentials include overseas sales experience as the branch head in Hanoi and Seoul. After directing sales in Nagoya from 2019, Kato since last year has been providing support to cash-strapped companies in central Japan due to the COVID-19 pandemic.

Tatsufumi Sakai, 61, will continue leading Mizuho Financial Group as CEO, and will be in his fourth year at the top.

Nikkei Asia

Among Member Banks

SMBC launches sustainability-linked loan for overseas Japanese customers

Sumitomo Mitsui Banking Corporation (SMBC) announced on February 5 the launch of Sustainability-Linked Loan (SLL) financing for its overseas Japanese customer's ESG (Environmental, Social, and Governance) and SDGs (Sustainable Development Goals) related activities.

The objective of SLLs is to promote and support environmentally and socially beneficial economic activities by linking corporate loan terms with a customer's performance against mutually-agreed, sustainability performance targets (SPTs) consistent with a customer's sustainability strategy. The objective of the SLL is to incentivize customers to improve their sustainability performance.

SMBC arranges SLLs in accordance with the Sustainability-Linked Loan Principles (SLLPs) published by the Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA).

The first SLL financing was extended to Bridgestone Americas, Inc. and closed by SMBC as sole Arranger, Administrative Agent and Sustainability Coordinator on January 31, 2021. This is the first SLL financing arranged by SMBC for an overseas Japanese customer.

The loan was successfully syndicated amongst a club of banks and features a sustainability-linked pricing adjustment mechanism tied to Bridgestone Corporation's ESG evaluation scores as assessed by Sustainalytics and FTSE Russell. The financing was structured by SMBC in accordance with the SLLPs and pertinent market guidance.

Last April, SMBC Group, including SMBC, established "SMBC Group GREEN × GLOBE 2030", a ten-year plan that extends to 2030 based on the Sustainability Statement. Particularly, in order to take actions in solving environmental issues, a target of JPY 10 trillion has been set for Green Finance to be achieved by the end of FY2029.

Based on the Sustainability Statement, SMBC will engage and act together with customers and other stakeholders to contribute to the global transformation into a better society.

Business Wire

KDB, Environment Ministry to develop framework to foil greenwashing

Korea Development Bank (KDB) said on February 16 it was working with the Ministry of Environment to foster a standardized framework for its green bond issuance in a bid to cut greenhouse gas emissions.

KDB officials said the move will ensure that issuers, including KDB, will use the green bond proceeds for environmental purposes and prevent issuers from "greenwashing," in which companies make green gestures without meaningfully improving their environmental impact.

KDB added that the collaboration is designed to revamp its internal green bond principles, largely based on the Environment Ministry's guideline unveiled in December.

KDB is one of the issuers along with carmaker Kia, auto parts maker Mando, commercial lender KB Kookmin Bank and shipbuilder Hyundai Heavy Industries to join the partnership with Environment Ministry.

The new principle will be applied to the forthcoming 300 billion won ($273 million) batch of KDB green bonds being issued in the first quarter. So far, KDB has issued a combined 500 billion won of won-denominated green bonds since 2018 to finance solar power projects, subway construction and installations of exhaust gas scrubbers on marine vessels.

KB Kookmin Bank plans to issue a 100 billion-won green bond under the partnership with Environment Ministry by the end of March to finance new and renewable energy projects.

Moreover, third-party independent assurance providers that are dedicated to green bond qualification -- NICE Investors Service, Korea Ratings, Korea Investors Service and Deloitte Korea -- will also adopt Environment Ministry's guideline by joining the partnership.

The Korea Herald

Among Member Banks

Maybank Indonesia records net profit of 1.3 trillion rupiah in FY20

Maybank Indonesia recorded a net profit and minority interest (PATAMI) of 1.3 trillion rupiah for the financial year ended Dec 31, 2020 (FY2020) against 1.8 trillion rupiah in the previous year.

The bank recorded a significant increase in its digital banking transactions both in the retail segment and corporate segment, that is, total transaction volume made through e-banking service Maybank2u (M2U) in 2020 jumped 110%, hitting 10 million transactions. In a statement, it said total customer deposits acquired through M2U surged 190.2% to reach 3.4 trillion rupiah.

Total transaction volume made through Maybank2E, an internet banking platform designed specifically for corporates, surged by 36.2% to 970,000 transactions, with funds collected increasing 78.8% to 14 trillion rupiah.

Net interest income fell 11.1% year-on-year to 7.3 trillion rupiah, due to a reduction in loan balances as the bank continued to maintain selective loan growth strategies due to the pandemic. The net interest margin also decreased by 51 basis points to 4.6% at the end of December 2020, due to the decrease in loan yields, which was in line with the reduction in Bank Indonesia rates and loan restructuring programmes to assist customers impacted by the pandemic.

Maybank Indonesia's capital level remains strong with the capital adequacy ratio standing solid at 24.3% as of December 2020, compared with 21.4% in the same period last year, while the total capital was higher at 27.1 trillion rupiah in December 2020 than 26.8 trillion rupiah, previously.

Its president director Taswin Zakaria said performance was impacted by the unprecedented challenges presented by the pandemic but the bank nevertheless, managed to offset declining income from loans with fee income resulting from global market, wealth management and bancassurance fees.

Meanwhile, shariah banking contributed 16.2% of profits and comprises 20.4% of the bank's total consolidated assets. Shariah banking grew by 8.1% to 35.3 trillion rupiah in December 2020 from 32.6 trillion rupiah, previously. Total customer deposits from shariah banking also increased 7.8% to 27.4 trillion rupiah from 25.5 trillion rupiah, supported by 28.6% growth in shariah savings.

The Star

BML donates educational tools to SEN classes in 10 more schools

Bank of Maldives (BML), on February 24, announced the donation of educational tools to aid students with special education needs (SEN) in 10 more schools.

Donations were made to Haa Alif Atoll Education Centre, Haa Dhaalu Atoll Education Centre, Lhaviyani Atoll Education Centre, Kaafu Atoll School, Alif Alif Mathiveri School, Alif Alif Fenfushi School, Dhaalu Atoll Education Centre, Laamu Atoll Education Centre, Mohamed Jamaluddin School and Seenu Atoll Education Centre.

The educational tools donated will support more than 400 students in developing their individual abilities in order to positively impact learning and development in an inclusive environment.

A key focus of BML's corporate social responsibility strategy includes supporting people with disabilities. As part of this initiative, educational tools were also donated last year to 10 islands to support students in SEN classes.

Additionally, BML donated 65 wheelchairs to enhance the lives of people with mobility impairments in 2020.

The Edition

Sanima renews agreement with Patan Hospital

Sanima Bank and Patan Hospital have renewed their agreement from the previous year per which Sanima Bank had been providing financial assistance of up to Rs20,000 per person for the treatment of women in the low-income group.

The agreement was signed by Sanima Bank CEO Bhuvan Kumar Dahal and the director of Patan Hospital Professor Dr Ravi Shakya in a program organised at Sanima Bank's central office in Naxal.

Nepali Times

Among Member Banks

PNB among top companies in corporate governance

Philippine National Bank (PNB) has been ranked among the country's top companies and one of the top scorers in the 2019 ASEAN Corporate Governance Scorecard (ACGS) of the Securities and Exchange Commission (SEC) and the Institute of the Corporate Directors (ICD).

The virtual awarding was held last January 29, 2021 via Zoom. The ACGS is a set of questions developed in accordance with corporate governance principles of the Organization for Economic Cooperation and Development (OECD) as well as best corporate governance practices of major publicly listed companies in ASEAN.

"We thank the SEC and ICD for this prestigious recognition. We continue to adopt the best corporate governance practices in PNB as all our stakeholders will stand to benefit," adds PNB President and Chief Executive Officer (CEO) Wick A. Veloso.

In October 2020, PNB was awarded by The Asian Banker for "Best Managed Bank during Covid-19" and "Best CEO Response to Covid-19" for demonstrating excellence in the response to the challenges brought about by the enhanced community quarantine imposed due to the Covid-19 outbreak. The Bank was also named "Best Bank for Corporate Social Responsibility (CSR)" by Asiamoney on its annual Best Bank Awards, which is the first international recognition of the Bank for its CSR efforts. Likewise, PNB was recognized as a Leader for Women by Asiamoney in its Women in Finance supplement. Among 60 banks in Asia, PNB was one of the banks with the highest percentage of women in the overall workforce.

Sunstar

RCBC partners with DepEd to promote digital savings

The Philippines' Department of Education (DepEd) and the Rizal Commercial Banking Corporation (RCBC) have teamed up to promote digital savings among students, parents, and teachers amid the Covid-19 pandemic.

In a virtual briefer on February 23, RCBC announced the launch of an incentive promotion through its finance app DiskarTech to the over 27.5 million students, parents, and teachers nationwide.

"As DepEd also integrated financial literacy in our K-12 curriculum, partnership programs like DiskarTech of RCBC will allow our teachers and learners to experience how technology works for us while we are securing our finances and save for the most important and unanticipated events such as the Covid-19 pandemic," DepEd Undersecretary for Finance Annalyn M. Sevilla said.

The RCBC said DiskarTech users will have a chance to win the equivalent amount of their average daily balance during the month-long promo. Qualified transactions within the app, including free fund transfers, cash-ins, and bills payment, have an equivalent number of raffle entries.

Aside from this, prepaid phone credits worth PHP1,000, called "AyuData" or ayudang mobile data, are also up for grabs to lucky promo winners. These electronic load prizes are a month's worth of mobile data that may be used by learners and teachers for online schooling.

"With the shift to blended learning modality, there had been challenges faced not just by our learners, but most especially by our teachers, and parents. This collaboration aims to address some of those pain points while further empowering and enabling all our stakeholders in the education sector through this digital platform. We made digital savings fun and exciting," RCBC executive vice president and chief innovation and inclusion officer Lito Villanueva said.

In a 2019 study, the Bangko Sentral ng Pilipinas, the country's central bank, said 53% of adult Filipinos are savers but 51% of them save at home.

The survey showed that while account ownership has improved in the last two years, more than two-thirds of Filipinos still lack access to a formal account.

Philippine News Agency

Among Member Banks

Doha Bank wins Golden Peacock Global Award 2020 for Sustainability

Doha Bank has won the ‘Golden Peacock Global Award for Sustainability 2020’, with Doha Bank Group CEO Dr. R. Seetharaman receiving the award in a ceremony held online.

The event was hosted by Institute of Directors, India, and attended by distinguished bankers, academics, environmentalists, economists, legislators and policy makers.

Seetharaman said, “This is a milestone achievement in our efforts towards sustainability. It gives us a boost to strengthen our efforts towards sustainable development. Doha Bank will continue to work on sustainable development of its stakeholders.

“Green Banking and Climate Change Financing are the key initiatives to promote green economies. Doha Bank advocates and practices Green Banking, which is one of the core business philosophies that will support sustainability into the future. Banks should align lending activities with environmental cause.”

He added: “They should develop environmental and social risk management and expand the scope of risk management to include social and environment risk also. Public Private Partnership (PPP) models can potentially address the challenges posed by climate change and there should be policies to attract private sector investment.”

Due to Doha Bank’s unwavering commitment to carbon neutrality, the bank signed a Memorandum of Understanding (MoU) with Gulf Organisation for Research and Development (GORD) to explore areas of mutual collaboration in sustainability and carbon neutrality.

Doha Bank, a pioneer in Qatar for annual sustainability disclosures, has been publishing these disclosures for more than a decade. Its sustainability reporting is guided by the Qatar Stock Exchange (QSE) ESG reporting methodology since 2016. Doha Bank was the first listed company on the Qatar Stock Exchange to be included in the FTSE4Good Index and the bank also received an MSCI ESG Rating of BB.

Gulf Times

DBS names new country head for Malaysia

DBS Bank has appointed a new Malaysia country head to take over from Mr. Jeffrey Ling, who will be retiring from the role but taking on a senior advisory role. Mr. Abdul Raof Latiff will take over the reins from June 1.

Besides heading up the Malaysia operations, Mr. Latiff will continue to oversee DBS' institutional banking ecosystems and strategic platform partnerships.

He previously held several senior regional positions at global banks, including Citigroup, JP Morgan and HSBC. He has more than 25 years of banking experience in areas such as transaction banking, foreign exchange and treasury functions.

Mr. Latiff, who joined DBS in 2017, has helped to develop and drive digital transformation of the bank's institutional banking franchise.

He is currently DBS' group head of digital for institutional banking and group head of global transaction services product management.

Meanwhile, Mr. Ling, who has been with DBS since 1995, will stay on as a senior adviser to continue engaging DBS' key clients in Malaysia.

DBS said: "(He) has been integral in transforming DBS Malaysia from a small-and medium-cap focused business into a large corporate franchise covering sovereign wealth funds, privately owned conglomerates and government-linked corporations."

New Straits Times

Among Member Banks

UOB and SBF to connect Singaporean companies to cross-border opportunities

United Overseas Bank (UOB) is stepping up its efforts to help more Singaporean companies seize cross-border business opportunities in ASEAN's US$3 trillion economy. The Bank on February 19 signed a Strategic Partnership Agreement with Singapore Business Federation (SBF) to be the chosen financial partner of the GlobalConnect@SBF Strategic Partnerships initiative.

The collaboration combines the strengths of UOB and SBF in connecting Singapore businesses, including more than 27,000 SBF members, to opportunities opening up across ASEAN, especially in Indonesia, Thailand and Vietnam. The region presents a compelling proposition for businesses looking to grow, with the bloc projected to be the world's fourth-largest economy by 2050. Trade agreements, such as the Regional Comprehensive Economic Partnership, are also expected to boost the region's growth.

UOB's FDI Advisory Unit helps companies with their market entry by providing deep in-market insights and access to the Bank's partner ecosystem comprising regional government agencies, trade and business associations. Such insights and access are essential to companies navigating their overseas expansion, a sentiment that was reiterated in a recent study by UOB. According to the UOB SME Outlook 2021 Study, the lack of local market knowledge and difficulty in finding the right partners were the top two barriers Singapore companies faced when venturing overseas.

Through UOB's FDI Centres located across the region and SBF's Singapore Enterprise Centres, companies will benefit from the on-ground assistance provided by both organisations. UOB will also provide financial support and help businesses in their digitalisation journey, accelerating their adoption of technology by providing its comprehensive suite of digital solutions.

In addition, both organisations will share information and resources with Singapore companies through avenues such as webinars that are complimentary for SBF members to help them learn more about ASEAN's diverse operating environments and to identify business opportunities.

Yahoo! Finance

HNB Group posts PAT of Rs 13.7 Bn; deposits up by Rs. 158 bn

Hatton National Bank (HNB) demonstrated resilience and posted Rs 13.7 billion in Group Profit After Tax during 2020, a year laden with unprecedented circumstances and challenges. Bank level Profit After Taxes amounted to Rs 11.5 billion.

Commenting on the performance, Chairman of HNB Dinesh Weerakkody stated that "2020 has been a year unlike any other in recent memory as the COVID-19 Pandemic transformed the socioeconomic landscape dramatically but we proved our ability to adjust rapidly as we leveraged technology and adapted to the new normal, sharing the responsibility to stay safe as well as keep our communities safe and empowered.

Jonathan Alles, Managing Director/CEO of the Bank stated: "in the wake of the COVID-19 pandemic, we reprioritized our focus to ensure that we navigate the uncertainties and risks effectively to safeguard the interests of all our stakeholders."

"During the first phase we provided debt moratoria to customers covering approximately 40% of our loan book."

Mr. Alles, commenting on the performance, stated that "in the wake of the COVID-19 pandemic, we reprioritised our focus to ensure that we navigate the uncertainties and risks effectively to safeguard the interests of all our stakeholders. We also extended working capital finance of over Rs 24 Bn to affected sectors at concessionary interest rates under the CBSL relief scheme and set up a Rs 5Bn fund through our own funds to support SMEs."

The accommodative monetary policy adopted by the CBSL to drive economic growth saw AWPLR dropping sharply by over 400bps during the year.

Ceylon Daily News

Among Member Banks

Bank of Taiwan looks to housing loans for growth

Bank of Taiwan is seeking to strengthen its consumer banking business this year, led by mortgage operations, in line with the government's efforts to help young people buy their own home, chairman Joseph Lyu said.

Consumer banking hit NT$1.5 trillion (US$52.85 billion) last year, with mortgage and home renovation loans accounting for 53.3%, or NT$800 billion, Lyu told reporters during a public function to mark the first day of work after the Lunar New Year holiday.

"Bank of Taiwan will continue to focus on mortgage operations to support the government's efforts to help young people buy a home by offering preferential interest rates," Lyu said.

In addition, the lender would seek to increase housing loans to government employees, military personnel and public school teachers, as these groups have relatively stable income to meet debt payments, he said.

Loans to these target customers are forecast to reach NT$200 billion this year, which would be about similar to last year's level, as homeowners have to meet debt obligations, rendering net new loans at between NT$70 billion and NT$80 billion, Lyu said.

The state-owned lender commands a market share of 26.26% for housing loans to young people, translating into 85,000 houses. While seeking business growth, the bank assigns great importance to asset quality and risk management, Lyu said, explaining why its bad loan ratio dropped to a historic low of 0.15% last year.

The bank is upbeat about the nation's economy this year and would set business targets for different units based on expectations that GDP would grow 4%, Lyu said.

Taipei Times

PT Bank CTBC Indonesia receives appreciation award for education program

During the Covid-19 Pandemic, almost all activities were carried out online, including the learning process of young people, in New Normal practice mostly using Distance Learning or the E-Learning System.

To support the Indonesian government's banking literacy program, PT Bank CTBC Indonesia is collaborating with Sekolah.Mu to create a comprehensive and free learning program for SMP (junior high), SMA (high school), or equivalent students on how to become a young banker, especially at PT Bank CTBC Indonesia.

The program received extraordinary welcome due to the high number of students registering. On February 2, 2021, PT Bank CTBC Indonesia received an appreciation award from the DKI Jakarta Education Office, as one of non-school institutions that organizes live learning program for junior high and high school students in DKI Jakarta. The awarding was witnessed by head of Sekolah.Mu, Mrs. Najeela Shihab for the contribution of PT Bank CTBC Indonesia as an institution that has implemented Blended Learning in Banking Education program.

PT Bank CTBC Indonesia, represented by Mrs. Titiek Tjahjadi, Group Head HR & GA, received the award from the Director of Education of Jakarta Province, Mrs. Nahdiana. "It is an honor and our privilege for PT Bank CTBC Indonesia to receive this award. We will continue to contribute in the Education Program" she said.

Among Member Banks

E.Sun Bank and 32 Taiwanese companies launch ESG initiative to promote sustainability

E.Sun Commercial Bank on February 19 launched its "E.Sun ESG and sustainability initiative" in a ceremony in Taipei, with Vice President William Lai and Vice Premier Shen Jong-chin attending the event to express their good wishes.

E.Sun Bank founder Huang Yung-jen, chairman Joseph Huang and the leaders of 32 Taiwanese companies, including delegates from China Steel Corp and AU Optronics Corp, signed the initiative's Sustainable Development Advocacy.

E.Sun and the companies pledged to incorporate environmental, social and governance (ESG) factors into their business, and implement the UN Sustainable Development Goals. They also committed to taking action against the most urgent climate change issues.

The initiative has gathered companies that demonstrated leadership in sustainable development. All participants committed to taking positive environmental action to reduce greenhouse gas emissions and reduce the impact on the environment.

Through the initiative, it is expected that Taiwan's industry would pay more attention to ESG factors and sustainability.

E.Sun has been listed in the Dow Jones Sustainability Index for seven years in a row, setting a record for firms in Taiwan's financial sector. The bank is also leading its peers in introducing the Equator Principles, "green" bonds and ESG-linked loans.

E.Sun is a long-term supporter of renewable energy establishment. In 2019, the bank took the lead to terminate financing to coal-fired power plants, a pioneering action that could reduce negative effects of high ESG-risk business activities.

E.Sun will continue to improve its management and practices of ESG. By pledging to the "E.Sun ESG and Sustainability Initiative," the bank wishes to promote the idea together with Taiwanese companies that share the same vision.

E.Sun hopes to make positive contributions and raise awareness in the Taiwanese industry by addressing ESG issues and pursuing sustainable development.

Taipei Times

First Commercial forecasts growth

State-run First Commercial Bank forecast that its loan growth would reach 7 to 8% this year, following an 8% increase to NT$1.91 trillion (US$67.5 billion) last year, bank vice president Tsai Su-hwei said.

Benefiting from a low interest rate environment, corporate loan growth at the banking arm of First Financial Holding Co is forecast to reach 8 to 9% this year, along with 4 to 5% growth in mortgage loans, Tsai said at an online earnings conference. In addition, the company's net fee income is predicted to grow 15% this year on the back of steady growth in the economy, compared with a decline of 6.8% to NT$7.33 billion last year, she said.

The bank's net interest margin is likely to fall to 0.95% in the first half of this year, from 1% at the end of last year, due to less interest income from bonds, it said.

First Bank's net profit fell 17.6% year-on-year to NT$15.68 billion last year, as the net interest margin was affected by central banks' expansionary monetary policies and its investment gains fell amid the COVID-19 pandemic.

First Securities Inc's net profit reached NT$744 million, up 173.5% year-on-year, while its insurance affiliate First Life Insurance Co's net profit was NT$485 million, up 98.8%, First Financial data showed.

Overall, First Financial's net profit fell 13.2% to NT$16.81 billion last year from a year earlier, which translated into earnings per share of NT$1.31. The company's net value per share was NT$17.23 last year and its return on equity was 7.6%.

It said its asset quality continued to improve as First Bank's nonperforming loan ratio fell to 0.24 at the end of last year, from 0.29% in the first half of last year, and the bank's loan-loss coverage ratio stood at 527%, up from 404% at the end of June.

The financial holding's capital adequacy ratio (CAR) was 125.25% at the end of last year, up from 123.18% at the end of June, while its banking unit's CAR was 13.63% and tier-1 CAR was 11.66%, compared with 43.43% and 11.44% six months earlier respectively, company data showed.

The company said its dividend payout ratio would remain at about 60% this year.

Taipei Times

Among Member Banks

Hua Nan Financial eyes expansion in operations

State-run Hua Nan Financial Holding Co aims to expand fee incomes, investment gains, overseas operations and lending to small and medium enterprises this year, it said on February 24.

The bank-focused conglomerate set the goal at a meeting of managers from different divisions after net income slumped to NT$8.66 billion (US$305.94 million) last year, or earnings per share of NT$0.67.

The results suggested a 48.85% retreat from earnings per share of NT$1.31 a year earlier, attributable mainly to losses at its subsidiary Hua Nan Securities Co.

The securities arm failed to reverse huge losses from March last year, when global exchanges tumbled following lockdowns and interest rate cuts introduced to ease the effects of the COVID-19 pandemic.

Hua Nan Securities finished last year with losses of NT$3.63 billion, wiping out the group's income by NT$5.57 per share.

The main subsidiary, Hua Nan Commercial Bank, grew its lending, wealth management and other operations amid ultra-low interest rates and wild market volatility, Hua Nan Financial Holding chairman Derek Chang said.

The hostile macro-environment drove up funding costs and weighed on interest spread, but Hua Nan Bank posted net profit of NT$12.46 billion, or earnings per share of NT$1.45, Chang said.

Chang urged the bank to pursue further growth in overseas assets, investment gains, fee incomes and loans to small and medium companies. He said Hua Nan Bank should seek to improve business at its overseas branches while monitoring asset quality.

In the meantime, the state-run lender said it would support the government's effort to shore up companies in strategically important industries.

Taipei Times

Erste Group expects lower cost of risk, better profitability in 2021

Erste Group Bank AG expects a decline in cost of risk and improvement in profitability in 2021, given the positive economic outlook for its markets of operation in central and Eastern Europe, CEO Bernd Spalt said at a 2020 earnings presentation Feb. 26.

For 2020, the Austrian bank posted a drop in net profit attributable to owners of the parent to €783.1 million from €1.47 billion a year ago, while its cost of risk soared to nearly €1.3 billion from €39.2 million in 2019.

The projected positive GDP growth across the bank's markets, which include Austria, Czechia, Slovakia, Hungary, Romania, Serbia and Croatia, will result in loan growth in the low to middle single-digit percentage range across those markets, Spalt told analysts.

Net interest income will remain "flattish" as compared to 2019, while the fair value and trading result should improve year over year, the CEO said. Erste also expects a low to middle single-digit percentage rise in fee income rates, Spalt said.

The bank will strive to achieve a positive jaw ratio, which measures income growth to cost growth, in 2021 but cannot "firmly" commit to this target, the CEO said.

The key challenge here is the strong 2020 operating result of €2.93 billion, which will be hard to beat this year given that costs also need to be under control to keep the cost-to-income ratio within a range that would not endanger the positive jaws, CFO Stefan Dörfler said.

"Honestly speaking, we are setting the ambition and we are optimistic but based on the excellent operating result in 2020, it is not something that we actually translate into a guidance," he said.

When it comes to risk, the bank has done a lot of frontloading in 2020. Therefore, if the economic recovery in its markets happens as expected, the bank's cost of risk should decline this year, the CEO said.

Erste guides for cost of risk below 65 basis points of gross customer loans in 2021 and a nonperforming-to-total loans ratio of 3% to 4%. In 2020, cost of risk was 78 basis points and the NPL ratio was 2.7%.

With positive revenue and cost development and a lower cost of risk, "profitability is expected to be better than in 2020," Spalt said, but cautioned that achieving the bank's 2021 targets depends heavily on the success of the vaccination strategy across Erste's markets over the next two to three quarters. This is essential for the economic recovery in the region and a core risk to Erste's outlook, the CEO said.

S&P Global

Banking and Finance Newsbriefs

Hong Kong

Hong Kong cut from economic freedom list

Hong Kong has been removed from an annual index of the world's freest economies because the think tank that compiles the league table said that the territory was now directly controlled by Beijing.

The announcement is a reputational blow for Hong Kong and comes as Beijing ramps up its bid to quash dissent after pro-democracy demonstrations in 2019.

The Heritage Foundation, a US-based think tank, publishes an annual Index of Economic Freedom, ranking countries and territories for how business-friendly their regulations and laws are.

Over the past 26 years, Hong Kong topped the table for all but one year — a source of pride to the territory's government, which often used the accolade in its official news releases and investment brochures.

However, Hong Kong is not on this year's ranking because the report's authors believe that it is no longer independent enough of Beijing to justify separate inclusion. Instead it and Macau are to be counted as part of China, which languishes in 107th place in the index, between Uganda and Uzbekistan, in a section where economies are rated as "mostly unfree."

"The loss of political freedom and autonomy suffered by Hong Kong over the past two years has made that city almost indistinguishable in many respects from other major Chinese commercial centers like Shanghai and Beijing," Heritage Foundation founder Edwin Feulner wrote in the Wall Street Journal.

Hong Kong's "ties to Beijing are increasingly forged in steel," Feulner said, adding that its pre-handover "traditions of English common law, freedom of speech and democracy have weakened significantly."

Beijing says the security law was needed to restore stability to Hong Kong, but it has also dramatically altered the legislative and judicial relationship with mainland China.

Chinese leaders have announced that they want to ensure only "staunch patriots" run the territory, including within its judiciary. That has created some jitters within the international business community, especially as Beijing falls out with a growing list of Western powers.

AFP

India

Central bank in India warns over cryptocurrencies

The head of the Indian central bank said he is concerned that cryptocurrencies might affect financial stability in Asia's third-largest economy, a view that could shape regulations on the asset that is breaking price records around the world.

The monetary authority has conveyed these "major concerns" to the Indian government, Reserve Bank of India Governor Shaktikanta Das said in an interview with CNBC TV-18.

Indian Prime Minister Narendra Modi's administration is proposing to prohibit all private cryptocurrencies in the country and create a framework for an official digital currency.

While Das did not elaborate, the bank has expressed concerns on digital currencies related to issues ranging from money laundering to funding terrorists.

The central bank had banned banks and other regulated entities from supporting cryptocurrency transactions in 2018 after digital currencies were used for fraud following Modi's landmark demonetization program that replaced India's cash with new bills.

The Indian Supreme Court cut the curbs last year in response to a petition by cryptocurrency exchanges.

The central bank is "very much in the game" in getting ready to launch its own digital currency, Das said, joining other central banks, including China's electronic yuan.

While there was no set date for roll out, the project is "receiving our full attention," while the Reserve Bank of India is working on the technology and procedural aspects, and is tying up several loose ends, Das added.

Bloomberg

Banking and Finance Newsbriefs

Iran

Iran says Seoul to Release $1 Billion Blocked by U.S. Sanctions

Iran said South Korea has begun to release some of the $7 billion it has trapped in the Asian country because of U.S. sanctions, progress toward ending a spat linked to the seizure of an oil tanker.

Seoul will free $1 billion in an “initial step” that could eventually resolve the dispute, Iranian government spokesman Ali Rabiei said at a news conference in Tehran on February 23. Iran has said it wanted to use the funds to purchase medicines during the coronavirus outbreak.

South Korea’s Yonhap News Agency reported the unfreezing of the funds would involve consultations with “related countries,” including the U.S., citing the Foreign Ministry in Seoul.

Rabiei said talks are also underway with Japan, Iraq and Oman to release Iranian funds stuck in those countries.

International banks refused to handle Iranian funds for fear of running foul of U.S. sanctions, making it impossible for Tehran to access money that accumulated in overseas deposits from energy exports.

Iranian officials have said that South Korea alone is holding between $7 billion and $10 billion in oil payments, and in January Rabiei linked his country’s seizure of the South Korean-flagged Hankuk Chemi vessel in the Persian Gulf to the frozen assets.

Bloomberg

Japan

Japan's bank deposits rise at record pace in Feb as consumers save, not spend

Japanese bank deposits rose in February at the fastest annual pace of record, data showed on March 8, as a renewed wave of coronavirus infections prodded households to save rather than spend.

The data underscores the pain consumers are feeling from the prolonged battle with the pandemic, which is hitting wage growth and could delay Japan's already fragile economic recovery.

Total deposits held by Japanese banks stood at 805.6 trillion yen ($7.4 trillion) in February, up a record 10.0% from a year ago following a 9.8% gain in January, Bank of Japan data showed.

"Deposits rose notably among households, likely due to a renewed rise in COVID-19 infections. We're seeing households hold off on spending," a BOJ official told a briefing.

Total bank lending was also up 6.2% in February as sectors hit hard by the pandemic, such as restaurants and hotels, took on additional loans to weather the pain, the data showed.

Japan's economy expanded an annualised 12.7% in the fourth quarter of last year thanks to a rebound in overseas demand that boosted exports.

But many analysts expect the world's third-largest economy to suffer a contraction in the current quarter, as renewed state of emergency curbs rolled out in January hurt consumption.

Reuters

Banking and Finance Newsbriefs

Malaysia

Malaysia's Islamic Banking Sector Continues to Expand Despite Pandemic

Malaysia's Islamic banking sector continued to expand amid economic challenges from the coronavirus pandemic, says Fitch Ratings. The share of Islamic financing in the banking system reached 37% by end-2020, with Islamic financing contributing nearly all of the banking sector's growth in 2020, driven by household financing and banks that promoted Islamic products as part of the "Islamic First" strategy.

In 2021, Fitch expects the Islamic banking sector's credit profile to remain stable with adequate loss-absorption buffers, despite near-term pressure on asset quality and profitability. Credit impairments are expected to accelerate and credit provisions to remain high, following a moratorium and other loan repayment relief provided to vulnerable borrowers, which have masked banks' underlying asset quality from 2020.

In the medium term, penetration of Islamic finance is likely to continue to rise due to an economic recovery, a supportive regulatory environment, and banks that continue to promote Islamic products.

Unique features of Malaysia's Islamic banking industry include risk-sharing investment accounts (mudaraba and musharaka) which, among other areas, are not guaranteed under the deposit insurance scheme (DIS). Investment accounts in other jurisdictions are typically covered by DIS or government guarantee. Although these accounts are contractually loss absorbing, cases of depositors bearing losses have not been seen.

Fitch Ratings

Nepal

Nepal’s economy contracts for first time in decades

Nepal’s economy contracted for the first time in four decades in the last fiscal year due to a months-long lockdown to contain the Covid-19 pandemic, officials said on March 5.

Nepal, wedged between China and India, ordered a strict lockdown in March last year, completely shutting down virtually all economic activity for nearly four months to curb the spread of the novel coronavirus.

Ishwari Prasad Bhandari, a senior official of the government’s Central Bureau of Statistics (CBS) said Nepal’s GDP shrank by 1.99% in the year ending July 15. It grew by 6.75% in the previous year.

“This is the first time since 1979-80 that the economy has recorded a minus growth rate,” Bhandari told Reuters, adding that the coronavirus outbreak had hit all sectors.

The government began to partially ease coronavirus containment measures in July, but many sectors like tourism, hotels, transport and theatres remained under curbs for longer.

Nepal began its vaccination campaign with AstraZeneca shots gifted by India in January. Infections are decreasing with 107 new cases reported on Thursday - a fraction of the peak hit in October. The Himalayan nation has reported 274,488 cases and 3,010 deaths so far, according to official data.

Business Recorder

Banking and Finance Newsbriefs

Philippines

Philippines' young REIT market snubbed by foreign investors

The first year of loosened regulations on real estate investment trusts in the Philippines has brought one successful listing but little of the foreign capital that the government had hoped to attract.

The first REIT to go public under the relaxed criteria implemented in January 2020 was AREIT, backed by the Ayala conglomerate. "As the first Philippine REIT, AREIT performed consistently, delivering dividends and growing its assets," President Carol Mills said in late February.

The REIT held three properties in Makati, Manila's financial and commercial hub, at its August launch. It has since doubled the value of its portfolio to 37 billion pesos with additions including an office building in Cebu and a commercial center outside Manila.

But the reduced red tape has been less successful at achieving the goal of drawing money from abroad to the nation's property market. Foreign investors can own up to 40% of a given REIT, yet AREIT is just 8% foreign-owned.

Finance Minister Carlos Dominguez said in February of last year that he did not see the market fully taking off in 2020, as investors were still learning the ropes, but that he expected a capital boom in the second year. Throughout most of 2020, foreign capital flowed out of the country's equity market, causing ripple effects through the REIT sector.

Adding more REITs will be key to promoting a more active market. DoubleDragon Properties' DDMP REIT, which holds a mixed-use complex in Manila, is set to list March 23.

The goal is to encourage real estate companies to sell properties to REITs for capital that can be invested in new development. But a weak REIT market "could end up weighing on property development" if it fails to draw enough capital, an analyst said.

Nikkei Asia

Singapore

Singapore banks told to monitor Myanmar fund flows after coup

Singapore’s central bank has told financial institutions (FI) to be vigilant to any suspicious transactions or fund flows between the city-state and Myanmar, a circular issued on March 4 showed, citing concerns over the potential for financial crimes.

The Monetary Authority of Singapore (MAS) reminded chief executives of financial institutions of the need for robust customer due diligence and appropriate risk mitigation measures in higher-risk situations.

The move came amid weeks of mass demonstrations in Myanmar after the military seized power. Singapore’s position as one of the world’s leading financial centers and a trade hub makes it particularly vulnerable to money laundering due to large cross-border flows. Singapore has close ties with Myanmar and is one of its biggest investors.

In the circular, the MAS urged financial institutions to keep timely tabs on the fast-developing situation in Myanmar, including unilateral sanctions imposed by other jurisdictions. The situation in Myanmar could give rise to money laundering, terrorism financing and other financial crimes, it said.

“Given the developments in Myanmar, FIs are reminded to take appropriate measures to manage any risks arising from their business activities and customer relationships, including reputational, legal and operational risks,” the MAS said.

Financial institutions should file any suspicious transaction reports and inform it promptly, it said, adding that such reports should be labeled “Myanmar 2021.”

The circular was issued two days after the central bank said in a media release that its regular surveillance of the banking system had not found significant funds from Burmese companies and individuals in banks in Singapore.

Reuters

Banking and Finance Newsbriefs

Sri Lanka

Central Bank of Sri Lanka announced the launch of the first-ever National Financial Inclusion Strategy

Central Bank of Sri Lanka announced the launch of the first-ever National Financial Inclusion Strategy (NFIS) of Sri Lanka on March 4, 2021.

The development of the NFIS was a multi-stakeholder effort led by the Central Bank which encompassed the expertise of various public and private sector institutions across the economy.

With an aspiring vision of "Better Quality Inclusion for Better Lives", the NFIS strives towards a financially inclusive Sri Lanka where all individuals and enterprises in Sri Lanka are well-informed and have fair, and equitable access to a range of high-quality, appropriate, secure, and affordable financial products and services that they can use to contribute to economic growth and improve their living standards.

The NFIS is strategically designed to align all isolated efforts of financial inclusion taken by various entities in the economy into a single direction, having noted the potential higher yield of these efforts.

As a part of the NFIS, a time-bound Action Plan which sets up delegated actions for each stakeholder has been introduced. The monitoring and evaluation of the NFIS Action Plan and providing appropriate policy guidance will be carried out by the national level Management Entities of the NFIS and the Regional Development Department of the Central Bank with the support of the NFIS Secretariat.

With the launch of the NFIS, Sri Lanka joins more than 60 countries around the world who have taken similar initiatives to improve financial inclusion landscapes to reach sustainable and inclusive economic growth.

Colombo Page

Taiwan

Taiwan forex reserves climb to new record at US$543bn

Taiwan's foreign exchange reserves last month increased by US$1.85 billion from January, to a new record of US$543.33 billion, despite a slower growth from the previous three months, when the reserves increased by US$11.57 billion, US$16.51 billion and US$12.16 billion respectively, the central bank said on March 5.

Department of Foreign Exchange Director-General Tsai Chiung-min said that the slower increase was due to balanced supply and demand in the local foreign exchange market.

The central bank in the past few months took measures to slow the appreciation of the New Taiwan dollar against the US dollar, including buying the US currency, which boosted Taiwan's foreign exchange reserves.

Tsai did not comment on whether the central bank last month increased its US dollar buying, but said that Taiwan recorded a net fund outflow of about US$20 million in February, citing Financial Supervisory Commission (FSC) data. This indicated a supply-demand balance in the market as investors adjusted their portfolios, he said.

The increase in foreign exchange reserves was in part also due to higher returns from the bank's investments. Other currencies in its investment portfolio appreciated against the US dollar, the central bank said.

Taipei Times

Banking and Finance Newsbriefs

Thailand

More than half of Thailand's household debt is good debt says Finance Ministry

Although Thailand's household debt has increased due to the COVID-19 crisis, household debt in many countries has also risen.

More than half of typical household debt is good debt, including home loans and business loans. The government and the Bank of Thailand (BOT) have continually taken measures to help debtors repay their creditors.

Adviser to the Fiscal Policy Office (FPO), Wuttipong Jittungsakul, said on March 9 that the COVID-19 situation caused the economy to contract in 2020, raising the level of household debt against the gross domestic product (GDP) to 86.6% in the third quarter of last year. The figure was calculated using the country's GDP growth rate in 2020, a negative 6.1%.

Other countries, such as Australia, Norway, Sweden, the Netherlands, Canada, South Korea and Malaysia, have also experienced similar circumstances. Their household debt to GDP ratio increased by between 87.5% and 128.1%.

More than half of Thailand's household debt is good debt, as people acquired loans to improve their quality of life. Thirty-four per cent was in home loans, 30 percent was for personal consumption, 18 percent was in business loans and 13 percent was in car and motorcycle loans.

Since the COVID-19 crisis, the government and the central bank have rolled out debt relief measures, such as extending repayment periods, suspending debt repayments, reducing interest rates, implementing debt restructuring and waiving interest payments. As a result, most debtors are able to repay their loans as usual, while the number of people asking for assistance has decreased. Once the economic situation improves, household debt is expected to decrease.

National News Bureau of Thailand

Vietnam

Vietnam's finance ministry warns about crypto trading risks

Vietnamese financial authorities have warned the public about the risks of cryptocurrency investment, as the industry is not regulated in Vietnam, local news agency Thanh Nien reported March 3.

The Ministry of Finance of Vietnam stated, "Vietnam has not adopted any legislation related to the issuance, trading, and exchange of virtual currencies and virtual assets."

The ministry stated that digital currencies are not part of Vietnamese securities laws and that there are only two exchanges, Ho Chi Minh Stock Exchange and Hanoi Stock Exchange, that are allowed to trade securities in Vietnam.

To address this gap, the ministry has established a dedicated research group to investigate the crypto industry and develop crypto regulation policies in the country. The ministry also emphasized the need to raise awareness about the industry in order to avoid potential risks in trading and investing, as well as risks associated with illegal and fraudulent crypto-related schemes.

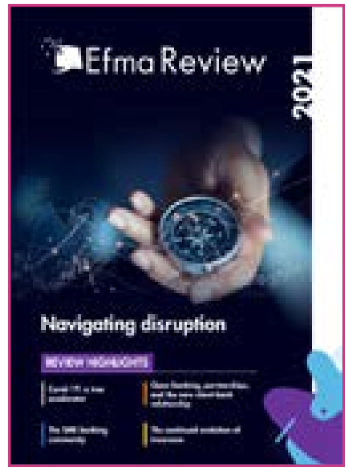
The new warning from the government comes amid reports of growing skepticism regarding a new cryptocurrency platform called the Pi Network. The network is becoming increasingly popular in Southeast Asia but has some worried that it could be a pyramid scheme. According to a report by VnExpress, Dang Minh Tuan, a blockchain expert at the Posts and Telecommunications Institute of Technology in Hanoi, said that the Pi Network lacks the transparency of a legitimate blockchain project.

As previously reported by Cointelegraph, the Vietnamese government has been somewhat hostile to the adoption of the crypto industry in recent years, despite its apparent endorsement of crypto's underlying blockchain technology. After banning cryptocurrency as a means of payment back in 2018, Vietnamese authorities have continued to urge the population to avoid crypto.

Cointelegraph

Publications

Efma Review 2021: Navigating Disruption



2020 was unprecedented by virtually every measure. A once-in-a-century pandemic swept the globe, upending everyone's lives in its wake. For many, it has been a difficult transition to our 'new normal', the term so often employed since March.

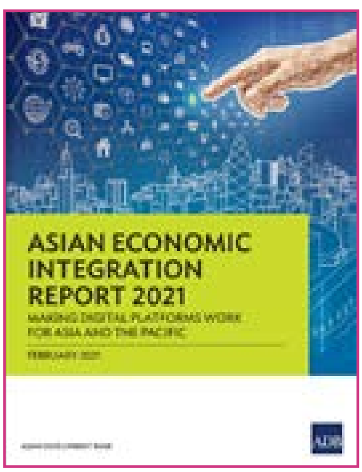
Yet, amidst the trying circumstances, there was ample opportunity for the most innovative players to stand out. Flexibility and digital tools are no longer nice-to-haves but essential to business continuity. Those companies that were able to quickly adapt their operations, both for their employees and their customers, have managed this crisis more adeptly. And those institutions that had invested time and resources into their digital capabilities in preceding years have been able to weather this storm far better than those that delayed their digital investments.

In this review, Efma looks specifically at four areas that have driven the conversation in the financial services space: how Covid-19 has accelerated pre-existing trends, SME banking and its crucial support for businesses, open banking and partnerships, and insurance and insurtech. For each topic, the most engaging reports, interviews, and articles have been selected.

Contact Details: Efma

Website: https://www.efma.com/study/detail/33300

Asian Economic Integration Report 2021: Making Digital Platforms Work for Asia and the Pacific



The outbreak in 2020 disrupted both supply and demand sides of an interconnected world economy. Asia and the Pacific was not immune as lockdowns and travel and trade restrictions affected nearly all aspects of cross-border economic activity.

The Asian Economic Integration Report 2021 looks at how regional economies individually or collectively respond to the crisis by, for example, leveraging rapid technological progress and digitalization as well as increasing services trade to reconnect and recover. The theme chapter focuses on digital platforms and how they can accelerate digital transformation across the region.

Contact Details: ADB Publications

Website: https://www.adb.org/publications/asian-economic-integration-report-2021

Publications

India's Approach to Open Banking: Some Implications for Financial Inclusion

This working paper prepared for the International Monetary Fund (IMF) examines how the development of the digital infrastructure known as the "India Stack"—including an interoperable payments system, a universal digital ID, and other features—is delivering on the government's objective to expand the provision of financial services.

While each individual component of the India Stack is important, the paper argues that its key overarching feature is a foundational approach of providing extensive public infrastructures and standards that generates important synergies across the layers of the Stack. Until recently, a large share of India's population lacked access to formal banking services and was largely reliant on cash for financial transactions. The expansion of mobile-based financial services that enable simple and convenient ways to save and conduct financial transactions has provided a novel alternative for expanding the financial net. The Stack's improved digital infrastructures have already allowed for a rapid increase in the use of digital payments and the entry of a range of competitors including fintech and bigtech firms.

Contact Details: IMF
Website: https://www.imf.org/en/Publications/WP/Issues/2021/02/26/Indias-Approach-to-Open-Banking-Some-Implications-for-Financial-Inclusion-50049

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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