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ABA holds first Policy Advocacy Meeting for 2021

The ABA Policy Advocacy Committee held its first meeting for 2021 on March 26, 2021. It was still in an online format as the ongoing Covid-19 situation remained precarious, making face-to-face discussion still not advisable.

The main agenda of the meeting was to consider position papers on policy issues that were earlier decided by the Committee at its second meeting for 2020 held virtually on November 13, 2020

The position papers were presented by representatives of ABA member banks and ABA Knowledge partners. Both ABA members and non-members were invited to participate in the online meeting, as the papers to be presented were deemed to be of current interest to bankers in general.

Mr. Jonathan Alles, Chairman of ABA and Managing Director/CEO of Hatton National Bank welcomed the meeting participants and thanked them for attending the virtual session. He thanked all those who would make presentations for generously agreeing to share their knowledge and expertise on policy issues of current concern to the banking community. He said that their insightful inputs during their respective presentations – and the interactions that would follow – would add great value to the deliberations.

Mr. Dilshan Rodrigo, Chairman of the ABA Policy Advocacy Committee and Chief Operating Officer of Hatton National Bank, joined Mr. Alles in welcoming the participants and in thanking the representatives of ABA member banks and Knowledge partners for their valuable contribution to the policy advocacy work of the Association. He then gave a brief rundown of the meeting agenda, before proceeding to request each of the speakers to make their presentations.

Paper on "HNB's Experience Driving Business Revival Post-Covid in MSME Sector"

Mr. K. Indravasan, Head of SME Banking at Hatton National Bank (HNB), presented a paper sharing the experience of HNB in its efforts to help strengthen supply chain linkages of its customers, particularly the MSMEs and the SMEs, and to support their digitalization transformation.

In his presentation, Mr. Indravasan highlighted the following points:

a. HNB's envisioned the following objectives in formulating its program to assist its MSME customers:
   - Engaging with impacted clients through counseling and sharing best practices
   - Commencing regional workshops and webinars on business revival
   - Redefining the roles of Relationship Managers and Micro finance field officers

b. To achieve these objectives, HNB provided the following services to its clients:
   - Strengthening the disrupted supply chain post-Covid
   - Providing direct links
   - Creation of market place
   - Uninterrupted financing of supply chain
   - Continuous lending to agriculture sector and cottage industries during the pandemic

c. HNB provided an enabling environment for its clients to embrace technology during the pandemic through the following:
   - Increased usage of digital platforms
   - Renewed appetite for technology-based products by MSME clients
   - Development of Digital Market Place

d. HNB identified the following as the challenges it faced in providing assistance to its MSME clients:
   - Protecting clients during the pandemic by leveraging on changes made in the operating model of HNB in transformation
   - Preparing frontline marketing and relationship management to take on mentoring and guiding role
   - Adopting to new technology appetite and addressing the challenges

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Paper on "From Interbank Offered Rates to Risk-Free Rates: Update"

Mr. Oliver Hoffmann, Managing Director, Head of Asia, Erste Group Bank AG, will be requested to present a summary of a paper on the LIBOR scenario, touching mainly on how banks can adapt to the new environment. His presentation outlined the following:

a. An update on Risk-Free-Rates (RFR)
b. RFR volumes have remained small
c. Recent and remaining milestones in the LIBOR environment
d. A summary of the March 5, 2021 announcements made by the Financial Conduct Authority (FCA), which constituted mainly of an index cessation event under the IBOR Fallbacks Supplement and the ISDA 2020 IBOR Fallbacks Protocol for all 35 LIBOR settings
e. Key issues pertaining mainly to spread adjustment, term rate, and increasing regulatory pressure
f. A summary of RFR issues made by banks in the Asia-Pacific region
g. A checklist of key considerations for Asian banks classified according to the following topics:

- Program governance
- Transition management program
- Communication strategy
- Identifying and validating exposures
- Developing product strategy
- Risk Management
- Transition of contracts
- Operational and technology readiness
- Accounting and reporting
- Taxation

Paper on "Long-Term Decarbonisation Planning for Banks"

Dr. Adrian Fenton, Vice President, Asia Sustainable Finance, World Wide Fund for Nature (WWF) Singapore, presented a paper on the need for cooperation in promoting decarbonized portfolio among ABA member banks in line with national efforts to address the issue of climate change. He summarized the major points of his presentation as follows:

a. The signals stemming from the Paris Agreement all indicate likely increased desire and requirements for enhanced disclosure and management of climate-related financial risks. These risks are expected to rise, potentially abruptly if the inevitable policy response scenario occurs as many expect.
b. Forward-looking scenario and strategic planning is the most accepted way for banks to proactively address climate-related financial risks and seize opportunities associated with the market volatility resulting from the transition to low-carbon economies internationally agreed by governments.
c. Target setting will be a difficult challenge and inevitably a long-term learning process. Most progress to date has been with multi-stakeholder efforts which - though new to the management and operational practices of banks – have yielded considerable benefits for all stakeholders.
d. The Science-Based Targets initiative is the most widely utilised multi-stakeholder initiative helping banks to develop targets which support forward-looking scenario and strategic planning in a manner which deals with the problems associated with the inevitable policy response.
e. The initiative certainly has limitations, such as methodological and data problems. However, perfection should not be the enemy of progress, and waiting is not a luxury banks have if they are to proactively address the transition risks associated with the low-carbon transition.

Paper on "Opportunities and Challenges of Digital Transformation"

Mr. Friedman Wang, Executive Vice President, Division Head, Financial Technology Development Center, Data Intelligence R&D Division, CTBC Bank Co. Ltd. presented a paper sharing his perspectives on how ABA member banks can collaborate with each other in their common journey towards a digitalized environment. His presentation highlighted the following:

a. Technological advancement has grown exponentially, as shown by the growth in the cumulative number of significant inventions
b. US consumers are accelerating adoption of digital channels, a trend seen across global regions, with some 73% of banking customers seen as having adopted digital

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technology.

c. Internal challenges of digital transformation in banking include the following:
- Strategy of the company - As resources and budgets are limited, should we choose to change the bank or run the bank?
- Organizational baggage – These include the Silo effect (The lack of horizontal communication makes traditional banks difficult to push forward digital transformation); and Complicated system infrastructure (Outdated system that is hard to quickly iterate can't keep up with customers' changing needs); and
- Talents (The ever-evolving manpower requirements have forced financial institutions to rethink how to acquire and retain tech talents)

d. External challenges of digital transformation in banking include the following:
- Emerging FinTech startups - The financial industry must embrace ecosystem strategy if it wants to enhance its competitiveness and profitability, and fight against emerging rivals such as technology companies and internet-only banks.
- Customers that are highly digitalized due to emerging technologies - Banks need to change from product-centric to situation-centric, focusing on customers' needs

e. Opportunities and Benefits for CTBC from Digital Transformation include the following:
- Due to the impact of COVID-19, digital financial services have been highly accepted
- Customer-centric digital culture and agile mindset have promoted bailout loan approval
- Lowering the investment threshold has resulted in inclusive financing
- Catching customer preferences has helped create hyper-personalization
- Embracing ecosystem strategy improves access to customers that otherwise cannot be served

Paper on "Maintaining the Spotlight on AML/CFT in the Post-Covid19 World"

Mr. Shirish Pathak, Managing Director, Fintelekt Advisory Services, presented a paper providing recommendations for AML compliance professionals within member banks to assume leadership role within the bank, becoming more and more valuable as true advisors internally. Major points in Mr. Pathak's presentation included the following:

a. Over the last year, the Covid-19 pandemic and resultant disruption to the global economy has presented new challenges to the AML compliance teams within banks in terms of operational difficulties, especially in AML monitoring and reporting, emergence of new threats and vulnerabilities, and in many cases, costs and budgetary pressures.

b. At the start of the pandemic, several regulators took a lenient approach towards banks and financial institutions, making allowances for delays in reporting and supervision. However, increasingly the regulatory expectation from banks is to continue to track new and emerging typologies and keep up the monitoring and reporting rigour. AML compliance departments are also expected to play a crucial role in maintaining business continuity and protecting the institution from the threats posed by the dynamic Covid-19 environment.

c. For AML compliance professionals within member banks to assume a leadership role within the bank, becoming more and more valuable as true advisors internally, the following measures are recommended
- Creating a culture of compliance and strategically guiding the organisation away from treating AML compliance as a tick-in-the-box item, making it a compliant and sustainable organization
- Demonstrating the return on investment (ROI) from AML compliance to the top management and Board of Directors
- Keeping pace with growing regulatory expectations and international standards around AML/CFT
- Human resource management in terms of relevant and on-going training and skill-building to ensure a workforce that is ready and equipped to fight financial crime.

Consideration of Issues for Future Policy Advocacy Work

The Committee considered and exchanged views on possible issues for policy advocacy work of ABA over the next few months to be taken up at the next Committee meeting in August 2021.

Mr. Hoffmann said that the topics of the five position papers presented during the meeting were all very relevant and are likely to remain to be so in the near future. Hence, he suggested that for the next meetings, regular updates on these issues would be beneficial to members and should be considered for future policy work of the Committee. Mr. Hoffmann agreed

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to prepare another update on the LIBOR scenario.

Mr. Rodrigo suggested that a paper be prepared by Hatton National Bank sharing its efforts in assisting its customers establish relationships among themselves to build an ecosystem aimed at strengthening supply chain linkages

At the suggestion of Mr. Hoffmann, Mr. Shirish agreed to prepare a paper focusing on financial sanctions on banks and how they mitigate their impact. He also underscored the importance of focusing on corruption issues amidst the Covid-19 situation, as well as a paper on how to aid and speed up development in poorer countries and help them achieve financial inclusion post-Covid.

Dr. Fenton suggested presenting a paper on the sustainable finance regulation landscape across the region, how it is evolving, and the challenges being faced by governments in their implementation efforts, drawing on the relevant research being conducted by SEACEN.

As an option, Dr. Fenton proposed another paper focusing on what financial institutions think of e-learning as a tool to start engaging bankers in sustainable financing issues and integrating this into their training programs.

Mr. Rodrigo also proposed a paper addressing the issue of cyber security and what banks are doing to strengthen their capability in this area through, for instance, utilizing tools such as cyber insurance, etc.

The Committee also recalled that Rizal Commercial Banking Corporation (RCBC) had earlier agreed to present a paper at the next Committee meeting proposing activities to help ABA member banks in their efforts to meet the challenges they experience in implementing the sustainability framework set by regulators for banks to follow to achieve sustainability goals.

The next Committee Meeting is slated for August 2021.

Opportunities and Challenges of Digital Transformation

A Policy Paper Prepared for the Asian Bankers Association by Mr. Friedman Wang, Executive Vice President of CTBC Bank Co. Ltd.

Background

According to the Dell Technologies Digital Transformation Index (DT Index) survey, due to COVID-19, all industries in the world turn proactive in digital transformation, and up to 80% of companies have accelerated their digitalization plans in 2020. In the digital age, customers are paying more attention to the differentiation of products and services, as well as personal experience.

Under the influence of these factors, digital transformation is no longer a choice for the bank to operate better, but the key to survive.

Challenges of digital transformation in banking

Financial services have been reinvented by technology in five new ways which are real-time, anywhere and anytime, seamlessly integrated with life scenes of customers, personalized, and predictive. Although technology can help the financial industry provide new services, from product-oriented services to customer-centric, traditional banks still face four major challenges of organization, customers, and competitors in the process of digitization.

In the following paragraph, we will divide the challenges into three internal challenges and two external challenges for discussion.

Internal challenges

1. Strategy of the company

As resources and budgets are limited, should we choose to change the bank or run the bank? In traditional banking services, the returns grow linearly with the investments over time. During the FinTech age, the profit will not be seen at the initial stage, but the investment gains will grow exponentially as time goes by. In addition, the winner takes most of the market shares eventually.

Therefore, the short-term business goals that management wants to achieve may conflict with the long-term transformation goal of the organization. Many transformation plans are led by the supervisor responsible for a single project at the current stage. Nonetheless, it might take 5 to 10 years to achieve the breakthrough of the transformation. Therefore, it is difficult to reflect the performance of the leader in a short period. Financial institutions should re-evaluate key performance indicators (KPI) to incentivize digital transformation.

2. Organizational baggage

- The silo effect

Traditional banking organizations are hierarchical and MBO-driven, each department works like an independent company, responsible for its own P&L instead of the company's long-term mission. Due to lack of the mechanisms for horizontal

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communication, it's hard to integrate resources from different parties for jointly developing a single product and moving the project forward.

- Complicated system infrastructure

Confronted with customers' expectation of personalized and real-time services and better user experience, banks have to respond quickly to customers' requirements in the digital age. To keep up with the trend, banks have to get rid of outdated information system architecture which is hard to quickly iterate, and redesign system architecture based on micro-service architecture to respond to rapidly changing business demands.

3. Talents

The ever-evolving manpower requirements have forced many financial institutions to rethink how to retain outstanding talents. The types of talents required by financial institutions are different nowadays. Upon digital transformation, banks need not only financial background talents, but interdisciplinary talents with backgrounds in data science, technology, UIUX. However, FinTech start-ups are also competing for the same talents, so the challenge that the financial industry facing is not only talents recruitment, but also talents retention.

In our company, traditional suit-dressed bankers need work with data or AI science wearing jeans and t-shirt in the same working area. The cultures will be a key factor for the success of digital transformation.

External challenges

1. Emerging FinTech start-ups

Traditional banks tend to focus on the entire customer base, while FinTech start-ups pay attention to doing one service well. Take TransferWise, Europe's most valuable Fintech company now, as an example, concentrating on an international remittance service that solves the pain point of handling fees of cross-border remittance. If thousands of rising FinTech companies do perfectly in one service, comparing to banks want to do each service just ok instead of do perfectly. Who will win this game?

As reported by McKinsey's "Winning in a world of ecosystems" report released in 2019, the financial industry must embrace ecosystem strategy if it wants to enhance its competitiveness and profitability, and fight against emerging rivals such as technology companies and internet-only banks.

2. Customers that are highly digitalized due to emerging technologies

Nowadays, customers are more demanding since they enjoy the digital service of each industry, such as online store. Therefore, customer behavior and demand is more difficult to predict. Consequently, the core of digital transformation is customer, focusing on customer's needs, experience and journey. Banks need to change from product-centric to situation-centric, focus on the purpose of customer's use of financial services, not just focus on the product itself. Situation-centric perspective will alter the way that banks design financial products and services, find out potential business partners, and expand the ecosystem of the bank. This is also what Brett King emphasized, banking everywhere, banking services will be integrated into customers' lives invisibly.

Opportunities of digital transformation in CTBC

- Due to the impact of COVID-19, digital financial services have been highly accepted.

Based on the Institute for Information Industry's survey on mobile payment usage in the first half of 2020, if merchants support all payment methods, 35.3% of Taiwanese customers use mobile payment. For the first time, its usage has surpassed physical credit/debit cards (33.9%).

This trend has also been verified through CTBC's customers. According to CTBC's digital financial survey, as many as 70% of our customers use financial services at least once a week, among these services, mobile payment is the most popular one.

- Customer-centric digital culture and agile mindset promote bailout loan approval.

During COVID-19, 26% of the national bailout loan was undertaken by CTBC, the number of applications that we handled in a month used to take two years long to process. The followings are the three key factors that make this magic happen:

  * Fully digitalized application process
  * Intelligent credit analysis engine
  * Robotic Process Automation

- Embracing ecosystem strategy to access to customers that can't be served.

In the report of statistics, there are still more than 8 million of Taiwanese adults without a credit card. These cardless users were inaccessible to banks in the past. In the age of the financial ecosystem, every bank tries to cooperate with e-commerce companies, communication software companies, supermarkets, etc., and looks forward to integrating online and offline services into a one-stop service, in order to acquire these cardless users.

CTBC collaborates with LINE to create the first "Community Payment Ecosystem", allowing customers to complete card application, mobile payment binding, point accumulation and redemption within a single mobile APP. Since

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the initiating of this service, it has created 10 billion points of circulation value.

- Lower the investment threshold and realize inclusive financing.

In the past, the investment threshold was high which was not conducive to the general public. However, the digital provides lower cost to serve customers, including investment service, therefore, the entrance of investment has dropped from 100 USD to just 1 USD.

- Catch customer preferences and create hyper-personalization.
  - * CTBC has more than 9 million customers and the number of mobile banking users has exceeded 3.6 million, the largest number of mobile banking users in Taiwan.
  - * Among the 9 million customers, 69% of them use multiple channels to interact with CTBC, and 31% of them use a single channel.
  - * In addition, based on our study, the satisfaction of multi-channel customers is 83% which is 13% higher than the 70% satisfaction of single-channel customers.
  - * Thereby, we build CTBC Brain Platform, containing three research and development areas, six core applications, and four scenarios. The ultimate goal of CTBC Brain Platform is to use data to immediately catch every stage of customers' life journey and create hyper-personalized service. From education, entertainment, job hunting, income and expenditure to retirement, we use CTBC Brain Platform to analyze each offer each customer with right product, at right time and right channel.

HNB's Experience Driving Business Revival Post-Covid in MSME Sector

A Policy Paper Prepared for the Asian Bankers Association by Mr. K. Indravasan, Head of SME Banking of Hatton National Bank

Background

Two cataclysmic events – 21st April 2019 Easter Sunday Bombings and Covid19 Impacts in early part of 2020, made significant impacts to business in general and in particular the Microfinance and SME Sector (hereafter referred to as MSMEs) which contributes over 50% of GDP and Employment Opportunities to Sri Lanka. Hatton National Bank (HNB) is the leading private sector bank engaged in this sector.

The impacts on business from these two events were significant, given impacts to tourism, construction, trading among other industries. Consequently, the government initiated a Covid-19 relief program that comprised moratoriums on debt and working capital financing to support business revival efforts.

This paper outlines the strategy and measures taken by the HNB to support MSMEs during this period.

Visioning

Immediately after the Easter attack, the HNB realized the importance of engaging with clients closely to help ease the frustration and stress associated with their business being disrupted like never before. Its role was to support businesses to get back on track using innovative new strategies and facilitate learning from best practices and each other and most importantly to effectively adapt to change.

HNB commenced regional workshops with its key customers with the support of external consultants who brought in necessary expertise to discuss how business goals and strategies need to change to adapt to the new business environment. Case studies of successful change journeys were shared, key priorities and focus areas were identified, giving business owners the confidence to embrace new vistas. HNB Relationship Managers played an active role engaging with impacted clients mainly in the tourism sector to create dialogue and providing necessary confidence to face the new market through various new avenues such as promoting local tourism, redeployment of hotel space for productive use such as functions, meetings, catering, event management and even for educational purposes.

The Bank continued its commitment to enhance financial literacy and also technical knowledge of the MSME's and during the pandemic organized a series of webinars educating customers how to restart the businesses and also explaining the

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support they can receive from the Bank.

Role redefinition of MSME Relationship Managers

With the Easter attack, The Bank was contemplating the necessity to establish seasoned relationship managers to handle the stressed accounts and it established the SAM (Special Account Management) concept which supported our efforts post Covid pandemic and remains to date. HNB appointed dedicated SAM Relationship Managers for the identified Stressed customers, with the goal of nurturing them back to recovery. This team was effectively trained with problem solving skills, mentoring and proficiency in the Bank's own digital products and was able to ably support customers with identifying new markets, making supply chain linkages and necessary financing to support business revival efforts.

Strengthening supply chain linkages Post Covid

MSME clientele faced major challenges post pandemic due to disruption of their traditional supply chains and HNB actively supported customers to develop new supply chain linkages during this period from its own extensive customer base comprising over 100,000 businesses engaged in microfinance, SME, emerging corporates and large corporates.

During phase one, the Bank was able to link fair number of farmers direct to super market chains and wholesalers in the absence of the regular intermediary buyers. Although it was challenging during this period with its extensive branch network and its field officer concept, the Bank was able to collect details and share same with its corporate clients who run super markets, exporters and major suppliers to government institutions, etc.

This initiation prompted HNB to look at a permanent solution for this and the Bank is in the process of establishing a concept called Market Place for its own Micro, SME and Corporate sectors to buy and sell on an electronic platform where the Bank links its clients involved in transport, logistics and Insurance businesses to take part as service providers.

HNB's involvement into supply chain financing working with large corporates and also financing thousands of farmers who supply to these corporates for their production became even a bigger success during pandemic due to the Bank's commitment and passion in supporting this micro and low-end SME's to grow their crops even during the pandemic with the Bank's financial support. During pandemic HNB able to support over 10,000 farmer families with this approach. This is a significant community initiative as without this support many of them would have had to destroy their crops or be exploited by unethical merchants.

Due to import restrictions, most corporates in the manufacturing sector opted for local inputs instead of importing (e.g., inputs for poultry feed, grains for cereals, etc.). They consequently looked for partnerships/backward integrations to fill the gap with the encouragement of the Bank.

Lending to the agriculture sector continued during the pandemic with the support of HNB's widespread Micro finance field officers and Agricultural executives whose field visits were continued uninterruptedly with social protocols, thus supporting the farming community.

There were a lot of cottage industries funded under the Bank's Gami Pubuduwa Micro finance scheme that also suffered setbacks due to loss of market and immobility during the pandemic. As a noble cause, HNB was able to launch a Micro finance grant programme for selected clients who genuinely suffered during the pandemic and needed working capital to revive their businesses. The Bank was able to support 200 small entrepreneurs with grants to revive their businesses without increasing their financial commitments at this juncture.

Driving Digital onboarding and products

Onboarding the SME sector to digital platforms has always been a challenge; however, the pandemic served to expedite these efforts significantly. During the pandemic, HNB supported a lot of small businesses to obtain online cash collecting methods such as usage of MOMO's (Mobile POS), SOLO (Digital Wallet), IPG (Internet Payment Gateway) etc. which really supported the client base to shift from their traditional brick and mortar business.

HNB's latest app for online sales Appigo (make your own online store) assisted small timers to commence online retailing at a very lower cost without the cost and hassle of creating a website for their business. The Bank engaged with a business partner to support this infrastructure to manage day-to-day business activities in digital platforms with requisite stock control and payments systems which has always been a challenge in this sector.

The development of a Digital Market Place concept was a key initiative to digitally connect HNB's clients as suppliers, buyers and service providers.

Learning and Challenges

MSME's are a vital sector for the country and HNB's ability to protect and nurture its customers during the pandemic, in keeping with its tagline 'partner in progress' helped the Bank to strengthen the bond between the Bank and the client. However, necessary investments made on the technology front

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to support working from home, engaging digitally with clients, the range of digital products and the changes made to the operating structure in the last five years held HNB in good stead to support its efforts in this area.

HNB's own frontline marketing and relationship management staff were forced to adapt to a more mentor-and-guide role, and capacity building backed by a discipline of measuring progress on key dimensions such as Business Recovery, Asset Quality etc., supported its efforts.

One of the key learnings was the pace in which the Bank, customers and employees embraced technology to achieve competitive advantage and growth.

Tentative Program released for Virtual 37th ABA Conference

The 37th ABA Conference, focusing on the theme "Asian Banks: Achieving Sustainable Growth in the New Normal", is scheduled to be held virtually over a four-day period from August 24 to 27, 2021, with each session lasting at most two hours.

The tentative program includes four sessions, one per day:

I. *Session One: Responding to Challenges and Disruptions in a Changing Global Ecosystem*

With the pandemic continuing its devastating impact on global markets, countries around the world are intensely focused on transforming their economic base and preparing for what appears to be a long, tough journey ahead.

This session will feature speakers who will share their narratives on the challenges and disruptions brough about by the pandemic on their respective communities, and their efforts to find innovative solutions to adapt in the so-called new normal that has emerged from the pandemic.

II. *Session Two: The Role of Technology in Sustainable Growth*

The emergence of new technologies has presented opportunities to make banking more innovative, more efficient, more inclusive, less costly, more supportive of small business, and more responsive to the changing needs of customers.

This session will provide a platform for invited experts and the Conference audience to exchange views and perspectives on how technology enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets.

III. *Session Three: Regulators' Roundtable: Current Banking Trends and their Implications on Regulatory Policies*

While regulators continue to refine existing regulations implemented in the wake of the financial crisis, they are also focusing their attention on existing policy areas such as climate risk, digital currencies, technology, and innovation.

This session will feature regulators who will share their efforts in reviewing their own supervisory processes and reinforcing the core bank supervisory pillars of governance, risk management, capital adequacy and planning, liquidity management, and compliance with laws and regulations in response to the rapid changes in the banking and finance industry, and what their impact is on the industry in the years ahead.

IV. *Session Four: CEO Roundtable: Navigating the New World Order*

The pandemic and its impact on economic stability and market volatility has led to new thinking and approaches to address financial industry challenges to operational efficiencies, alignment of interests and use of technology, marketing and client experience approaches.

This session will invite CEOs who will share their experiences and views on their efforts to reinvent their companies in order to mitigate the impact of global disruptions, such as the Covid-19 pandemic, and ensuring sustainable growth, by creating innovative solutions through the use of new business models, new pricing structures, greater outsourcing,

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investment in and new approaches to using technology, and more effective uses of data, among others.

Updates and other relevant information (e.g., meeting link, registration procedure, etc.) will be sent out in due course. In the meantime, ABA members are requested to provide their suggestions on speakers for any of the sessions by filling up the Speaker Suggestion Form, and sending it back by April 30, if possible.

Nominations for New ABA Board Members for the Term 2021-2023

One of the activities during the 58th and 59th ABA Board of Directors' Meeting on September 1, 2021 is the election of ABA Board members to serve for the term 2021-2023. In this connection, ABA Board of Directors and Members are being asked to send in their nominations for the incoming Board.

To ensure a geographical spread of representation in the Board, please nominate at least one domestic regular member-bank from each Asian country, and a total of not more than two multinational banks with regional presence in Asia.

Only regular members who are up-to-date with their membership fees may vote or be voted upon. The ABA Secretariat will determine if the nominees are qualified to be in the Board by verifying whether they have no arrears in membership fee and are willing to accept their nomination to the Board.

Nomination Forms were sent out to members via email last March 29. To nominate, members are requested to fill out the form and send to the Secretary-Treasurer through Fax No. (886 2) 2760-7569, or email to aba@aba.org.tw.

ABA Invited as Supporting Organization at 12th Mobile Money & Financial Inclusion Virtual Summit 2021

The ABA has been invited by Magenta Global, an independent business media company, to be a Supporting Organization of the "12th Mobile Money & Financial Inclusion Virtual Summit 2021" which will be held from April 28 to 29, 2021.

Focusing on improving financial literacy and industry collaboration, the two-day virtual event expects to bring the stakeholders together to discuss the evolving financial landscape in key emerging markets including Vietnam, Cambodia, Laos, Philippines, Indonesia, the opportunities and barriers to deliver improved financial literacy and industry collaboration towards financial inclusion.

As a multi-disciplinary business media company, Magenta Global provides pragmatic and relevant information to government and business executives and professionals worldwide. It has a strong focus in emerging economies in Africa, the Middle East, and Central Asia, where it works in partnership with both the public and private sectors.

More details on the event can be found here.

Training and Education

ABA, ACRAA team up for webinar on Sustainable Finance Development Post-Pandemic

The Asian Bankers Association (ABA) and the Association of Credit Rating Agencies in Asia (ACRAA) jointly held a webinar on March 24 on "Opportunities for green cooperation in the banking sector and financial markets for a greener and better new normal post-pandemic."

The three speakers were Mr. Sakda Pongcharoenyong, President, TRIS Rating Co., Ltd, ; Ms. Stella Chang, Head of International Business, Golden Credit Rating International Co., Ltd (Golden Credit); and Ms. Atsuko Kajiwara, Head of Sustainable Finance Evaluation Dept., Japan Credit Rating Agency, Ltd. They gave presentations on the efforts by the Thai government, regulators, and financial market participants to accelerate sustainable finance in Thailand; on issues such as China's commitment to climate change and how China is making efforts to encourage green bond issuers; and finally on the importance in realizing a carbon-neutral society, as global sustainable finance markets are focusing on how to move heavy CO2 emission industries to adopt cleaner solutions.

The following are some key takeaways from the webinar:

(1) "Accelerating Sustainable Finance in Thailand" presented by Sakda Pongcharoenyong – President, TRIS Rating Co., Ltd.

As a signatory party under the Paris Agreement, Thailand has made significant efforts in mitigating the country's Green House Gas (GHG) emissions with available resources and capabilities. Climate change is currently addressed at the highest policy level under the National Strategy to ensure a long-term continuity of the issue alongside other economic and social considerations. According to the country's Nationally Determined Contribution Roadmap on Mitigation 2021 – 2030 (NDC Roadmap), Thailand targets to achieve GHG reduction by 20% from the business-as-usual level by 2030 (compared to a 2005 baseline).

The main source of carbon emissions was the energy sector, which was in line with energy consumption trend during the period. To address climate emergency, Thailand's strategy to reduce GHG emissions have been focused mainly on emission reductions in the energy and transportation sector. This strategy is reflected by the country's national power development plan that aims to increase renewable energy to about 27% of total energy consumption by 2037. The development plan to expand the electric train mass transit network in the Bangkok metropolitan area is another important part of the plan to reduce GHG emissions.

The transition to a more resilient and sustainable economy will require significant investments from the government and private sector. Public-Private-Partnership investment schemes are typical for large infrastructure projects that involve investments from the government and private project sponsors. Most infrastructure projects in Thailand are funded by the country's domestic financial markets, in the form of commercial bank project loans for greenfield projects, and bond issuance in the debt capital market to fund project sponsors' equity investments. There has been sufficient domestic liquidity to fund the investment projects.

In fact, there have already been substantial amounts of sustainable finance in Thailand, considering all the fund raisings to fund the on-going investments in renewable energy projects, electric train mass transit projects over the past decade. The challenge is to ensure these sustainable financing transactions are aligned with international standards. The labelling of sustainable financing transactions, in the form of green bonds or loans, sustainability bonds or loans, will help ascertain the widely accepted international standards of sustainable finance are adopted. The role of the regulators is to facilitate the labelling of green or sustainability financing transactions, as part of the ecosystem for sustainable finance.

The volume and number of green bonds issuance in Thailand have increased substantially over the past three years. The Thai government, through the Ministry of Finance, issued Baht 30 billion sustainability bonds in 2020 to fund one of the electric train mass transit projects and the relief package to alleviate the COVID induced economic hardship inflicted on vulnerable groups. The Thai Bankers' Association launched their Sustainable Banking Guidelines, Responsible Lending in 2019, for banks to make sustainability an integral part of their business

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strategies and policies, with top management's commitment to responsible lending.

(2) China's Road-map to 2060 Carbon Neutrality Goal by Stella Chang - Head of International Business, Golden Credit Rating International Co., Ltd (Golden Credit)

China aims to achieve peak emissions before 2030, and carbon neutrality by 2060, which shows that China has linked low-carbon development with the country's growing strategy. The pathway to achieve the target, will focus on five key sectors: electricity, industry, building, transportation, as well as agriculture, forestry and other land usages. According to 14th Five-Year Plan to end by 2025, China expects to reduce carbon dioxide emissions and energy consumption per unit of GDP from 18% and 13.5%.

In addition, China is also pursuing a more resilient economic system for Post-Covid19 Economy. The four pillars to support sustainable recovery, include "new" infrastructure investment, the construction of public health systems, major epidemic prevention and treatment systems, guide capital flow in traditional infrastructure towards green and energy efficient urbanization, as well as encourage green consumption.

By the end of 2020, China has issued over 700 green bonds, totaling $180bn, or about 20% of global green bonds, to support the sustainable development. The top three inflowed from proceeds are allocated to clean transportation, clean energy, and pollution prevention and control. The green bond issuing is expected to double from 2020 to 2021 based on market consensus. Comparing with the large size of green bond issuing, the investment is still under the developing stage. China regulators are adopting incentive measures to attract more domestic and global investors, including increase the transparency, adopt de-risking mechanisms as well as align with international standards.

As climate actions are now more important than ever, the four pillars, in terms of regulatory incentives, global cooperation, green innovation and a green verification system, will play significant roles to achieve 2060 Carbon Neutrality Goal.

(3) Innovation and Transition to the Carbon Neutral World by Atsuko Kajiwara - Head of Sustainable Finance Evaluation Dept., Japan Credit Rating Agency, Ltd.

In October 2020, Japanese prime minister, Mr. Suga declared to realize carbon neutral society by 2050. This is not only the case in Japan, but those who attended this webinar will find that your own country probably has set long-term de-carbonization goals. Thus, our long-term journey needs to support company's transition strategy and innovation for greener technologies.

In Japan, the governments announced to accelerate Green finance, Climate Transition Finance and Innovation finance for realizing lower carbon society.

The road to reach zero carbon will not be linear, but it could experience discontinuous drastic innovations from time to time. As innovative technologies continue spreading into the market, then less carbon efficient societies will also move forward to the final goal of zero carbon.

In December 2020, International Capital Market Association published the handbook "Climate Transition Finance Handbook" that explains the importance of supporting companies' transition pathway as climate transition finance.

Asia's industrial structure is different from that of the EU. Asia has many manufacturing industries while EU imports our product without any CO2 emission. Indeed, the manufacturing industry's roadmap for carbon neutrality is very tough. Tremendous investment will be needed to innovate or transform into cleaner energy. Therefore, a transition phase is needed to move smoothly forward to carbonless World with the support from financial institutions.

Climate transition finance is a framework for supporting companies which have to emit large volume of CO2 and have been facing difficulties in obtaining financing from sustainable finance market. In fact, it is possible to set a mid and long-term CO2 emission reduction target to reach carbon neutral with reliable investment plans.

By 2030, the world has to prevent a rise of 2 degree in temperature. According to the Paris Agreement, 1.5 degree rise in temperature is much preferable. It is therefore necessary to think about the most effective ways to move towards carbon neutrality in the long-run.

Those who wish to access the webinar's presentation files can do so here. The recording of the webinar is available at the ABA Youtube channel here.

Training and Education

ABA and Fintelekt conduct webinar on "Future-proofing Your Financial Crime Compliance Screening"

ABA and its Knowledge Partner, Fintelekt Advisory Services, conducted a webinar on "Future-proofing your Financial Crime Compliance Screening" on April 7, 2021.

The webinar was moderated by Fintelekt Managing Director Shirish Pathak, and featured speakers Srinivas Vaman Gollapudi, Joint President and Business Head – Trade Finance and Commercial Operations, Kotak Mahindra Bank; Brent Estrella, Group CCO, Rizal Commercial Banking Corporation; and Douglas Wolfson, Director – Market Planning, FCC & Payments, LexisNexis Risk Solutions.

The speakers discussed the challenges around the current regulation and compliance frameworks designed to combat crime and their impact on customer onboarding while increasing false alerts and operational costs, therefore having a negative impact on the customer experience.

Douglas Wolfson presented the findings of the True Cost of Financial Crime Compliance study by LexisNexis Risk Solutions. The objectives of the study were to identify the drivers and influencers that impact financial crime compliance, understand spending trends for financial crime compliance, determine the business impact of the financial crime compliance environment, particularly with regard to new regulations and provisions and identify any challenges and impacts associated with the Covid-19 pandemic.

Key findings of the study were as follows:

- The cost of financial crime compliance has risen significantly for larger financial institutions in key APAC markets, with labour contributing to this.
- KYC for account on-boarding is a key challenge facing larger APAC banks.
- Covid-19 has significantly impacted financial crime compliance operations and costs across APAC financial institutions.
- Challenges aside, financial crime compliance activities do provide a range of benefits to APAC financial institutions, allowing more effective risk management and management of customer relationships.
- Financial institutions which have invested in technology solutions to support financial crime compliance efforts have experienced smaller cost increases, lower costs per full-time employee and less negative impacts from Covid-19.

Implications of the findings for financial institutions in the Asia Pacific (APAC):

- APAC financial institutions need to be extremely prepared for increased risks of financial crime for the foreseeable future.
- Skilled compliance professionals will continue to be in demand, as financial crime grows in complexity. But financial firms should consider fast-forwarding efforts towards compliance technology to counter challenges and costs to compliance operations.
- A multi-layered solution approach to due diligence and financial crime risk assessment is essential to financial institutions.
- In addition to technology, it is essential to have robust and accurate data. Without the support of expanded sources, bad data can lead to bad decisions. Good data can lead to lower risks with benefits to the wider organisation.

Key Takeaways from the Panel Discussion

On the Total Cost of Compliance report:

- A structured view with complying agencies working together may be able to bring down the $12 billion spent on financial crime compliance.
- The report helps industry look at financial crime compliance strategically. In the short run meeting requirements by throwing more warm bodies into work may be a solution but in the long run, technology will have an important role to play in the sustainability of processes and controls in the financial crime compliance programme.

Training and Education

On customer screening challenges:

The customer is at the heart of everything that a bank or financial institution does. Other considerations for a bank are:

- Legacy systems and processes, which have been especially pushed to the fore during the pandemic.
- Local screening requirements, which are different across different jurisdictions.
- Reducing false positives, which is a problem with most institutions.

RCBC has embraced digital transformation and onboarded new customers digitally even within the pandemic. For this, the bank has used reliable technology and screening solution providers and has moved of aspects of core banking to cloud.

On trade finance screening challenges:

- The FATF framework for trade-based money laundering is based primarily on risk indicators around corporate structures, trade activity and trade transactions.
- The bank must put in place its own processes within this framework provided by the FATF, such as pattern monitoring, monitoring of one-to-many and many-to-one transactions, etc.
- In many Asian countries, regulations and restrictions are already in place for import/export. Products or services that are already controlled by these regulations may require less due diligence than products that are not controlled.

On the new regulations around Targeted Financial Sanctions in the Philippines

- Philippines is in the post observation following the 3rd round of Mutual Evaluation in 2018 and has introduced new regulations around Targeted Financial Sanctions to improve technical compliance in line with FATF standards.
- So far covered persons (reporting entities) were looking at screening as a customer screening requirement. The new regulation has enabled the focus to evolve transaction screening.
- The challenge for institutions is to add screening around dual use goods, vessels, entities involved in proliferation financing or weapons of mass destruction, payments, trade finance transactions, etc.
- The use of technology, especially automated solutions, will be required in future to address the challenges that this requirement brings.

On good practices in trade screening

- Remittances for trade usually provide limited data – account number, name of beneficiary and amount that is being remitted when making SWIFT transfers.
- It is left to individual entities to put in place the proper due diligence measures.
- A robust trade KYC, risk-based analysis on products and a separate monitoring system for advance remittances are some of the good practices that institutions can adopt.

The webinar's presentation file can be downloaded here, while the recording of the webinar is available at Fintelekt Academy.

Training and Education

ABA and EY hold webinar on "Environmental Risk Management"

ABA and Ernst and Young (EY) jointly held a webinar on "Environmental Risk Management" on April 13, 2021. With more than 400 registered participants from 25 countries and territories, the one-hour webinar proved to be of tremendous interest for bankers all over Asia and beyond given the complexities of implementing ESG metrics into banking operations.

The two speakers from EY - Wolfram Hedrich, Partner, Risk Transformation Leader and Sustainability Lead, ASEAN and Pierre Santolini, Director, Financial Services Risk Management, Singapore - discussed the current business scenario and regulatory policies, and the probable path that Environmental Risk Management policies will be facing in the near future, among many other important ESG issues presented.

The EY's presentation file is available here, while the recording of the webinar can be viewed on the ABA Youtube Channel.

Temenos Issues Latest Whitepaper on "The Digital Bank of Tomorrow"

Temenos, a financial transformation solutions provider and an Associate Member of ABA, has recently issued its new whitepaper on "The Digital Bank of Tomorrow" to elaborate on what banks need to look ahead and rethink how to unleash growth and be a winner in the aggressive "digital race"?

According to the whitepaper, digital banking will see a complete facelift in the way it works over the next few years, with an explosive platformification strategy. By 2030, there will be 4 billion banking customers in Asia-Pacific and 95% of them open accounts through online banking or mobile banking. The whitepaper discusses how banks can orchestrate an innovative customer experience to capture the hearts of the customers of tomorrow.

More details on the whitepaper is available here.

Temenos will also organize a webinar of LevelUP with Infinity: The Digital Bank of Tomorrow on April 27, 2021, at 11:00 AM Singapore time. The webinar will look into how banking and its ecosystem will evolve as well as introduce new innovations that are of use to the financial institutions.

Register for the webinar here.

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Japan may soon allow wage payouts in digital cash. What will that look like?

You check the date on your smartphone. It's the 25th — payday. It's the perfect day to get that new item you've been saving up for, or perhaps it's date night for you and your significant other.

There's only one problem: It's everyone else's payday, too. You pop out to the bank at lunchtime to withdraw some cash and are met with a long lineup stretching out the door. You could come back later, and in the meantime pay for any items via credit card, but having yen on hand is usually a good idea in cash-loving Japan. You also have bills to pay, transfers to make and would rather avoid the withdrawal fees at the convenience store machines. So, you wait.

For decades, people have grumbled through this monthly ritual because bank accounts are pretty much the only way to receive their salaries.

But some may soon be set free from the long lines, as the government is looking to introduce digital payroll delivery options that will allow people to have their salaries transferred to smartphone virtual wallets and accounts with nonbanking financial service providers.

Through the new policy, the government aims to boost Japan's digitalization efforts and make it more convenient for people who regularly use cashless payment systems and foreign nationals who may have difficulty opening bank accounts or obtaining credit cards.

Below are some questions and answers about proposed regulatory changes related to the rollout of a digital money payroll.

Is a digital money payroll allowed under the current law?

No, because the Labor Standards Act states that salaries must be paid in cash. Directly depositing funds into bank accounts is permitted as an exception along with transaction accounts of certain securities firms.

A labor ministry policy panel has been discussing the topic, and if the panel gives reforms the green light, the ministry is expected to amend its ordinance to formally allow for a digital payroll.

Why is the government considering a digital money payroll and how will the change make it more convenient for users?

The move partly stems from the country's push to facilitate digitalization efforts and the use of cashless payments to adapt to the so-called new normal resulting from the COVID-19 pandemic.

Although Japan is known for its love of cash, digital money has been gradually gaining ground in recent years. This is partly because of a government-sponsored promotion after the 2019 consumption tax hike that gave consumers a 5% reward for purchases made via cashless payments.

The ongoing health crisis has also accelerated the use of digital payments, as some people want to avoid touching banknotes and coins for sanitation reasons.

Thus, the government thinks that there's a need among consumers to receive their salary in the form of digital money.

In a survey of 4,000 people conducted by the Japan Fair Trade Commission in December 2019, about 40% said they would consider having part of their salaries deposited into their digital wallets if they had the option.

Some frequent cashless payment users may withdraw money from their main bank accounts to top up digital wallets by manually transferring the cash at other designated ATMs. But if the government changes are implemented it will save time and money, as they'll be able to top up their digital wallets automatically via their salaries.

The new rule is also expected to provide more options for foreign nationals as well. For instance, non-Japanese who often send cash overseas through money transfer operators may be able to have their salary directly deposited into accounts with such firms.

Moreover, the policy change will likely prompt banks and money transfer operators to launch prepaid payroll cards that will come in handy for non-Japanese residents who have difficulty creating bank accounts and credit cards.

According to a 2019 survey by TIS Inc. of 200 foreign residents from Southeast or South Asia, 98% said they had bank accounts but nearly 40% said they needed support from their colleagues or acquaintances. Another TIS poll also from 2019 showed that 56% of 207 foreign nationals surveyed did not own credit cards

While prepaid payroll cards, which are like reloadable debit cards that allow people to withdraw cash at ATMs and

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make payments online, have been growing in the U.S. to replace traditional paper checks, Japan has not introduced them due to regulatory barriers.

Since payroll cards don't require bank accounts, they would give foreign residents easier access to financial services vital to their daily lives.

"Online shopping can be quite inconvenient without credit cards. That's why payroll cards will likely enhance convenience for them," said Takane Hori, a lawyer and managing director at the Fintech Association of Japan.

Japan is working to improve financial inclusion for non-Japanese, as once the health crisis ends the country will resume accepting more foreign workers due to its severe labor shortage.

What are some other merits of a digital payroll?

Some experts say that providing more payment options can be an advantage for companies looking to attract talent amid a changing work culture.

With more people taking on side jobs in Japan, such workers may prefer to receive a smaller amount of their wages via digital wallets rather than having money sent to their main bank accounts, Hori said.

"Companies that employ people working side jobs or foreign nationals may be able to boost employee engagement if they can provide a variety of salary payment options," Hori said.

She added that the digital payroll could facilitate companies' digitalization efforts as well, saying that a raft of firms still handle employee reimbursement by cash.

What kinds of digital salary payment options will actually be available?

Money transfer companies registered with the government will be able to launch digital payroll services. As of Jan. 31, that list included 80 money transfer firms including PayPay Corp. and NTT Docomo Inc., as well as foreign players such as PayPal Holdings Inc. and Western Union Holdings Inc.

But a labor ministry official said that not all of those firms will be eligible for digital payroll services, as the government will set standards for operators to meet.

How would this affect banks?

Banks may lose some revenue from commission fees if a lot of customers make the switch to digital payrolls.

But Hori believes that the impact on banks' business will not be that big, since digital payrolls are still a niche need. Some frequent cashless payment users might have part of their salaries transferred to their digital wallets, but banks will still likely be their main hub for managing their money.

"I don't think they will cannibalize (the banks' business) a lot. If they do, people will choose those providing better services, so it will facilitate innovation," Hori said.

What about security? What happens if money transfer operators go bankrupt?

Transfer firms are required to prepare deposits that are more than the total amount of money their customers are pooling roughly on a weekly basis. The deposited money will be used to protect users' money in case companies go under, but the deposit could be short of the latest amount of users' pooled money due to daily fluctuations. Also, it can take up to six months for users to get their money back under the current system.

Therefore, the government has said a plan that would ensure that users can swiftly access their money in such a situation must be crafted before digital payrolls can be launched.

Hori said people in the financial industry are considering having guarantor companies act as go-betweens in order to provide money to users quickly if such an incident occurs.

A number of security breaches targeting digital payment services including those run by NTT Docomo and Seven & I Holdings Co. over the past few years may also cause some workers to hesitate before pooling their money in digital wallets.

While a cashless payment industry group drafted security guidelines last November, the banking industry has voiced concerns over security issues in relation to digital payrolls.

"Operators that handle people's hard-earned salaries are required to have very high levels of user protection measures. Based on this idea, our industry has spent a lot of time building a safe and secure banking system," said Kanetsugu Mike, who chairs the Japanese Bankers Association.

"We think that this matter should be thoroughly discussed in a sincere manner."

When might digital payrolls begin?

The timing remains unclear, although the Nikkei business daily has reported that they are expected to launch sometime soon.

The growth strategy compiled by the government states that it plans to prepare rules within this fiscal year that will realize the safe and smooth transfer of salaries and protect users' cash in the event money transfer operators go under.

But a labor ministry official said that progress is a bit behind schedule, as some issues remain unsolved, including getting major unions in the country on board with the plan.

The Japanese Trade Union Confederation, the nation's largest labor union and also known as Rengo, said in January that the union was against the proposed digital payroll at that point because consumer protection measures were lacking compared with banks.

Japan Times

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Pandemic spending to spur world growth: IMF

The IMF on April 6 said that unprecedented public spending to fight the COVID-19 pandemic, primarily by the US, would push global economic growth to 6% this year, a rate unseen since the 1970s.

The IMF raised its growth forecast for this year from 5.5% less than three months ago, reflecting a rapidly brightening outlook for the US economy, which the fund now sees growing by 6.4% this year — the fastest since the early 1980s.

IMF chief economist Gita Gopinath (Reuters)

The US forecast was raised by 1.3 percentage points from the IMF's 5.1% projection in late January and nearly double the rate it estimated in October last year.

The improvement was largely due to increased fiscal support, including a new US$1.9 trillion US aid package, accelerated vaccinations and continued adaptation of economic activity to overcome pandemic restrictions, IMF chief economist Gita Gopinath said.

"Even with high uncertainty about the path of this pandemic, a way out of this health economic crisis is increasingly visible," Gopinath told a news conference. However, she warned that the pandemic was still far from defeated and COVID-19 cases were still rising in many countries.

"Recoveries are diverging dangerously across and within countries, as economies with slower vaccine rollout, more limited policy support and more reliance on tourism do less well," Gopinath said.

The latest World Economic Outlook, released at the start of the IMF's and World Bank's spring meetings, showed that emerging market economies lagged well behind their developed peers, rising just 0.4 percentage point — half of the advanced economy markup — to 6.7% from the view in January.

The fund said that the world economy contracted 3.3% last year, a modest upgrade from an estimated contraction of 3.5% in its January update. The outlooks for other advanced economy heavyweights, such as Germany, France and Japan, hardly improved at all since January. Nonetheless, with the heft of the US outlook improvement as the main driver, the IMF marked up its advanced economy growth estimate to 5.1% from 4.3%.

The US economy this year would join China in regaining a level of GDP that exceeds where it stood before the pandemic struck just more than a year ago, the IMF said.

China recaptured all of its lost growth by the end of last year. China's growth forecast for this year was raised by 0.3 percentage point to 8.4%, an increase that Gopinath said largely reflected external demand for Chinese exports, driven largely by the US stimulus spending. However, she said that consumer spending in China was still lagging, and growth was primarily being driven by public investments.

The IMF emphasized the high degree of uncertainty surrounding the outlook, and that improvements could easily be tripped up by any of several factors, with success against the pandemic topping the list. "Greater progress with vaccinations can uplift the forecast, while new virus variants that evade vaccines can lead to a sharp downgrade," it said.

Another big risk centers around the persistence of accommodative policies, from the US in particular. Long-term interest rates around the world have risen sharply since January, as market participants revise their expectations for how soon the US Federal Reserve begins to normalize its policy stance.

Reuters

As E-Money Gains Ground in Japan, so Do Local Digital Currencies

With cashless payments finally gaining some ground in cash-loving Japan amid the COVID-19 pandemic, some municipalities are hoping to take the momentum to the next level — community-specific digital money.

Regional virtual currencies can be used in a specific city or ward and are intended to stimulate local economies that have been battered by the pandemic. But another goal is for users to become more attached to their community through the use of local money, while hoping to turn the new digital tools into vital community infrastructure in the long term.

But could localized money really take root given

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that consumers already have other, more convenient digital payment options?

A variety of community virtual tokens have been introduced recently, including Setagaya Pay by Tokyo's Setagaya Ward, Mina Coin by Minamishimabara in Nagasaki Prefecture and Morio Pay by Morioka, Iwate Prefecture.

For Setagaya Ward, where a digital currency debuted last month, its initial intention was to replace paper-based vouchers that residents can spend at stores in the area. "The paper vouchers come with various costs — printing them and exchanging them with cash. These things need to be handled manually, which requires quite a lot of labor as well," said Shigeyuki Nakanishi, director of the commercial division at Setagaya Ward.

The paper vouchers were also unpopular with store owners because of the extra hassle of exchanging them with cash, and in the end only one-third of about 8,200 stores began accepting them. "We wanted to do something about it, so we've decided to make it digital," said Nakanishi.

Customers use a smartphone app-based payment service, scanning a QR code for payment. More than 400 shops, mostly small stores on shopping streets, accept the payment method at the moment. As a promotional campaign, people who paid via Setagaya Pay at local restaurants received 20% cash back.

Since the first state of emergency was declared in April last year, Setagaya Ward has seen an increase in consumer spending within the ward, as people have been apparently shopping more in their local neighborhoods.

"This is a good opportunity for residents to rediscover stores in their local areas," said Nakanishi, adding that the municipality wants to encourage younger generations to contribute to the local economy. "We'd like to reach young people by changing the tool (to digital)."

Setagaya Pay is still in its early days, but Nakanishi hopes it can be a means of improving administrative services for residents — like with the distribution of the central government's ¥100,000 cash handout last year.

Many municipalities were thrown into chaos when the government launched the cash handout program for all residents in Japan to mitigate the economic impact of the pandemic. Because of an inefficient online application form that city officials had to print out and check manually, distribution of the money was delayed.

If Setagaya Pay is digitally linked to necessary residential information, Nakashini said, it would be possible to swiftly distribute financial assistance to the public. "If we were to launch paper-based vouchers, it could take about a half year to set everything up. But we could do it in a month via the app," he said.

The ward also has an eye on widening Setagaya Pay's functions in the future, such as offering points equivalent to virtual money for residents' contributions to the community through local events or volunteering.

Rewarding residents for their socially beneficial deeds has been a popular concept for many community currencies. Aqua Coin, a smartphone-based community token used in Kisarazu, Chiba Prefecture, is already used for that purpose. For example, the city offers points to people who walk 8,000 steps a day and those who join community events including local beach cleanups.

Since October 2018, a local credit union has been operating the digital currency service with the municipality. As of February, the Aqua Coin app had seen 15,598 downloads and is available for use at 654 stores in the city, which has a population of about 135,000.

Aqua Coin services are not limited to shopping. City officials can also receive their salary in in the currency, while residents will be able to use it to pay their taxes in the near future.

Even though the number of downloads topped 10% of the city's population, the user base is still limited and there are calls for further efforts to popularize the digital money, said Ryoichi Shimamura, a Kizarazu official.

A slew of surveys on people's use of cashless payments have shown that the key to driving adoption is to offer cash back. But if local digital currencies rely on financial incentives, it would be difficult for them to differentiate from other cashless payment services.

So for a local virtual currency to take root, it is critical to come up with a different approach that will motivate residents to use the token and strengthen their sense of community, experts say. "It's really important to gain people's understanding on what we want to do with this digital tool and develop a sense of unity in the community," Shimamura said.

Unlike other major digital currencies, a user's attachment to their community can be the impetus to get them on board, which is why a small store that sells school uniforms in Kisarazu has become an avid supporter of Aqua Coin. "I think it's best that money circulates within the community," said Hiroaki Mizuno, who runs the business with his family.

Mizuno's shop accepts credit cards and a few

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other e-money options, but it strongly encourages customers to pay with Aqua Coin. It has even installed a machine that can top up Aqua Coin on smartphone wallets. As Mizuno's family has been running the shop in the city for more than 60 years, he is supporting Aqua Coin in the belief that it could help boost the local economy.

Although more municipalities are jumping onto the community digital currency trend, the idea of local currencies is not new in Japan. The country saw an uptick in such community currencies from the late 1990s to the early 2000s with the concept of rewarding people for socially useful activities. But the trend diminished, as many operators apparently found it difficult to keep them afloat due to heavy running costs.

In other countries, many experiments and attempts have been made to sustain alternative community currencies including Ithaca Hours, which was created in 1991 in Ithaca, New York. Ithaca Hours was considered the longest-running local currency in the U.S. and influenced other communities to follow suit.

In recent years, local currencies have been undergoing a digital shift, in many cases using blockchain, the underlying technology of cryptocurrencies including Bitcoin. The shift to digital may ease some running costs, but the jury is still out on whether community digital currencies are really sustainable.

Experts are skeptical, arguing that the closed nature of the money means it won't be able to beat currency backed by the central government or other digital payments that are more widely available. "After all, the fact that it can only be used within a community is a disadvantage from an economic point of view," said Toshio Taki, who heads the fintech research institute under Money Forward Inc.

To become a sustainable service, local digital currencies have to speak to community values in a way that is convincing enough for users to ignore their inconvenience, he said. "Otherwise, community currencies won't be sustainable," Taki said, adding that none of them have achieved this so far.

However, Shuhei Kawata, president of Finnovalley Co., which provides a digital platform for community currencies including Setagaya Pay and Aqua Coin, sees it differently. He believes that the limited use is actually a plus because money does not flow outside the community.

Kawata, who has been involved with community digital currency projects for the past several years, said they can play a key role in shoring up local economies through not just their payment function.

For instance, it is possible to set up a crowdfunding platform to launch community projects. The virtual tokens can also be integrated into financial products offered by local financial institutions, thereby motivating people to invest money sitting in their savings accounts, which then has an impact locally.

"People's financial assets are not really circulating in their local areas, so our next step is to do something about it," said Kawata. But he admits that making virtual tokens an indispensable part of communities is a daunting task, and the key is to secure evangelists or community managers that drive momentum in each area. "It makes a huge difference whether communities have these talents," he said.

Japan Times

Green investing 'is definitely not going to work', says ex-BlackRock executive

From his desk in midtown Manhattan Tariq Fancy once oversaw the beginning of arguably the biggest, most ambitious, effort ever to turn Wall Street "green". Now, as environmentally friendly investing grows at an exponential rate, Fancy has come to a stark conclusion: "This is definitely not going to work."

As the former chief investment officer for sustainable investing at BlackRock, the world's largest asset manager, Fancy was charged with embedding environmental, social and governance (ESG) corporate policies across the investment giant's portfolio.

Fancy was a leader in a movement that has given many people, including investors, activists and academics, hope that after years of backing polluters, Wall Street was finally stepping up to confront the climate crisis.

"I have looked inside the machine and I can tell you business

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Tariq Fancy, former BlackRock executive (Rumie)

does not have this," Tariq told the Guardian. "Not because these are bad people but because they run for-profit machines that will operate exactly as you would expect them to do," said Fancy.

Fancy, 42, worked for BlackRock between 2018 and 2019 and was the investor's chief investment officer for sustainable investing at a time when BlackRock was preparing to announce a major shift in strategy.

"The evidence on climate risk is compelling investors to reassess core assumptions about modern finance," the BlackRock chairman, Larry Fink, wrote in his highly influential annual letter to CEOs in 2020, shortly after Fancy's departure. "In the near future – and sooner than most anticipate – there will be a significant reallocation of capital."

In future, Fink said, BlackRock would transition away from investments in companies that "present a high sustainability-related risk".

BlackRock manages about $7tn in assets and, with one of Wall Street's biggest voices sounding the alarm about the need to deal with the climate crisis, the news was viewed as a pivotal moment for the financial community.

But for Fancy, who now runs the digital learning non-profit Rumie in Toronto, Canada, BlackRock's move, and the ones it has inspired, contain a fundamental flaw: the climate crisis can never be solved by today's free markets. "It's not because they are evil, it's because the system is built to extract profits," he said.

Investors have a fiduciary duty to maximise returns to their clients and as long as there is money to be made in activities that contribute to global warming, no amount of rhetoric about the need for sustainable investing will change that, he believes.

"In many cases it's cheaper and easier to market yourself as green rather than do the long tail work of actually improving your sustainability profile. That's expensive and if there is no penalty from the government, in the form of a carbon tax or anything else, then this market failure is going to persist," said Fancy, a former investment banker who now leads an initiative to bring affordable digital education to underserved communities worldwide.

The amount of money that poured into sustainable investment through vehicles like exchange traded funds (ETFs) hit record levels last year. It's a trend Fancy believes could continue for years and still have zero impact on climate change because "there is no connection between the two things".

Moving money to green investments doesn't mean polluters will no longer find backers. The argument is similar to that of divestment, another strategy Fancy says doesn't work. "If you sell your stock in a company that has a high emissions footprint, it doesn't matter. The company still exists, the only difference is that you don't own them. The company is going to keep on going the way they were and there are 20 hedge funds who will buy that stock overnight. The market is the market.

"I don't think the public realizes we are not talking about stopping climate change," he said. "We are literally talking about selling assets so we don't get caught up in the damage when it hits."

Business knows this, Fancy said, and it also knows the solution – it just doesn't like it. He compared the business communities reaction to the coronavirus pandemic to its views on climate change. "Science shows us that Covid-19 is a systemic problem for which we all need to bend down a curve, the infections curve."

As the crisis escalated business leaders were immediately supportive of government-led initiatives to restrict travel, close venues and shutter the economy. "The Business Roundtable [the US's most powerful business lobby] said we should make mask-wearing mandatory. They were right about all those things," he said.

The world needed government to use its extraordinary powers "because if you left it to the free market everything would have been open in the US and we would have lost millions of people, it wouldn't have been half a million".

Climate change too is a problem science says is systemic and one where we have to bend down the curve. "The difference is the incubation period. It's not a few weeks, it's a few decades. For that they are still saying we should rely on the free market. That's where I have a problem."

A survey of 250 senior executives supports Fancy's point. About 64% of the executives surveyed in a recent poll commissioned by British lender Standard Chartered said they "believe the economics of operating as a net-zero [carbon emissions] organization do not stack up for their company". And 79% of senior executives said short-term CEO tenure made it harder for companies to transition to net zero.

Under the current system the costs, says Fancy, are simply too high and the benefits of conducting business as usual are too great. A 2019 Morgan Stanley study found that getting to net zero by 2050 will cost $50tn.

"The reality is that their incentives are very short-term," he said. "My concern is that when it comes to climate change, it's actually expensive. It's like saying when it comes for Covid-19

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that's a crisis and an opportunity. Well yeah, it's an opportunity for Zoom, it's not an opportunity for society."

There is a solution, said Fancy, and it's the one that business leaders embraced in the coronavirus crisis: government intervention. But – given the long time line for climate change – it's one that business leaders don't like.

What would work is a change in government policy that made it more expensive to pollute, such as a carbon tax, because that would change the corporate world and Wall Street's incentives. "If you put a tax on carbon, every single portfolio manager would adjust their portfolio," he said.

BlackRock disputes Fancy's analysis. In a statement the company said: "Sustainable investing can deliver strong investment returns while also helping to address urgent social and environmental concerns."

The company added that it believes greenwashing "is a risk to investors and detrimental to the asset management industry's credibility, which is why we strongly support regulatory initiatives to set consistent standards and increase transparency for sustainable portfolios".

But for Fancy the overarching point is that real change has to be led by government, not Wall Street. "If I was on a panel and someone asked me what's the best way to tackle climate change? Should I buy an ETF or should I call my congressperson and demand legislation and a price on carbon? The truth is someone is better off calling their congressperson."

The Guardian

Where's digital banking in Asia headed over the next 5 years?

Over 40 of the world's 100 largest banks by asset size are Asian, and account for approximately half of the market capitalization of the top 100 banks globally. The continent has been the world's largest regional banking market for a decade, generating pre-tax profits in excess of US$700 billion and accounting for 37% of global banking profit pools as of 2018. Not only has banking in Asia caught up and begun to surpass their Western peers in scale, but consumers' tech-savviness has created opportunities for banks to deliver new innovations and take the next leap ahead.

McKinsey reckons that as incomes continue to rise and the middle class grows to include two-thirds of Asian households, personal financial assets in the region will total US$69 trillion by 2025, representing approximately three-quarters of the global total. Asia's best-known fintech innovators, including Alipay and WeChat Pay, lead the world in scaling digital payments.

According to McKinsey's Global Payments Map, digital payments in China account for approximately 99% of the country's non-cash transaction volume and 45% of digital payments worldwide. Asia has also proven to be fertile ground for the development of digital banking, with numerous companies making the transition from a technology platform to a digital bank.

In China for instance, Tencent's WeChat offers loans through WeBank; in South Korea, Kakao Talk launched a digital bank — Kakao Bank — in 2017; and the Japanese e-commerce group Rakuten has expanded into credit cards, digital banking, investments, and insurance. Traditional banks have also launched stand-alone digital banks as a way to reach new markets and to acquire new customers at a lower acquisition cost.

Soon enough, the most successful banks will rely less on traditional services and revenue streams. Instead, they'll depend more on the ability to see customers' financial needs from end-to-end, and to meet those needs in a connected, seamless, and frictionless way. There are a few factors that will significantly inform digital banking progress through 2025.

Physical decline

Inevitably, the relevance of brick-and-mortar banks will continue to fade, slowly but steadily, giving way to the overwhelming use of digital services via mobile, computer, and other devices. Experts believe that physical banks are unlikely to disappear entirely in the decade ahead, but that many remaining banks will have to repurpose to serve niche needs, as general financial services become increasingly available online.

For consumers, it's beneficial to maintain access to a variety of payment options, but those options will include cashless – and more will ditch paper money for the convenience of mobile payment. Not only are electronic transactions

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generally more convenient and efficient for individuals, but digital financial ecosystems also deliver significant advantages to businesses, governments, and economies at large.

While we may encounter difficulty in convincing some that cards will soon be obsolete, Asian markets will lead this trend, given how more than 50% of transactions are made using digital wallets. The massive growth in payment-capable IoT devices and accompanying services are the primary drivers of this trend.

Competition with non-banks

Despite ongoing debate between lawmakers, regulators, and executives, software-as-a-service (SaaS) companies like PayPal, Stripe, and Venmo aren't considered banks. Increasingly, however, they will serve customers' financial needs in the same way traditional banks do today. The rise of super-apps like China's WeChat and AliPay, Singapore's Grab, and Indonesia's Gojek will also continue to disrupt the financial world.

Micro-personalization

As it is, big data and AI-driven analytics bring about a new paradigm in financial services, it will have banks to treat every customer as if they are its single greatest priority. Instantaneous borrowing, proactive product suggestions, detailed guidance on purchases, budgetary recommendations based on factors like real-time location, spending profile, and much more are poised to be the new standard for financial institutions' approach to customer personalization.

Tech Wire Asia

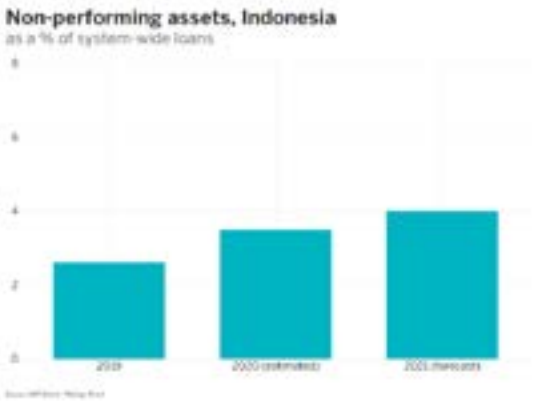
As pandemic recedes, NPLs surge in southeast Asia

Southeast Asian banks are seeing rising non-performing loans (NPLs) this year, as forbearance periods sputter out and the real impact of the Covid-19 pandemic on businesses and individuals becomes clearer. But this is hardly going to be another 1997/1998 Asian financial crisis, with double-digit NPLs, bank collapses, corporate bankruptcies, crashing currencies and soaring public debt. In general, the region's central and commercial banks have learned their lessons from the 1997 crash and have plenty of buffers to weather this comparatively mild storm.

This is not to say that the Covid-19 crisis has been a painless one. With the exception of Vietnam, all the southeast Asian economies saw contractions in 2020, along with rising unemployment and upticks in poverty. The Philippines's economy led the region with a 9.5% shrinkage in its gross domestic product (GDP) last year, thanks to several waves of Covid-19 outbreaks and subsequent lockdowns, especially in the capital Manila. Thailand, while performing fairly well in containing the pandemic's spread, has done less well in containing the resulting economic malaise. Its GDP contracted 6.1% last year and is heading for a slow recovery of 2–3% in 2021, due to an over-reliance on the tourism industry which accounts for 18% of GDP (12% of that from foreign tourists who have all but disappeared).

The age of forbearance

The region's central banks have been generous with their forbearance measures, with some proving more so than others. Indonesia, which has the region's largest population at 270 million and the highest incidence of Covid-19, with 1.2 million cases and 34,500 deaths by March 2021, saw its consumption-driven economy contract 2.1% last year. While economists predict a V-shaped recovery in 2021 (with more than 6% growth), the banks' lending portfolios have been hard hit. Bank of Indonesia had originally intended to end its forbearance on banks' NPLs at the end of the first quarter of 2021, but has since extended the deadline until the end of 2022. NPLs at year-end were estimated at 3.5% and are likely to hit at least 4% by year-end 2021, but the real number may not become clear until 2022.



Clarity on banks' NPLs depends on how long the forbearance period lasts. "For those that have moratoriums rolling off in the first half of the year, I would expect a lot more visibility [on NPLs] by the end of the year," says Tania Gold, senior director in charge of south and south-east Asia financial

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institutions at Fitch Ratings in Singapore. "Those that have extended into next year, depending on how much of their loan book is under restructuring, we might have to wait a while longer."

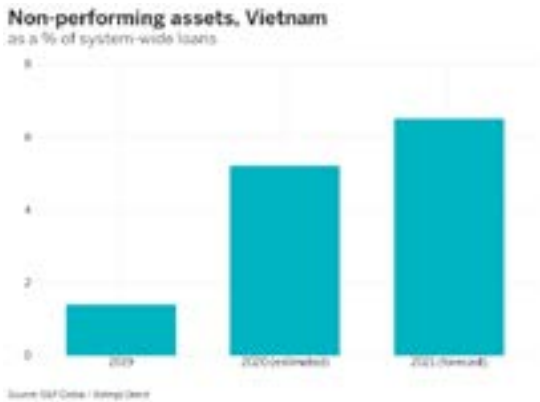
Singapore, which experienced a 5.8% contraction in GDP last year, is not yet out of the woods when it comes to the NPL picture, although the bigger banks have already provisioned heavily against bad loans last year. S&P Global Ratings estimates the city-state's NPL ratio will max out at 3% during 2021, compared with 2.5% in 2020. Singapore banks' Tier 1 capital adequacy ratio (CAR) is around 15% — high, but not unusually so in the region.

Among Indonesian banks the average Tier 1 CAR was 22% last year, while among Thai banks it was about 20.1%. "The Thai banks, along with the Indonesian banks, are the highest capitalised of the markets we cover in south-east Asia," says Ms Gold.

Most analysts think the region's banking system is well buffered against the Covid-19 crisis. "The Vietnamese banks' CARs are at the lower end, but this was the position pre-pandemic, so we're not thinking the Vietnamese banks will need help from the state because of Covid-19," Ms Gold adds. "We're seeing banks from the more developed markets looking for bank acquisitions in Vietnam, so I don't think we're seeing a slew of failures happening at all."

Vietnam riding 'stay-at-home' high

The outlook on a bank system's NPLs also depends on the pace of the economic recovery. In Vietnam's case, the prospects for a swift recovery look good — the government was quick to contain the Covid-19 spread and although there have been three minor outbreaks, total cases as of March 10, 2021 stood at 2,526, with 35 deaths. The resulting lockdowns put a damper on domestic consumption and manufacturing, but the two sectors can expect more than 10% growth in 2021, fuelled by exports to the US and Europe, and consumer confidence in their bright economic future, economists say.



Vietnam, a favourite for foreign direct investment in recent years, especially in high-tech sectors such as electronics, has benefitted from the surge in demand for stay-at-home goods in the West. The country's exports in January 2021 to the US and Europe jumped 70% and 55% year-on-year, respectively, and are likely to continue their upward trajectory all year. Labelled a "currency manipulator" by the US Treasury last year, Vietnam has likely benefited from former US president Donald Trump's election defeat in November 2020. "In our understanding, the intention was for the Commerce Department to use the Treasury Department's labelling Vietnam as a currency manipulator as an excuse to raise tariffs, but none of that is going to happen now," said Michael Kokalari, chief economist for VinaCapital, a private equity firm based in Vietnam. VinaCapital predicts Vietnam's GDP will grow at least 6.5% in 2021, after topping 2.9% growth last year.

Vietnamese banks will, nonetheless, experience a hike in NPLs, especially in their retail banking and small and medium-sized enterprise (SME) portfolios. The central bank granted the banks an open-ended forbearance period that should be over by early second-quarter 2021, after which the central bank is expected to allow the commercial banks a three-year extension for provisioning for their NPLs. Of course, as the economy recovers quickly, those NPLs are likely to come down.

"If I had to guess, unambiguously, I would now lower my estimate to below 6% for NPLs this year," Mr Kokalari says. "I'm saying a 6% ceiling for the total NPLs that have been accumulated."

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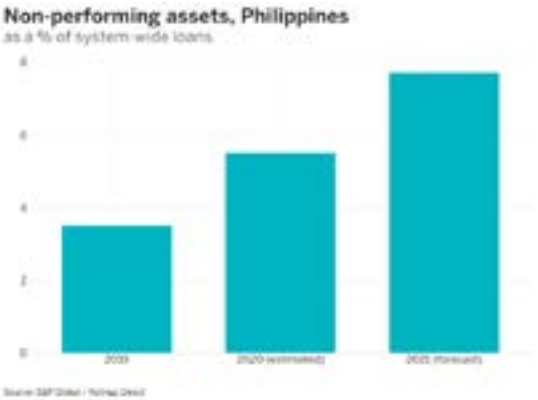
Philippines prepares for NPL spike

While the Philippines experienced a sharp GDP contraction in 2020, it is expected to enjoy a fairly swift recovery in 2021, barring another major outbreak of Covid-19. The central bank, Bangko Sentral ng Pilipinas (BSP), is projecting 6.5–7.5% GDP growth in 2021, fuelled by a resumption in domestic consumption and in infrastructure spending. The crisis, however, will take its toll on the Filipino banks' NPLs, especially to the retail and SME sectors, which account for about 25% of all lending. S&P Global Ratings has forecast that the NPL ratio will hit 6% by the end of 2021, compared with 3.6% in 2020.



BSP's relief measures for the banks have included allowing them to stagger their booking of credit losses and lowering the credit risk rates of loans staggered to SMEs from 75% to 50%, subject to approval by the central bank. On February 16, 2021, the BSP also pushed through the Financial Institutions Strategic Transfer (FIST) Act, permitting banks to set up Fist corporations registered with the Securities and Exchange Commission, as vehicles for parking their distressed assets.

The concept is similar to the special purpose vehicles set up in the Philippines in 2002 to handle the mountain of bad debt resulting from the 1997/1998 crisis, when NPLs peaked at 17%. "What's different about the FIST is that we are really being proactive here, prior to an elevated NPL ratio we have already provided this type of vehicle, with legislation," says Chuchi Fonacier, BSP deputy governor in charge of the financial supervision sector. "This is now being provided as an opportunity for the banks to unload their non-performing assets (NPAs)."

The NPAs — which include NPLs and real estate and other properties acquired — would be transferred at a discount to the FIST corporations, in which banks are permitted to hold a maximum of only 10% share in.

The decision to utilise the FIST option will be left up to discretion of the individual banks. Many of the larger banks, which have weathered the Covid-19 storm well, may feel disinclined to bother with the scheme. "The big banks have the capacity to deal with their NPLs and they are very well capitalised, but there could be some smaller institutions that really benefit from the FIST, or maybe some medium-sized savings banks or the thrift banks. Actually, at this moment, the rising NPLs are not a serious threat," Ms Fonacier says.

At the end of January 2021, the NPL ratio was still manageable at 3.7%, and BSP estimates it will peak at 5–6% at year-end 2021. "We wanted FIST as merely a proactive measure. This is an option for the banks if they believe they would like to offload their debt and preserve their capital to continue lending to other viable businesses," Ms Fonacier adds. The main goal of the FIST scheme is to help the banks free up their time to concentrate more on new loans, especially to the hard-hit SME sector.

Thailand struggles with tourism

Bank of Thailand (BOT) is working on a similar vehicle for parking Thai banks' mounting NPLs, especially for the hospitality industry which has been devastated by the Covid pandemic. There have been near zero arrivals of international tourists since April 2020, when two month-long lockdowns were enforced nationwide. With international tourists accounting for 12% of GDP, their absence has taken a large chunk out of the economy and left thousands of hotels without guests, airplanes without passengers and entertainment venues without customers. Bank loans to hotels alone make up about 3% of the banks' credits, BOT says.

In April 2020, the BOT launched a Bt500bn ($16.3bn) soft-loan scheme intended to be used by the banks to provide low-interest loans to SMEs in need of cash to cover their operating expenses, such as hotels trying to keep their properties going, despite record low occupancy rates. The banks had only taken up a quarter of the scheme's funding quota by year-end 2020 — testimony to its lack of popularity and their reluctance

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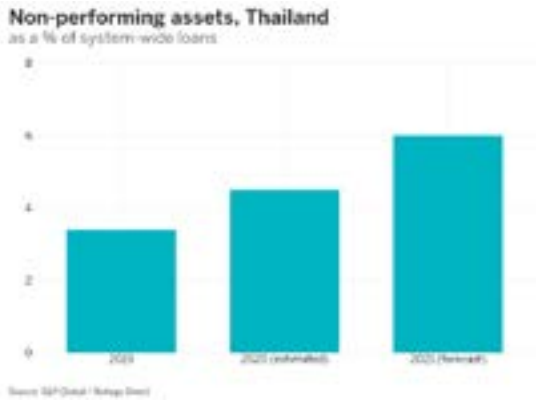
to lend more money to SMEs, especially in the struggling tourism sector.



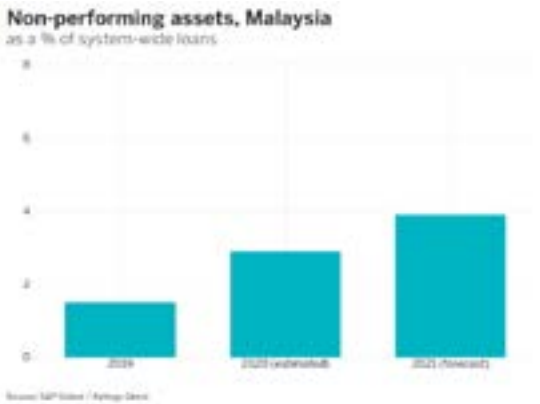
After ending a debt moratorium on SME loans in October 2020, the BOT has pushed for pre-emptive debt restructuring to prevent viable borrowers from going under, and in early 2021 came up with an asset warehousing concept, which it hopes to push through soon after fine-tuning the new law. Under the scheme, banks would set up warehouses in which they would settle debt with business borrowers, and assume ownership of collateral, such as a hotel property or production plant, with an agreement that the owners have first right to purchase their properties back a few years down the road. Banks may also rent out the properties to the owners to continue operating the sites themselves.

"The asset warehousing could be a win–win scheme for the banks and business owners," says Jaturong Jantarangs, assistant governor, supervision group at the BOT. "Banks could keep their balance sheet clean, although properties are still on their books as NPAs. At the same time the owners could continue operating the properties, so they are income-generating assets," he says.

"And if they intend to operate the properties after the Covid-19 situation improves, the asset warehousing scheme would give them the right to buy the properties back," Mr Jantarangs says, while stressing that the warehousing is just an option. "Our focus with the banks is on pre-emptive restructuring. What we do as a bank regulator is try to make sure the banks do not take away umbrellas when it is raining heavily, without compromising prudential safety and the soundness of the banks."

It remains to be seen whether the Thai banks will find the asset warehouses an attractive option. "The idea is good, but the issue is in the implementation because this is only going to work if the value of the loan is smaller than the value of the property," says Charl Kengchon, executive chairman at Kasikorn Research Centre, a think tank owned by Kasikorn Bank. Mr Kengchon noted that the BOT will need to offer tax and other incentives, such as waivers on transfer of property fees, if they are going to attract the banks to the scheme.

Back in 1999, when Thai banks' NPLs had reached 47% of the total, the government set up asset management funds to handle the crisis that took several years to offload. This year, Thai banks' NPLs could reach 6%, and even at that rate no one is unduly worried about the system's stability. "Back in 1997 we had what is called 'a liquidity problem'. But today CAR is still strong, liquidity is still good so we are just holding on and waiting for the turnaround from the crisis," Mr Kengchon says.



The Banker

Special Features

Why Central Banks Are Now Taking Digital Currency Seriously

By Sergio Focardi, Pole Universitaire De Vinci, Paris

The soaring price of Bitcoin has raised the question of whether countries should set up their own digital currencies. A digital currency would be issued by central banks, like banknotes, while cryptocurrencies rely on distributed ledgers like blockchain.

China has already begun piloting a digital yuan currency in several major cities, and the Federal Reserve chairman has said that he will hold a public dialogue about the idea of creating

Special Features

a central bank digital currency. Sergio Focardi is professor of finance at the Pôle Universitaire Léonard de Vinci in Paris.

FOCARDI: At the moment, we have a two-tier banking system in most economies. There are commercial banks and a central bank. Commercial banks have accounts with clients, while central banks only have accounts with commercial banks.

A central bank does a number of supervising activities, but it also creates the base money, formed by bank notes. Bank accounts are debts that each bank has with its clients, payable in banknotes. But nowadays, the amount of money in bank accounts far exceeds any possible amount of bank notes, so the idea that a company might go to a bank and say, "Hey, I want my money back in bank notes," does not make sense.

Moreover, the public is increasingly moving away from using banknotes. If you travel to countries like Iceland or Norway, the use of bank notes is now really limited, for many different reasons.

Performing the Same Role as Bank Notes

BRINK: So, would a central bank's digital currency perform the same role as a bank note?

FOCARDI: There are currently many projects for central banks digital money. Most major central banks are thinking about issuing some version of digital money. If you look at the E-Krona project of the bank of Sweden, they have a means of payment that has some of the same characteristics of bank notes, except that it's electronic. So, it's peer to peer, it's anonymous, but it's electronic.

At this moment, People's Bank of China (PBOC) seems to be the first central bank ready to deploy digital money. They have already concluded the test phase and are ready to launch the digital yuan. The digital yuan is not based on blockchain technology. The PBOC is careful not to endorse too strongly any specific technology.

From the user perspective, the digital yuan is like any other electronic wallet. The objective, however, is to replace cash, not bank money, and so commercial banks will play a role in distributing it.

The European Union is still in the research phase. A 2020 report outlines the future plan of the European Union. However, no pilot project has started yet. The first objective is to make the European banking system more modern and more efficient, and technologies are still to be decided.

Digital Currency Could Be Used for Welfare Payments

The Federal Reserve is discussing plans to issue a digital dollar but no test project has been identified. One element that might distinguish the digital dollar from other central bank digital currency (CBDC) is its use as a welfare tool. With a digital dollar, the FED would be able to make welfare payments, including lump sums paid to citizens.

It is fair to say that there are many projects and many possible solutions. Cryptocurrencies have created central banks' interest in digital money, but the end result might be completely different from any current cryptocurrency.

BRINK: If this kind of central bank digital currency was introduced, would it cut out the commercial banks?

FOCARDI: That's a big question mark. The creation of digital money is not in itself a major source of risk. The real point is what governments want to do with the money.

There are radical scenarios where the central bank issues digital currency and has accounts with the public — with you and me. But then, central banks would be in competition with the commercial banks, and central banks are not equipped to deal with millions of clients.

A less radical scenario is where they essentially replace bank notes with digital money, and the commercial banks continue to operate as before. That is where the thinking is today: Most central banks are trying to replace the use of bank notes with a system that is electronic and easier to deal with, still anonymous, but not replacing commercial banks.

Central Banks Are Keeping an Eye on Bitcoin

BRINK: What would a central bank digital currency do to Bitcoin? Do you think that these cryptocurrencies will continue to exist?

FOCARDI: Today there are 150 alternative currencies, but the only one that really keeps ongoing is Bitcoin — the others are marginal. I don't really believe that governments will just let Bitcoin grow.

No government will want a powerhouse that can control financial transactions without being controlled. I don't believe that cryptocurrencies will become major actors, at least in the foreseeable future, because it's against governments' interest.

Brink News

Special Features

Are We on the Verge of a Global Digital Taxation Treaty?

By Leopoldo Parada, Lecturer in Tax Law at University of Leeds

U.S. Treasury Secretary Jannet Yellen's announcement that the U.S. will rejoin the negotiations to resolve digital taxation disputes is good news.

The news has been positively received by the international tax community, understandably so, as discussing a serious international tax reform requires all relevant actors involved, and the United States is one of them.

However, several questions arise as to whether this action in itself — the U.S. rejoining the negotiations led by the OECD — will be enough to change the current scenario of negotiations, as well as the extent to which the proposals on the table are indeed the best options available.

Lots of Countries Now Have Their Own Digital Services Taxes

The OECD is leading the negotiations on how to tax the profits generated by highly digitized companies that lack a physical presence in the countries where they generate those profits. There are two elements under discussion:

- The taxation of cross-border marketing and distribution functions (Pillar One)
- The idea of a global minimum tax regime common to all countries (Pillar Two)

The United States was part of this conversation until June 2020, when it decided to suspend its participation. Now it is back.

However, the tax world has changed between the time the United States left and rejoined the negotiations, increasing the costs for a global agreement.

For example, the number of digital services taxes (DSTs) has increased dramatically around the world in the last few months, and the policy justifications appear to be stronger now — going beyond the simple idea of making highly digitized companies pay their "fair share" of taxes.

Countries have started to embrace broader tax policy goals associated with DSTs, including the repayment of IMF loan obligations or the increase of individual tax compliance. No one can guarantee that repealing these DSTs once a global agreement has been achieved will be an easy task.

Meanwhile, a U.N. committee of experts has proposed a different solution that provides a powerful incentive for developing countries to embrace domestic unilateral solutions and enforce them in the form of a withholding tax on gross outbound payments. Their so-called Article 12B is not exactly the same as a domestic DST, but its policy rationale (withholding tax at source) might ultimately encourage developing countries to act more straightforwardly in the exercise of their taxing rights.

Therefore, it is unclear whether having the United States back at the table is going to be enough to guarantee the reforms that are needed.

Not Easy to Prevent Profit Shifting

An important part of the negotiations includes a proposal for countries to introduce coordinated rules, in order to avoid profit shifting by multinationals, with the result of no or low taxation.

This proposal, known as Global Anti-Base Erosion proposal — or GloBE or Pillar 2, aims to ensure a minimum global effective corporation income tax rate among countries.

Unlike Pillar 1, the costs of GloBE come implicitly attached to the design of the proposal itself and particularly its tax policy rationale. As I have argued, the GloBE proposal reinforces the rationale of full taxation, i.e., taxing all of a company's income somewhere. This rationale, although rhetorically attractive, is conceptually inconsistent, because it is incapable of answering a more fundamental question: Where to tax?

In other words, the idea of full taxation — clearly embraced by the GloBE proposal — may ensure that the profits of a company are taxed somewhere, but it cannot ensure that this will necessarily coincide with where the production is located, thereby reinforcing the idea of taxing "somewhere, no matter where."

The costs associated with this proposal are not theoretical. Countries wishing to attract real economic activities

Special Features

— such as using tax incentives to encourage investment — may see their efforts completely nullified under this proposal.

This is not insignificant if one considers that most of the countries within the group are less developed economies. While GloBE (Pillar 2) encourages countries to tax somewhere, Pillar 1 is trying to find a proper link to countries to trigger the taxation, i.e., a distributive rule. It is still unclear whether these two proposals have contradicting aims, or even if they are aligned at all.

Interestingly, the U.S. government may feel more inclined to push now for a Pillar 2 proposal only if negotiations get rough, since its own tax system already resembles what is already on the table.

Thinking Positively After All

In spite of all of the above, not every second chance is necessarily destined to fail. Having the United States back into the game can also have some positive consequences, particularly for improving what is on the table right now. Even though Pillar 1 appears to be the best alternative in comparison to a world governed by lots of different DSTs, it can definitely be improved and possibly even replaced.

Indeed, it is possible that with the United States now seriously involved in the negotiations, the tax world can take some serious steps toward true global formulary apportionment in whatever form is achievable.

qSecond chances can be a good moment to learn from the mistakes of the past. Let's hope that this is one of those cases.

Brink News

Among Member Banks

Taxi drivers and parking fee collectors to use scan and pay service

To observe global money week, Bank of Bhutan (BoB) issued quick response (QR) codes to taxi drivers in the eastern and southern parts of the country on March 22. The QR codes were issued so that taxi drivers can have a scan and pay service.

In the east, QR code cards were distributed to 34 taxi drivers in Mongar, 14 in Nganglam and 31 in Samdrupjongkhar, and 87 in Gelephu and 43 in Samtse in the south. Similarly, QR codes were also issued to 50 parking fee collectors in Thimphu and 20 in Phuentsholing.

Taxi drivers, who availed the service, said this was timely and would be of immense help. "Even in the village, youth use mBoB service and, with around 30% of passengers using mBOB now, I think it's high time the service is in place," a taxi driver from Chali, Sangay Dorji, said.

Another cab driver, Dopula said the facility would not only save time of waiting for the passenger to go to the ATM or bank to withdraw the fare when they don't have cash in hand but also a most effective tool to prevent the virus in the pandemic situation. He said there was a risk of contracting the virus while receiving money from a passenger.

BoB officials said more focus was given to those in the south this time, as directed by the central bank. Officials said taxi drivers and parking fee agents could register for QR code at any BoB branch office.

Kuensel Online

Among Member Banks

Bank of East Asia to tap into AIA China power after sale of insurance unit

The Bank of East Asia is hoping to leverage on its network in mainland China and the region to distribute life insurance products from AIA Group to its banking clients, after a strategic decision to exit from the competitive business.

The lender had earlier agreed to sell its unit BEA Life to AIA for HK$5.07 billion (US$653 million) cash, a culmination of years-long activism and lawsuit by Paul Singer's New York-based hedge fund Elliott Management since 2014.

The latest sale also comes with a 15-year deal giving AIA Group the exclusive right to sell life insurance products to BEA'S personal banking customers in mainland China, Hong Kong and Macau for a fee. The banking group had US$114.1 billion of assets at the end of 2020, while AIA Group had US$326.1 billion.

The BEA-AIA partnership will challenge home rivals with a longer history of tie-up who are positioning themselves in the much-heralded Greater Bay Area development. The purchase of BEA Life will further entrench AIA's commanding position. Hong Kong and mainland China each contributed 35 per cent and 21 per cent to its operating profit after tax of US$5.94 billion in 2020, its two single-largest markets.

"The many partnerships are a clear indication that banks are struggling to make good profit, particularly during economic downturns following the global financial crisis in 2008 and also in recent years during the pandemic," said Kenny Ng Lai-yin, a strategist at Everbright Sun Hung Kai.

BEA, with a large network of 140 branches in Hong Kong and mainland cities, could help AIA to expand sales, especially in the Greater Bay Area, Ng said.

The two cross-border connect schemes are potentially lucrative to Hong Kong-based banks and insurers. Sales of policies to mainland clients surged to a record HK$72.68 billion in 2016, before a clampdown soon after and a pandemic in 2020 led to a slump. Both schemes could be launched when borders are reopened.

South China Morning Post

SBI puts up non-performing asset account MSP Metallics for sale

SBI has put up for sale non-performing asset (NPA) account MSP Metallics Ltd against which a total of 10 banks have collective loan outstanding of over Rs 1,493 crore. State Bank of India (SBI) has the highest share of lending (37.19%) to MSP Metallics amounting to Rs 555.51 crore.

The other lenders to the company as part of the consortium arrangement are -- Indian Bank (Rs 284.82 crore); Punjab National Bank (Rs 229.83 crore); UCO Bank (Rs 176.53 crore); Indian Overseas Bank (Rs 73.56 crore); Canara Bank (Rs 62.66 crore); Central Bank of India (Rs 41.91 crore); Union Bank of India (Rs 38.06 crore); Bank of Baroda (Rs 28.02 crore) and Bank of India (Rs 2.84 crore).

The total outstanding against all the 10 lenders stands at Rs 1,493.74 crore. The reserve price has been set at Rs 350 crore. "In terms of the bank's policy on sale of financial assets, in line with the regulatory guidelines, we place the...accounts for sale to ARCs/ Banks/ NBFCs/ FIs, on the terms and conditions indicated there against," SBI said in a sale notice on its website.

The e-auction for MSP Metallics account is to take place on May 4, 2021. SBI said the sale will be subject to final approval of the other banks who are part of the consortium lending. "The interested ARCs/banks/NBFCs/FIs can conduct due diligence of these assets with immediate effect, after submitting expression of interest and executing a Non-Disclosure Agreement (NDA) with the bank," SBI said.

The sale is on 'as is where is basis'. MSP Metallics runs an integrated steel plant at Marakuta, Jharsuguda district in Odisha.

New Indian Express

Among Member Banks

MUFG Bank to rebuild headquarters in Tokyo, consolidating group functions

MUFG Bank plans to rebuild its headquarters building in the Marunouchi business district of Tokyo for the first time in some 40 years, President and CEO Junichi Hanzawa said in a recent interview.

The bank hopes to consolidate the headquarters functions of group banks and a group securities firm at the new building, according to Hanzawa.

The bank plans to finish the detailed design of the new building by the end of fiscal 2022, which starts in April 2022, and the consolidation of the headquarters functions is expected to be completed in fiscal 2024 or later.

MUFG Bank's headquarters building in Chiyoda Ward was originally built in 1980 as the head office of Mitsubishi Bank, a predecessor of MUFG Bank.

The building now accommodates the headquarters of MUFG Bank and its parent, Mitsubishi UFJ Financial Group Inc.

Mitsubishi UFJ Trust and Banking Corp. and Mitsubishi UFJ Morgan Stanley Securities Co., both units of Mitsubishi UFJ Financial Group, have their respective headquarters at different locations in Chiyoda Ward.

Hanzawa said that the consolidation of the headquarters functions "will make it possible for our group to offer (business) proposals in an integrated fashion with a sense of speed."

The group will be able to cut maintenance and management costs of related facilities through the consolidation, he also said.

Under its medium-term management plan for fiscal 2021-23, MUFG Bank intends to accelerate its digital transformation efforts. Specifically, the bank aims to have more customers use its online banking services and to promote tie-ups with other businesses. "We'll increase contacts with our customers" via the internet, said Hanzawa.

The president said his bank will work on curbing its relatively high expense ratio while continuously investing in necessary digital projects, hoping that the ratio's current level of some 70% will become a peak.

Jiji

Mizuho eyes seeking Hitachi compensation for system crash

Japan's Mizuho Bank may demand financial compensation from Hitachi for a system crash that held up wire transfers denominated in foreign currencies last month, Nikkei has learned.

The bank blames the failure of Hitachi-made equipment for the payment trouble. Parent company Mizuho Financial Group plans to hold a news conference on the matter as early as April 5.

Mizuho is under pressure over a spate of system glitches, including one that shut down more than half of the bank's ATMs in Japan at the start of March -- in some cases refusing to return bank cards to customers.

The trouble from the night of March 11 into the following day was Mizuho's fourth system failure in roughly two weeks.

The cause was a malfunction in a disk storage device made by Hitachi, coupled with the failure of backup equipment to take over as designed, Mizuho said. As a result, 263 transactions worth roughly 50 billion yen ($452 million) that should have been processed March 12 were delayed.

Mizuho Bank will not hold customers financially responsible for the delay, which lasted several days. The bank is considering seeking payment from the industrial group for losses resulting from changes in exchange rates over that time.

In a report to Japan's Financial Services Agency on the incident, Mizuho Bank blames the payment stoppage on a "malfunction" in Hitachi-made hardware and says the supplier "lacked an established procedure for early restoration" of the equipment. The report also faulted the bank itself for "insufficient training on system-wide controls."

Nikkei Asia

Among Member Banks

Sumitomo Mitsui's Takashima to Head Japan Banking Industry Association

The Japanese Bankers Association has tentatively decided to name Sumitomo Mitsui Banking Corp. President Makoto Takashima as its next chairman.

He will take up the job on July 1. The appointment of Takashima, 63, came after Mizuho Financial Group Inc. President Tatsufumi Sakai offered to cancel his appointment to the top association post as he needs to focus on dealing with a series of system glitches that occurred at Mizuho Bank, the core unit of Mizuho Financial, in late February and March.

This is the second time for a Mizuho Financial official to decline the appointment as chairman of the industry group due to a large-scale system glitch, after the first such case in 2011. Sakai, who had been slated to become chairman of the association on April 1, informed the organization in mid-March of his intention of not assuming the post for the time being.

Kanetsugu Mike, chairman of Mitsubishi UFJ Financial Group Inc., whose term of office as head of the industry group has been extended following the offer by Sakai, will continue to serve in the post until the end of June.

Mike told a press conference that the association will make preparations to launch the new leadership team so that it can steadily tackle various challenges, including the top priority issue of providing financial assistance to clients struggling amid the resurgence of the new coronavirus. Mike highly rated Takashima as being fully capable of handling difficult issues facing the banking industry.

Nippon.com

KDB commits $126m financing to satellite project

South Korea's state-run lender Korea Development Bank has said that it had agreed on a $126 million commitment to finance an artificial satellite project in Indonesia. KDB is the first Korean lender to finance a space satellite project.

The bank's funding is part of the latest batch of a $431 million project financing to the digital infrastructure project called Satellite of Republic of Indonesia (Satria). KDB joins lenders HSBC, Banco Santander and Asia Infrastructure Investment Bank, who inked the deal on Feb. 25.

Satria is a $545 million space project led by Indonesia telecommunication company Pasifik Satelit Nusantara. The infrastructure project aims to offer residents of the Indonesian archipelago a better digital access with a geostationary satellite. PSN has joined hands with France-based aerospace manufacturer Thales Alenia Space to begin the satellite construction, and US-based rocket maker SpaceX to send the satellite to orbit.

The PSN-led consortium is to transport the artificial satellite by 2023 and operate it for the next 15 years.

The KDB said in a statement that the move is in line with the New Space era led by the private sector

Meanwhile, KDB has been building a track record as a project financing house. Its latest financing schemes went to the A465 road construction and Dogger Bank wind farm project in the United Kingdom, WestConnex motorway project in Australia, Changfang offshore wind farm project in Taiwan and Umm al-Hayman wastewater project in Kuwait.

The Korea Herald

Among Member Banks

Capital raising activities expected to return to pre-pandemic levels in 2021: Maybank

The Malaysian capital market activity is on track to improve in 2021, with fundraising interest across some sectors showing a return to pre-pandemic levels, said Maybank Investment Bank Bhd.

Chief executive officer Fad'l Mohamed said there were increased interest across equity and debt capital markets, as well as in the mergers and acquisitions (M&A) space.

He said there were also strong keen interest from first-time issuers (initial public offerings) across three categories of companies in the equity space.

The categories are, namely companies which have benefited from the Covid-19 (gloves and healthcare); companies which have weathered the pandemic well and have shown resilience (finance and fintech); and companies, which were initially impacted by Covid-19 but have subsequently recovered at a stronger than expected pace (logistics and selected real estate players).

Fad'l said Malaysia's bond and sukuk markets have been widely tapped for infrastructure projects in recent years and this trend is expected continue into 2021. In addition, heightened activity can be expected in the M&A space as confidence returns to the market.

He said M&A is also likely to be driven by ongoing trends of private equity investors looking to monetise their investments and multinational corporations reviewing their scale of operations.

"The ongoing pandemic of the past 12 months has demonstrated the resilience of Malaysia's capital markets, which will continue to remain broad and deep enough to support capital raising activity.

"The successful completion of the RM1.5 billion IPO by MR D.I.Y. Group (M) Bhd, which continued to see strong aftermarket performance with active participation from foreign institutional investors, and the strong bonds and sukuk volume of RM104 billion seen in 2020 provide a lot of comfort that there is still ample liquidity in the market," he noted.

Malay Mail

BML makes donation to ARC AID to assist vulnerable children during Ramadan

With an aim to assist vulnerable children during the fasting month of Ramadan 1442, Bank of Maldives (BML) has made a donation to Advocating the Rights of Children (ARC) Maldives.

The country's national bank made the donation of MVR 100,000 to assist children under the ARC AID Programme which provides basic food assistance to the vulnerable children, as well as their families.

According to the national bank, the donation will help fund food supply and essentials to over 150 children of 70 vulnerable families spanning the capital, Malé City.

Similar to this year's donation, BML donated MVR 200,000 to ARC AID Programme during 2020 as well where assistance was provided for vulnerable children during the Covid-19 pandemic.

The funds were used to support over 587 children in 300 vulnerable families across 14 islands last year.

BML is currently conducting a number of schemes under its 'Community Fund' initiatives as well.

ARC AID Programme covers food supply for vulnerable families, ranging from rice, flour, lentils, milk powder, tuna cans, eggs as well as assorted cans of vegetables.

Raajje

Among Member Banks

PNB plans to open digital bank, select technology partner

Philippine National Bank, the fifth-largest lender in terms of assets controlled by airline and tobacco tycoon Lucio Tan, plans to put up a digital bank soon, in line with the Bangko Sentral ng Pilipinas' push for digitization amid the global health crisis, a top executive said over the weekend.

PNB president and chief executive Jose Arnulfo Veloso said in an online briefing the bank is studying the establishment of a digital bank.

Veloso said he was not expecting the licensing for a digital bank to happen this year. "We have to finish our business plan first... The application is beyond our control. We focus first on the business plan, then we'll work on selecting a partner," Veloso said.

He earlier said that as the pandemic inevitably reshaped how businesses were conducted and transformed customer behavior, PNB would focus on exploring new opportunities, particularly in the digital space, that would translate into new revenue streams for the bank, while mitigating the risks arising from operating in the new normal.

Veloso said he was expecting the rollout of COVID-19 vaccines to enable the economy to rebound from a 9.5% contraction last year and eventually benefit the domestic banking industry.

PNB posted a 73-percent year-on-year decline in net profit in 2020 to P2.6 billion on loan loss provisioning. The bank ended 2020 with net profit before provisions for impairment and taxes of P17.6 billion, an increase of 17-percent year-on-year, driven by continued improvement on net interest income and robust trading gains.

PNB's net interest income, comprising 79% of the total operating income, increased by 11% to P35.8 billion, supported by lower funding cost which cushioned the drop-in yield rates of earning assets.

Interest expense on deposits declined by almost half despite an 8-percent growth in deposits to P890.3 billion as the bulk of these incremental deposits continued to be in low-cost funds.

PNB booked P16.9 billion in provisions for credit losses, more than five times the year-ago level, as a pro-active approach in addressing potential delinquencies that may arise from the impact of the prolonged pandemic. *Manila Standard*

RCBC's green portfolio reaches P52B

The sustainable lending portfolio of Rizal Commercial Banking Corp. (RCBC) reached P52.165 billion in 2020.

Broken down, RCBC's sustainable lending portfolio consisted of P32.722 billion worth of eligible green projects and P19.432 billion worth of eligible social projects in 2020. These involved 15 green projects and 9,947 social projects, respectively.

"As the economy gradually rises from the ruins of the pandemic, RCBC will be a strong partner in support of the BSP, not just in rebuilding, but in championing the ESG agenda and sustainable practices," President and CEO Eugene S. Acevedo said.

Under the bank's eligible green portfolio, renewable energy (RE) has the biggest share of 61%, clean transportation and energy efficiency activities each represent 18%, and 3% for sustainable water management projects.

Under the bank's eligible social portfolio, affordable housing projects comprise 36% of the total, employment generation 32%, access to essential services 24%, and socioeconomic advancement and empowerment eight percent.

RCBC issued sustainability bonds to refinance a combination of green and social projects. The P8 billion sustainability bond is maturing in June 2021, while the $300 million sustainability bond will mature in September 2024. Both sustainability bonds were issued in 2019.

Last month, the bank also issued a P17.8 billion ASEAN sustainability bond to refinance green and social projects.

In terms of impact, RCBC helped finance eligible RE assets that generated over 10,000 gigawatt hours (GWh) in 2020, translating to approximately 8.3 million tons of avoided carbon dioxide emissions compared to coal power. RCBC also helped fund a rail transportation project that benefitted more than 40 million passengers last year; RCBC extended funding to infrastructure for clean water and wastewater treatment which supplied 10.1 million cubic meters of water to nearly 2,000 households.

RCBC's funding support for hospitals resulted in medical treatment for 1.264 million patients; financing for schools helped provide education for 148,514 students; support for cooperatives assisted 200,000 clients; funding for small and medium enterprises (SMEs) translated to 802 loans; and support for affordable housing resulted to 9,117 affordable houses financed in 2020.

Late last year, the bank declared it will no longer finance new coal-fired power projects in the Philippines. The announcement supports the Department of Energy (DOE) plan to increase the country's share of renewable energy as power source to 43 percent by 2040. *Malaya Business Insight*

Among Member Banks

Doha Bank hosts meeting for Sri Lankan delegation

Doha Bank recently hosted a meeting with a Sri Lankan delegation which was headed by Sri Lanka's State Minister of Money, Capital Market, and State Enterprise Reforms H E Ajith Nivard Cabraal and the Deputy Governor of the Central Bank of Sri Lanka N W G R D Nanayakkara. During the meeting, Doha Bank CEO Dr. R Seetharaman highlighted the key developments in Qatar which includes the country's recent LNG expansion plans.

He said: "Qatar Petroleum's (QP) North Field East Project (NFE) is expected to start production in the fourth quarter of 2025. The NFE project represents the first phase of LNG expansion in Qatar, while the second phase is referred to as the North Field South Project (NFS).

With an expected production start date in 2027, the NFS project involves the construction of two additional mega LNG trains and associated offshore and onshore facilities. According to IMF April 2021, Qatar's economy is expected to grow by 2.4% in 2021". Seetharaman also gave insights on Sri Lankan economy.

He further said: "Sri Lanka has enjoyed close ties with Qatar, with over 120,000 Sri Lankans. There are more than 200 Srilankan companies established in partnership with the Qatari side. Doha Bank entered into agreements with the four biggest Sri Lankan banks to facilitate the remittances from Qatar to Sri Lanka.

Doha Bank also plays an important role to facilitate trade finance opportunities between Qatar and Sri Lanka and has seen substantial growth in the past few months.

Qatari businessmen should explore the huge investment opportunities in Sri Lanka and establish business partnerships and alliances with their Sri Lankan counterparts. Many Sri Lankan companies are looking to take part in Qatari projects and establish joint ventures in all sectors.

The Peninsula

Southeast Asia's largest bank DBS to phase out thermal coal financing

Singapore bank DBS Group has said it would phase out financing for customers that derived revenue from thermal coal and had committed to zero exposure to the sector by 2039.

The move comes as banks around the world have faced increasing public, investor and political pressure to join the battle against climate change and stop financing the coal industry.

DBS will cease signing up new customers deriving more than 25% of their revenue from thermal coal with immediate effect, it said in a statement.

Southeast Asia's biggest bank based on assets said it would stop financing customers deriving more than 50% of revenue from thermal coal from January, 2026, except for their non-thermal coal or renewable energy operations.

The bank also said it would engage with customers on greenhouse gas reduction targets and disclose annually in its sustainability report the progress made. "We recognise the increasing need for transition financing to help industries gradually navigate away from brown to green," Tan Su Shan, Group Head of Institutional Banking at DBS Bank said in the statement.

"We have upped the ante on financing projects by leading energy players in the region with the aim to scale the reach and supply of renewable energy in the near future." said Tan.

Reuters

UOB prices Singapore's first sustainability bond offering

UOB has priced Singapore's first sustainability bond offering, with the US dollar-denominated issuance representing the first dual tranche senior (senior notes) and Tier 2 instrument (subordinated notes) in sustainability format globally from a bank issuer.

This is UOB's inaugural issuance under its Sustainable Bond Framework launched in March. The two notes have been priced at a fixed coupon rate of 1.25% and 2% per annum respectively.

In aggregate, UOB raised $2b (US$1.5b), with a final order book of $3.7b (US$2.75b). The debut sustainability format of the dual tranche issuance benefitted from sustainability-focused investors, who contributed 60% to the final order book, the bank said.

The proceeds will finance or refinance eligible businesses and projects in areas such as green buildings and renewable energy, as well as eligible social assets including COVID-19-related temporary bridging loans extended to SMEs in Singapore.

Singapore Business Review

Among Member Banks

HNB celebrates excellence at inaugural WBG Conference and Awards Ceremony 2021

Hatton National Bank PLC's (HNB) Wholesale Banking Group (WBG) hosted its inaugural WBG conference and Awards Ceremony 2021 at HNB Towers under the theme, Collaborate | Transform| Impact |.

The event featured the participation of HNB Managing Director/CEO, Jonathan Alles and members from the bank's corporate management, select group of Regional Heads and Branch Managers and Managers from WBG verticals covering Corporate Banking, Project Finance, Emerging Corporates, Trade & FI, Treasury, Payment & Cash Management, Custody & Trustee Services and Islamic Banking. Awards were presented to top performers of WBG for their outstanding achievements during the year 2020. HNB launched the Bank's pioneering "Wholesale Banking Group" proposition to deliver exceptional value to corporates with innovative and tailored solutions.

During the event, Deputy General Manager – WBG, Damith Pallewatte, congratulated the WBG team for their outstanding contribution especially in the face of a challenging year. He encouraged them to strive for excellence and uphold the values and high standards, which HNB has been renowned for. The Sri Lankan engineer, Mrs. Melony Mahaarachchi, who was the Chief Mechanical Engineer of NASA's Perseverance Mars Rover project made an inspirational speech on how her former banking experience in Sri Lanka helped her to 'Reach the Stars' through collaboration.

Daily FT

SinoPac targets growth from overseas, looks to Vietnam, Singapore branches

SinoPac Financial Holdings Co aims to generate 30 percent of its profits from overseas operations this year, as well as expand its operations in Vietnam and open a Singapore branch, SinoPac Financial president Stanley Chu said on March 11.

Its banking arm, Bank SinoPac, set up a branch in Ho Chi Minh City focused on lending to Taiwanese companies with operations in Vietnam, but it is shifting to tap the consumer financing market, spokeswoman Kerry Hsu told the Taipei Times by telephone.

The bank would start with personal loans in Vietnam, as it expects the nation's rapid economic growth and rising middle class to boost the growth of consumer loans, Hsu said, adding that the Financial Supervisory Commission last year approved the bank's plan to establish a Singapore branch.

The bank expects to receive regulatory approval in Singapore this year to open the branch, which would be its fourth overseas market, after China, the US and Vietnam. "We had concentrated on expanding our presence in China in the past few years, by establishing units in eastern and western China. Now we are shifting our focus to Southeast Asia, given the region's growth momentum," Hsu said.

The ratio of net earnings generated by SinoPac's overseas operations to its total net earnings rose from 24% in 2019 to 30% last year, although SinoPac's overseas units saw profitability deteriorate due to bad loans amid the COVID-19 pandemic, he said.

SinoPac's offshore banking unit reported higher profit last year because of strong demand for wealth management and capital management from returning Taiwanese firms, Hsu said.

Taipei Times

Among Member Banks

Cathay increases economic growth forecast to 4.2%

Cathay Financial Holding Co on March 24 raised its forecast for the nation's economic growth this year to 4.2%, up from the 3.2% it predicted in December last year, due to stronger-than-expected private investment and the improving global situation, it said.

The firm raised its prediction for private investment growth to 3.7%, as Taiwan Semiconductor Manufacturing Co (TSMC), the world's largest contract chipmaker, in January raised its capital expenditure to between US$25 billion and US$28 billion, it said.

Cathay Financial previously expected private investment to slow this year and grow 2.5% in light of a high comparison base last year.

TSMC's investment could be a gauge for investment in the local technology industry, and its larger-than-expected investment indicated that overall investment is likely to retain healthy momentum this year, said Hsu Chih-chiang, a professor of economics at National Central University who heads a research team commissioned by Cathay Financial.

Taiwanese firms would continue to benefit from strong demand for new technology applications and devices required to maintain a low-contact economy, Hsu said.

Meanwhile, with more countries beginning to distribute COVID-19 vaccinations, the global economy is expected to rebound, which would boost foreign consumption and Taiwan's export orders, Hsu said.

"We predict that the nation's exports are likely to remain strong in the first half of this year, but the pace of increase might slow in the second half due to a high comparison base last year," he said.

Cathay Financial forecast that the central bank would keep benchmark interest rates unchanged this year, as the nation's inflation is expected to remain mild, Hsu said.

"The local economy's growing momentum and inflation pressure would increase the chance of the central bank raising rates, but on the other hand, volatility in the global financial system is expected to rise, which would trim the possibility of rate increases," Hsu said.

Taipei Times

Taipei Fubon becomes first domestic bank to issue SLL

Taipei Fubon Commercial Bank has approved a three-year sustainability-linked loan (SLL) to audio electronics maker Merry Electronics Co, the first such loan granted by a local Taiwanese bank. However, the bank did not reveal the amount of the loan.

Foreign banks were the first to offer SLLs in Taiwan. DBS Bank Taiwan provided NT$2 billion (US$70.66 million at the current exchange rate) of SLLs to AU Optronics Corp in 2019, followed by HSBC Bank (Taiwan) Ltd's two SLLs totaling NT$450 million to Taya Group and Sinbon Electronics Co last year.

Like HSBC Taiwan and DBS Taiwan, Taipei Fubon would lower the loan's interest rate if the borrower's sustainability performance improves, which includes greenhouse gas emissions, power management and energy efficiency, the bank told the Taipei Times.

HSBC Taiwan also encouraged its borrowers to use the loans for their operations related to green energy or greenhouse emissions reduction, but Taipei Fubon said it has no such requirements.

"While green loans are only used to finance green projects, capital from SLLs can be used for general corporate purposes, according to the sustainability linked loan principal set by the Asia Pacific Loan Market Association," the bank said.

The Financial Supervisory Commission is looking into the international standards on SLLs and would consider issuing guidelines for banks on the conditions to approve such loans, a commission official familiar with the matter said by telephone.

The guidelines might have a definition of SLL, as well as regulations about banks' and debtors' information disclosure about how the special loans boost companies' sustainability performance, the official said.

"The Taipei Exchange has named 16 specific purposes for which the proceeds from a sustainable bond can be used, such as green energy, water conservation, affordable housing and food safety, and the proceeds from an SLL might apply to the same purposes," the official said.

Companies should set a sustainability target before taking out a loan, and explain how they would appoint an independent third-party agency to evaluate if the debtors meet their targets. Banks can set their own rules until the commission issues guidelines, but they should confirm that the loans are utilized properly, the official said.

Taipei Times

Among Member Banks

CTBC wins award from magazine for sixth year

CTBC Bank Co has won Wealth Magazine's Best Domestic Wealth Management Award for the sixth consecutive year, with the publication recognizing the bank's efforts to provide a full range of intelligent wealth management services in the post-COVID-19 era.

The bank also won the Best Service Award, Best Charity Promotion Award and Best Digital Finance Award, showing that its professional financial services and long-term promotion of charity have been recognized by the magazine and the public.

Wealth Magazine held its awards ceremony on March 17, with Vice President William Lai presenting the Best Domestic Wealth Management Award to CTBC Bank president James Chen. CTBC Bank retail banking CEO Amy Yang also attended.

CTBC Bank has been engaged in wealth management for many years, during which it has developed a deep understanding of customer needs, Chen said.

Last year, the bank launched contactless wealth management services amid the COVID-19 pandemic, with wealth managers and expert teams advising customers online through a mobile app or videoconferencing, he said.

In addition, it used the CTBC Wealth Management Line account and other digital tools to provide customers with seamless services, while maintaining information security, the bank said.

In response to market turmoil, CTBC sped up market event notification and risk monitoring, and notified affected customers through newsletters, direct e-mails and wealth managers to protect their assets.

CTBC, in March last year, launched its next-generation, goal-oriented intelligent wealth management service "Smart GO 2.0," helping manage customer assets through the integration of big data, artificial intelligence (AI) investment strategies and automatic adjustment mechanisms, and solving customers' investment problems through a hybrid model of human-machine cooperation, it said. The bank also used an AI-enabled voice assistant to help nearly 4 million app users easily complete account checking and transfer services.

Meanwhile, in December last year, CTBC Bank gained approval from the Financial Supervisory Commission to launch wealth management programs for high net worth clients, becoming one of a few domestic banks providing new financial products or services to people with net investable assets and insurance product value exceeding NT$100 million (US$3.51 million).

The bank aims to provide overall financial planning for individuals, families and businesses, and offer more diversified products to help customers grasp the pulse of the global financial market and meet investment needs, it said.

Taipei Times

Among Member Banks

Mega Financial Holding eyes growth as profit slips

Mega Financial Holding Co aims to improve its earnings ability this year by targeting overseas banking, mortgage lending and wealth management operations, company officials told an online investors conference on April 8.

The bank-focused conglomerate unveiled the goal after its net income declined 14% to NT$25.02 billion (US$880.1 million) last year, or earnings per share of NT$1.84.

Drastic interest rate cuts by central banks to mitigate the effects of the COVID-19 pandemic weighed on interest income and bancassurance, Mega Financial president David Hu said.

The operating environment is brightening with the world on course to emerge from the pandemic later this year following vaccine rollouts, he said. "Mega Financial is seeking to reignite profit momentum on the back of its banking and securities arms, in line with a twin growth-driven strategy."

Net income for the first two months already picked up 12.7% from a year earlier to NT$3.94 billion, company data showed.

Main subsidiary Mega International Commercial Bank is to pursue 3.5% loan growth this year with a focus on the US, Southeast Asian and other foreign markets where local firms are deepening their presence and would need financial support, officials said.

Lending operations grew more than 40% at its Osaka branch, 30% in Austria, and 7 to 25% at US branches in California and New York in the past two months. Some local firms have made known their investment plans in the US, while others are taking advantage of rapid economic growth in Southeast Asia, they said, adding that Mega Bank would also like to take part in syndicated loans.

Mega Bank is also creating a new wealth management business to target high-net-worth clients with a goal of NT$15 billion in assets under management this year, company officials said.

Tightened credit controls would not affect plans to grow mortgage lending by 5% this year because Mega Bank has limited operations targeting first-time buyers and houses in good locations.

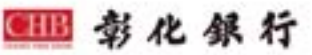
Mega Securities Co, which posted 41.9% growth in net income to NT$1.55 billion last year thanks to liquidity-driven rallies on the local bourse, would seek to remain a key profit driver this year by expanding its product offers, they said.

Mega Financial failed to report trading gains last year because banking shares dominated its portfolio, they said, adding it would adjust by raising positions in technology plays and firms that pay generous dividends.

Taipei Times

Among Member Banks

Chang Hwa Bank looks to recover profit momentum



Backed by an improving global operating environment, state-run Chang Hwa Commercial Bank said that it expects its growth momentum to recover this year, after net income tumbled by double-percentage points last year and remained weak in the first two months of this year.

Net income slumped 38.53% to NT$8.31 billion (US$291.3 million) last year, as bad loans at home and abroad increased, and drastic interest rate cuts weighed on interest and fee income, company data showed.

"We will make dynamic strategy adjustments to avoid a repeat of last year's disappointing performance," the company told an online investors' conference.

The bank recently appointed a new president, Chou Chao-Chung, to replace Huang Rui-mu, who stepped down to take responsibility for poor earnings. Chou, who served in different positions in another state-run lender, First Commercial Bank, aims to strengthen Chang Hwa Bank's overseas operations and risk controls.

Chang Hwa Bank is seeking to expand its loanbook by 5 to 6% this year, led by loans to small and medium-sized enterprises, and mortgage for people with real demand, the bank said.

Overseas outlets and local branches' offshore banking units generated 37.5% of overall earnings last year, down from 44% in 2019, the bank said, adding that it is looking to raise their contributions to more than 40%. Chou, who headed First Bank's Phnom Penh branch, can share his professional expertise and experience in this area, the bank said.

Chang Hwa Bank would be engaged in loans to first-time home buyers, as the central bank's two recent waves of credit controls are directed at multiple home owners and property investors, it said.

The bank added that it was not surprised at escalating yields in US Treasury and plans to raise its stakes in Taiwanese government and corporate bonds, as well as stocks that offer generous cash dividends. "We will adopt more diversified trading tactics and be more active in pursuing investment gains this year as the world emerges from the COVID-19 pandemic," it said.

Interest spread inched up 6 basis points from the third quarter to 1.15% late last year, while net interest margin gained 3 basis points to 0.88%, signs that the market has stabilized and would improve further, it said. However, interest spread and margins remain low compared with the same time last year, accounting for weak earnings in the first two months of this year, the bank said.

Net interest income accounted for 70 %of Chang Hwa's revenue, while fee income and investment gains contributed 16.57 and 12.08% respectively, company data showed.

Taipei Times

Among Member Banks

Taiwan Cooperative Financial pursues stable profit growth

State-run Taiwan Cooperative Financial Holding Co is pursuing stable profit growth this year on the back of economic improvement at home and abroad, although the operating environment remains challenging, the company said.

The cautiously optimistic guidance came after the bank-focused conglomerate's profit last year dropped 2.17 percent to NT$17.14 billion (US$606.45 million), which it attributed mainly to higher provision costs, and lower interest and fee income. That translated into earnings per share of NT$1.24, compared with NT$1.29 in 2019.

Taiwan Cooperative Financial chairman Lei Chung-dar said that the results were "better than expected," as its subsidiaries remained in the black, with stronger trust and securities operations, despite the COVID-19 pandemic.

The pandemic response diminished economic activity and resulted in wild swings in financial markets last year, prompting state-run financial institutes to slash their budget targets.

Interest spread narrowed from 1.409% to 1.18% for foreign and local currency operations, while net interest margin fell from 1.048% to 0.961%, company data showed.

The downturn is consistent with interest rate cuts by global central banks, officials said, adding that profitability measures have shown signs of stabilization since October last year.

Taiwan Cooperative Financial's loan-to-deposit ratio was 69.92% in December last year, slipping from 76.06% a year earlier as the company took advantage of low funding costs to raise deposits, but adopted a cautious lending approach to avoid bad loans, it said. That helped explain why the bad-loan ratio rose only 0.04% to 0.29%, it said.

The company would demonstrate more activity in lending operations moving forward, encouraged by positive COVID-19 vaccination progress and economic barometers, it said.

It said that its main subsidiary, Taiwan Cooperative Bank, which generated 85.15% of overall earnings last year, would boost reverse mortgage operations and lending to urban renewal projects.

The fund arm is looking to increase sales of exchange-traded funds that are gaining popularity with local and foreign investors.

Taiwan Cooperative Bank would seek to expand its business overseas, especially in Southeast Asia and the US, it said.

Taipei Times

Vietinbank eyes 16.8 trillion VND in pre-tax profit

Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) has set a goal of posting 16.8 trillion VND (728.1 million USD) in pre-tax profit this year, the bank's annual general meeting on April 16 heard.

The figure represents a slight annual increase against the 16.45 trillion VND in pre-tax profit recorded last year.

Vietinbank also aims at achieving asset and credit growth of 6-10% and a maximum of 7.5%, respectively. Its bad loan ratio is expected to be kept under 1.5%.

VietinBank Chairman Le Duc Tho said the bank will continue to work towards recording higher business growth, dramatically improving quality and efficiency, expanding the scale of operations, implementing appropriate credit growth solutions, and effectively balancing capital sources.

It will also promote credit activities in green and environmental protection fields, he added.

Tho emphasised that the bank will further its implementation of solutions to support customers affected by natural disasters and pandemics, especially COVID-19, in line with directions from the Government and the State Bank of Vietnam.

VNA

Banking and Finance Newsbriefs

Bhutan

Bhutan expects strong economic recovery next year

The Bhutanese government is hopeful that the economy will see significant improvement and rebound strongly after the COVID-19 vaccination drive.

The Ministry of Finance (MoF) has projected GDP growth of 3.3% for the next fiscal year. But the Finance Minister Lyonpo Namgay Tshering has expressed hope that the projected growth was the minimum and that it could touch 6 percent in the best-case scenario where the situation, both within the country and in neighbouring India and Bangladesh, will improve significantly after the COVID-19 vaccination drive.

He reasoned that given its trading-based nature, the economy would recovery swiftly once export and import activities regain momentum.

"We are hoping that the domestic economy will improve significantly once the Covid-19 vaccination drive is completed," he was quoted by the Kuensel newspaper.

The government is also pinning its hopes on agriculture and industries (construction and manufacturing) sectors to offset the impact of COVID-19 as well as for the revival of the economy.

"The agriculture sector is doing better although its share of contribution in GDP has been 10 to 11% only. Industries and construction sectors have already started doing better despite the challenges," he said.

India Blooms

India

India will have heterogeneous banking sector in a decade with four types of banks

The Reserve Bank foresees a "competitive, efficient and heterogeneous" banking sector with four distinct sets of banks dominating the landscape over the next decade, its governor Shaktikanta Das said on March 25. There will be large banks having presence across the country and the world, mid-size banks present across the economy, small finance banks/regional rural banks/cooperatives to take care of the small borrowers and digital players, he said.

The comments come days after the RBI appointed a panel headed by former deputy governor Shyamala Gopinath on bank licences to evaluate applications for universal banks and small finance banks. An internal panel had recently recommended allowing deep-pocketed corporates into the banking fray, something the RBI had been averse to for long. A final view on the controversial proposal is yet to be taken.

"The Reserve Bank is striving towards a more competitive, efficient and heterogeneous banking structure. The licensing policies for universal banks, small finance banks (SFBs) and payments banks are a step in this direction," Das said speaking at the Times Network India Economic Conclave. He said at present, there are ten small finance banks and six payments banks which are operational. "I foresee four distinct sets of banking landscapes emerging in the current decade. The first set will be dominated by a few large Indian banks with domestic and international presence," Das said.

The second will be mid-sized banks with economy-wide presence, while the third set would encompass smaller private sector banks, SFBs, regional rural banks and co-operative banks, which may specifically cater to the credit requirements of small borrowers. The fourth segment would consist of digital players who may act as service providers directly to customers or through banks as their agents or associates, he said, stressing that such players would increasingly emerge as "critical pieces" across all segments.

Meanwhile, Das said maintaining the health of the banking sector remains a policy priority, adding strength to a banking system depends on building its capital base while at the same time focusing on corporate governance and ethics-driven compliance culture

He said upgradation of IT infrastructure and improving customer services together with cybersecurity measures are other key issues which also need attention from the banks.

Financial Express

Banking and Finance Newsbriefs

Iran

IMF revises estimates of Iran's reserves following CBI objection

The International Monetary Fund (IMF) has revised its estimate of Iran's total gross official reserves to $115 billion, following the Central Bank of Iran (CBI)'s objection about the fund's incorrect estimates of the mentioned index.

CBI Governor Abdolnasser Hemmati earlier rejected as flawed and unverified IMF's recent data which suggested that Iran's gross official reserves declined significantly in 2020 to only $4 billion.

Hemmati wrote in an Instagram post on April 13 that IMF's estimate about the state of Iran's reserves is reflective of the organization's mistaken approach towards the Iranian economy.

As reported by IRNA, in an official email to CBI, the IMF, while regretting the misunderstanding, announced that the previous estimates have been based on assumptions of the country's "usable reserves" and its estimate of Iran's "total gross official reserves" is in fact $115 billion.

There are still problems with the fund's other estimates, and the central bank is following up to address these problems, according to Hemmati.

In a report published earlier this month about general economic indicators in economies of West and Central Asia, the IMF said Iran's official reserves had declined from $122.5 billion in 2018 to $12.4 billion in 2019.

Tables published in the report showed that the reserves had further dwindled by over 67.7% last year to settle at $4 billion. The U.S. sanctions on Iran have cut off the country's banking system from the rest of the world with private and state-owned banks unable to process international payments.

CBI had earlier criticized the IMF for refusing to process an Iranian request for a $5-billion loan that the country needs to tackle the economic impacts of the coronavirus pandemic.

The new IMF data, however, shows that Iran was in positive economic growth in the previous year after the U.S.-based organization revised up its estimates about the country's gross domestic products (GDP).

Tables of the recent IMF report show that Iran's GDP would grow by 2.5% this year and by another 2.1% in 2022.

Tehran Times

Korea

Venture capital investments hit all-time high: KDB

The amount of venture capital investments made in the South Korean market last year reached a record high of 4.3 trillion won ($3.8 billion), according to state-owned Korea Development Bank (KDB) on April 15.

The startup industry has seen an increasing inflow of capital in recent years. The amount of venture investment pumped into the startup market came in at 3.4 trillion won in 2018 and 4.2 trillion won in 2019.

The startup segment is expected to gain further momentum thanks to the government's push to form a fund of 20 trillion won over the next five years to vitalize the economy.

Riding the wave, the government-owned development bank is planning to establish a venture capital firm in Silicon Valley. The bank's venture capital unit will help Korean startups to make forays into the US and other overseas markets, and nurture a startup unicorn with a valuation exceeding 1 trillion won.

The planned establishment of the venture capital firm is one of the bank's key initiatives. "Innovative growth is something the bank has been aiming to achieve," Lee Dong-gull, the KDB chairman said in a press meeting earlier this year. "KDB will prepare various types of funds not just to help find promising startups but also scale up innovative startups."

During his visit to Silicon Valley in 2019, Lee met with executives from Plug and Play, a US accelerator and an early investor of tech firms Google and PayPal.

The Seoul-headquartered bank is also planning to hold its third startup conference "NextRise," which gives opportunities to early-stage firms and individual entrepreneurs to attract investment from venture capitals.

The Korea Herald

Banking and Finance Newsbriefs

Malaysia

Cryptocurrency: More women investing in digital assets

In Malaysia, more women are participating in the cryptocurrency market, thanks to increased awareness about digital asset investing in general. Luno Malaysia, the country's first digital asset exchange approved by the Securities Commission, revealed that 20% of its user base is female, up from 12% in 2019, with more than 60% of the pool aged between 30 and 39. Also, some 56% of these female investors prefer Bitcoin.

Scarlett Chai, Luno Malaysia's marketing and partnerships lead, tells Digital Edge that the average transaction volume of its female users has increased from 6% to 15% of total transactions per month, indicating a positive trend of cryptocurrency investment among female users in Malaysia. This also shows that cryptocurrency is an accepted and established alternative investment option, especially among female investors.

Women tend to be conservative investors and a lot more careful when carrying out a risk assessment, but this does not mean that they are not aggressive investors, Chai shares. In fact, she says women investors on Luno's platform tend to be aggressive in digital assets, and a handful are active traders.

The fact remains, however, that a large number of women are cautious investors who are not aware that investing in digital assets could be one way to achieve financial independence. "Financial literacy is somewhat low in the country and women tend to put off learning about cryptocurrencies because it seems to be a complex topic, and thus, they shy away from it. It's still a foreign concept to some women and there is still a long journey ahead of us to create awareness about cryptocurrency investing," Chai says.

On Luno, 96% of female users in Malaysia buy cryptocurrencies for investment purposes. They prefer Bitcoin due to its popularity as an alternative store of value. As for the other cryptocurrencies offered by Luno, women favour Ethereum (22%), Ripple (16%) and Litecoin (6%). This data is based on Luno's female user activity over the past six months.

Chai says this shows that women tend to choose more established cryptocurrencies as they may feel that these are safer options. This underlines their more risk-averse investment appetite.

Luno's "buy and hold" feature, which employs a dollar-cost averaging strategy, allows users to invest a fixed amount consistently. This risk-averse feature lets users invest and hold for long-term investing or cash out whenever they feel like it.

Chai says while there is no concrete data on whether more women prefer this feature, the strategy seems appropriate for women investors, especially those who are not price chasers.

The majority of transactional activities are by female users aged 30 to 39 (more than 60%), followed by those aged 50 to 59 (13%) and 40 to 49 (12.4%). However, Chai says that looking at the overall transactional activity regardless of gender, the second most dominant age group are those in their 20s, with a majority of users in this age bracket consisting of men.

Globally, the number of people owning cryptocurrency stands at less than 2%. Chai says cryptocurrency is still in its infancy and, therefore, anyone who invests in it is considered a pioneer or early adopter. There is also still a misconception that the cryptocurrency investing ship has sailed since the price of one bitcoin is more than RM200,000, with some unaware that they can invest in a small portion of one.

The Edge Markets

Banking and Finance Newsbriefs

Maldives

Digital technologies can help Maldives build back better from the COVID-19 shock

Maldives can leverage digital technologies to build back better for a more green, resilient, and inclusive development following the COVID-19 pandemic, says the latest World Bank Maldives Development Update: A Digital Dawn released today.

The Maldives Development Update (MDU) notes that the country, post a massive pandemic led downturn, is firmly on the road to recovery. Thanks to successful marketing campaigns and relatively straightforward entry requirements, Maldives received more than 300,000 tourists in the first quarter of 2021. Assuming that a million tourists visit the country this year, the World Bank forecasts real GDP to grow by 17.1 percent in 2021. There are both downside and upside risks to the forecast.

The Update analyzes the devastating effect of the pandemic on the island nation's economy. From end-March to mid-July 2020, the country was forced to close its borders to tourists, bringing the economy to a standstill. Tourist arrivals plummeted nearly 70 percent, leading real GDP growth to contract by nearly 30 percent compared to 2019. The government took steps to protect the lives and livelihoods of Maldivians, and yet the pandemic is expected to have led to a temporary increase in poverty.

As Maldives builds back better from the COVID-19 crisis, addressing fiscal and debt vulnerabilities will be important. In 2020, the fiscal deficit reached nearly USD 900 million or 20% of estimated 2020 GDP. Total public and publicly guaranteed debt reached USD 5.6 billion or nearly 140% of estimated 2020 GDP. Although the recovery is now underway, Maldives' fiscal deficit and debt ratio are expected to remain elevated over the medium term.

The special focus section of the MDU sheds light on how digital technologies can be game changers for Maldives' growth and development. The COVID-19 pandemic has accelerated the digital transformation that was already underway, thanks to relatively high broadband and mobile internet penetration in the country. About 63% of the population used the Internet in 2019, a higher proportion than in other South Asian countries and peers outside the region. There is tremendous potential to use digital technologies to improve the delivery of services such as health, education, and disaster risk management, especially to outer atolls.

To leverage the digital dividend, Maldives needs to address policy, legal and regulatory gaps that currently inhibit the adoption of digital technologies. It also needs to boost Maldivians' digital capabilities and skills to ensure that all Maldivians can take advantage of new technologies in an increasingly digital world.

"Wider use of digital technologies can help the government improve service delivery and allow smaller businesses and informal workers to expand access to markets," said Junko Narimatsu, lead author of the special focus section. "However, for digital development to play a more prominent role in Maldives' economic recovery, it is essential to close the digital divide between Male' and the atolls."

World Bank

Philippines

Philippines plans U.S. dollar bonds 'before rates skyrocket': Finance Chief

Philippines Finance Secretary Carlos Dominguez said the government plans to sell dollar bonds before interest rates rise, and will look for new revenue sources and ways to wind down debt next year.

"We will tap the U.S. bond market before rates skyrocket," Dominguez said in an interview with Bloomberg Television's Kathleen Hays. He didn't provide more details on the debt plan.

The Philippines plans to borrow a record 3 trillion pesos ($62 billion) from domestic and international sources this year, according to budget data presented to Congress in August.

Economic growth this year "is going to be lower than what we expected" as virus cases surge, Dominguez said.

President Rodrigo Duterte, as part of a plan to drive GDP growth to as high as 7.5%, set a record spending goal this year of 4.5 trillion pesos. The government doesn't intend to increase its borrowing from the Bangko Sentral ng Pilipinas, Dominguez said, and aims to wind down its loans from the central bank later this year or early next.

While the government isn't planning to introduce new tax measures at this time, Dominguez said the finance department is looking at ways of "winding down" debt, including other possible revenue sources.

The government aims to cap the budget deficit at 8.9% of GDP this year before lowering the gap to 7.3%.

"I'd like to hear of solutions to the world debt problem," Dominguez said of discussions at the International Monetary Fund and World Bank spring meetings this week. "This is a problem of ours as well as problems of many countries."

Bloomberg

Banking and Finance Newsbriefs

Singapore

Singapore plans for post-virus office

Less crowded trading floors, facial recognition systems and split work areas could all become routine for bankers in Singapore as the city-state readies for office life in a post-COVID-19 world.

Financial institutions in the city-state should use more no-touch technology, allow more space for each employee and adopt split teams on trading floors once staff return after the COVID-19 pandemic, recommendations from a study commissioned by the city-state's Monetary Authority of Singapore (MAS) and released on March 23 said.

Lenders are being encouraged to use hot-desking, motion detectors, temperature and face-mask detection screening, and improved ventilation to avoid potential contamination, the report said.

Staff should be allowed to work from satellite offices or branches in addition to companies' main headquarters, it said.

Such measures "are imperative to strike a balance between workplace safety and minimizing disruption to business operations," said the study, which was carried out by real estate consultancy Cushman & Wakefield PLC and some of Singapore's biggest banks.

With more than 200 financial institutions operating in Singapore, the city-state is looking at how to get staff back to the office after they have spent more than one year juggling working from home and family life.

The city-state has taken a cautious approach to returning staff to offices even as infection rates remain low. The recommendations from Singapore envision a workplace that is geared to switch quickly to a "pandemic-on" mode so that companies can react to pandemics.

"MAS encourages our financial institutions to consider the recommended strategies in the Playbook to enhance safety and resiliency in the workplace," MAS Deputy Managing Director Ong Chong Tee said in a statement. "This will be helpful to be well prepared for any situations in future that may require safe distancing and work-from-home arrangements."

The report also compares Singapore's approach in managing the pandemic with other major financial hubs, such as Hong Kong, Shanghai, London, New York and Sydney.

It found that the density of its offices is comparable to Sydney, with an average 7.4m2 to 11m2 per seat. That is more spacious than in Hong Kong, where it is 3.7m2 to 9m2.

How financial institutions adapt to a post-COVID-19 world has the potential to reshape business districts in hubs around the world.

Bloomberg

Banking and Finance Newsbriefs

Sri Lanka

Sri Lanka signs USD 500 million Financing Facility Agreement with China Development Bank

The Government of Sri Lanka Monday signed a USD 500 million Financing Facility Agreement with the China Development Bank to facilitate rapid recovery of the economy affected by the COVID19 pandemic.

The loan agreement was signed in Beijing by Dr. Palitha T.B. Kohona, Ambassador of Sri Lanka to the People's Republic of China on behalf of the Government of Sri Lanka and Wang Wei, Deputy Director General, China Development Bank on behalf of the China Development Bank.

The facility has been made available on a request made by the Government of Sri Lanka to the Chinese Government and the China Development Bank to support the country's development efforts, the Finance Ministry said.

The loan is the second tranche of the total RMB 2 billion plus USD 1 billion Foreign Currency Term Financing Facility (FTFF) supported by the Chinese side to Sri Lanka after the outbreak of COVID-19 pandemic.

The terms of this FTFF, signed on March 18, 2020, remains at 10 years with a grace period of 3 years, and is an improvement over the foreign currency term financing facility drawn down in 2018 from the China Development Bank, according to the Finance Ministry.

The financial cost of borrowing when compared to the current market conditions is competitive with the interest rate being an improvement over the 2018, China Development Bank facility with the margins over 6 months LIBOR being less than that of the 2018 facility.

The inflow of the funding is set to be implemented during the Sinhala & Tamil New Year, and expected to increase the official foreign reserves of Sri Lanka to better facilitate rapid economic recovery following the setbacks caused by the COVID-19 pandemic.

Colombo Page

Taiwan

IMF raises Taiwan's GDP growth forecast for 2021 to 4.7%

The International Monetary Fund (IMF) has raised its forecast for Taiwan's gross domestic product (GDP) growth for 2021 to 4.7%, up 1.5 percentage points from its most recent estimate late last year.

In the IMF's latest World Economic Outlook report issued on April 6, titled "Managing Divergent Recoveries," the Fund's chief economist Gita Gopinath wrote that despite continued uncertainty around the COVID-19 pandemic, economies across the world had shown a "stronger than anticipated rebound."

As a result, she said, the IMF was projecting a stronger global economic recovery compared with its last forecast in January.

Global economic growth is projected to be 6.0% in 2021 (up 0.5 percentage points from the previous forecast) and 4.4% in 2022 (up 0.2 percentage points), after an estimated historic contraction of 3.3% in 2020.

As relates to Taiwan, the report predicted that its economy would grow by 4.7%in 2021, up 1.5 percentage points from the 3.2% growth it forecast last October, and that it would grow at a rate of 3.0% in 2022.

The estimate was slightly higher than the 4.64% annual GDP growth that Taiwan's Directorate General of Budget, Accounting and Statistics (DBGAS) forecast in February and the 4.53% growth predicted in March by Taiwan's central bank.

Meanwhile, Taiwan's 3.1% GDP growth in 2020 put it first among economies in the Asia Pacific, followed by Vietnam with 2.9 percent growth and China with 2.3% growth.

Among other economic indicators, the report predicted that Taiwan's consumer price index (CPI), a main gauge of inflation, would rise 0.9% in 2021 and 1.2% in 2022, while the unemployment rate would be 3.8% in both years.

According to Taiwan government figures, the country's CPI (which measures the prices of goods relative to a year before) rose 1.37% in February while the seasonally adjusted unemployment rate was 3.73%.

Of the other economies comprising the "Four Asian Tigers," the gross domestic product of South Korea, Singapore and Hong Kong contracted, respectively, by 1.0%, 5.4% and 6.1% in 2020, the report said.

According to the IMF forecast, the same three economies are expected to grow at rates of 3.6%, 5.2% and 4.3% in 2021, and by 2.8%, 3.2% and 3.8% in 2022.

CNA

Banking and Finance Newsbriefs

Thailand

Bank of Thailand wrestles with cryptocurrency adoption

The Bank of Thailand is wrestling with cryptocurrency – how to adopt its usage and how to regulate it in the face of growing popularity, along with all the dynamics surrounding the new 'currencies'. The BOT admits they're struggling with balancing the innovation in the financial world and protecting investors in a volatile and unstable market. Digital currency fluctuates much more widely than national currencies. Last year the BOT launched a prototype scheme for digital currency as Thailand has tried to attract cryptocurrency tourism, and failed.

Cryptocurrency can be viewed in 2 categories – ones stablised by backing with assets, often called stablecoin, and ones without stable assets backing them, such as the most popular cryptocurrency Bitcoin. Stablecoin can then be fiat-backed, asset-backed or algorithmic. Some stablecoin can be further stabilised by being backed by a national currency, like a cryptocurrency being backed by Thai baht.

Cryptocurrency carries many advantages over traditional currency, especially in an increasingly global market. Fundraising, investing, transferring money and digital purchases are all simplified by crypto, and the BOT believes further digital innovation is inevitable.

The drawbacks of crypto, aside from its famous volatility, are that cryptocurrency aren't legal tender and the issuers credibility, or lack thereof, may destabilise any financial system tied to crypto. Cybersecurity and consumer protection issues, as well as the ease of money laundering and illegal transactions are other negatives to crypto. Aware of these issues, the BOT requires consultation for any stablecoin before beginning operations.

Cryptocurrency is growing in popularity globally, but not every country is prepared or welcoming. China and Indonesia have limited the trade and use for payment of cryptocurrencies. Japan, Singapore and the UK move forward more cautiously, with monitoring, investor protection, and strong anti-laundering policy.

Meanwhile, the Indian government is to propose a law banning cryptocurrencies, fining anyone trading in the country or even holding such digital assets, according to Reuters. The bill represents one of the world's strictest policies against cryptocurrencies, penalising possession, issuance, mining, trading and transferring crypto-assets.

Now, the Bank of Thailand is cautiously looking to launch a cryptocurrency in the near future, weighing the risk against the growing call to embrace new financial innovation. Bitcoin started 2021 at US$29,000 and has skyrocketed, hovering in the US$50-60,000 range.

Thai PBS World

Vietnam

Vietnam: Da Nang's Central city to develop an international finance centre

The central city's people's committee and the Import-Export Pan Pacific Group (IPPG) has signed a Memorandum of Understanding (MoU) on the development of an international and regional finance centre in Da Nang to attract investors in the future.

Director of the city's Investment Promotion Agency (IPA), Huynh Thi Lien Phuong said the MoU, which was signed late last month, aimed to build a trading centre, casino, high-end entertainment and luxury apartments in the coastal area.

She said the project would be built on an area of 84,000.sq.m on the beach-front at Vo Nguyen Giap and Vo Van Kiet streets in the Son Tra peninsula.

Phương said Da Nang authorities would auction land-use rights for the finance-trade-casino complex in the future.

She said the city was drawing up a detailed plan for the first international duty-free zone and smart urban area for investors.

The city Department of Natural Resources and Environment said four plots on two coastal facade Vo Van Kiet and Vo Nguyen Giap streets were reserved for finance-trade-casino complex development.

Two years ago, IPPG failed to negotiate with Trung Nam Group to make the Golden Hills area the first duty-free zone and factory outlet centre in central Việt Nam. Last month the first downtown free-duty shop, VV Mall was launched at the beach-front Crowne Plaza Da Nang resort in Ngu Hanh Son district.

The Universal Alloy Corporation (UAC) from the US has launched the first aerospace parts project, while LG Electronics began construction of its R&D centre in the city.

Da Nang, which is situated at the end of the East-West Economic Corridor, linking Laos, Thailand, Myanmar and Vietnam, is planned as a global destination of tourism, finance, logistics and hi-tech investment.

The Star

Publications

Implementing a Green Recovery in Southeast Asia

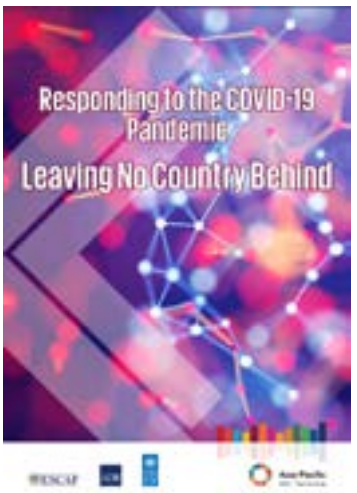
This brief prepared by the Asian Development Bank (ADB) outlines how Southeast Asia can focus on green growth to successfully and sustainably recover from the coronavirus disease (COVID-19) pandemic.

It argues that a green recovery is critical for Southeast Asia to reduce the risk of future pandemics, address climate change, create jobs, increase competitiveness, and achieve the Sustainable Development Goals. The brief identifies five priority areas to focus on relating to agriculture, energy, urban development and transport, a circular economy, and oceans. It also discusses key policy mechanisms and interventions as well as financing opportunities.

Contact Details: ADB Publications

Website: https://www.adb.org/publications/green-recovery-southeast-asia

Responding to the COVID-19 Pandemic: Leaving No Country Behind



This report prepared by the Asian Development Bank (ADB) examines the implications of the coronavirus disease (COVID-19) pandemic for the Sustainable Development Goals, and opportunities for recovery.

It highlights inequalities and vulnerabilities that have amplified the impact of the pandemic in Asia and the Pacific and emphasizes the need for a focus on people centered development, sustainability, and climate change issues. The report considers the role that digitalization has played in helping the region manage the pandemic, and the need for more inclusive digital transformation. It explores new priorities for renewed regional cooperation to enable recovery that achieves the 2030 Agenda for Sustainable Development and leaves no country behind.

Contact Details: ADB Publications

Website: https://www.adb.org/publications/responding-covid-19-pandemic

Publications

Catalyzing Climate Finance: Lessons Learned from the Shandong Green Development Fund

This paper prepared by the Asian Development Bank (ADB) examines the establishment of the Shandong Green Development Fund; reviews its design, implementation, and impact; and assesses if this can be further developed and extended to other countries in the Asia and Pacific.

In 2019, the Asian Development Bank (ADB) approved a $100 million loan contributing to climate finance for the $1.5 billion Shandong Green Development Fund Project. The fund introduces an innovative leveraging mechanism to catalyze private, institutional, and commercial capital for the development of climate-friendly infrastructure and business in Shandong Province, the People's Republic of China. This paper sets out ADB's experience in establishing scalable institutional structures for climate finance and presents current and prospective ADB roles in support of such structures and resultant value addition. The paper also discusses key considerations in designing the operational systems of such institutions and provides policy rationale for government action.

Contact Details: ADB Publications

Website: https://www.adb.org/publications/climate-finance-lessons-shandong-green-development-fund

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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