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ASIAN BANKERS ASSOCIATION

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Second ABA Virtual Policy Advocacy Committee meeting Scheduled for August 30

The ABA Policy Advocacy Committee has scheduled its second virtual meeting of the year for August 30, 2021, 2:30 to 4:30 pm Taipei time.

To be chaired by Committee Chairman Mr. Dilshan Rodrigo, Chief Operating Officer of Hatton National Bank from Sri Lanka, the online meeting will feature papers prepared by several organizations. The current roster of position papers are as follows:

- ***"From Interbank Offered Rates to Risk-free Rates: Latest Update"***

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

- ***"HNB's Experience Driving Business Revival Post-COVID in MSME Sector"***

A representative from Hatton National Bank (HNB), will present a paper sharing the experience of HNB in its efforts in assisting its customers establish relationships among each other to build an ecosystem aimed at strengthening supply chain linkages.

- ***"Strengthening Bank's Cyber Security Capability"***

A representative from Hatton National Bank (HNB), will present 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.

- ***"Sustainable Financial Regulation Across The Region"***

Dr. Adrian Fenton, Vice President, Asia Sustainable Finance, World Wide Fund for Nature (WWF) Singapore, will present a paper on on the sustainable finance regulation landscape across the region, how it is evolving, and the challenges being faced by government in their implementation, drawing on the relevant research study being conducted by SEACEN Agreed.

- ***"E-learning As A Tool For Integrating Sustainable Financing Issues Into Banks' Training Programs"***

A representative of World Wide Fund for Nature (WWCF) Singapore will present a 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.

- ***"Financial Sanctions on Banks"***

Mr. Shirish Pathak, Managing Director, Fintelekt Advisory Services, will present a paper focusing on financial sanctions on banks and how they mitigate their impact.

- ***"Corruption Issues Amidst Covid-19 Pandemic"***

A representative from Fintelekt Advisory Services, will present a paper focusing on corruption issues amidst the Covid-19 situation, as well as on how to aid and speed up development in poorer countries and help them achieve financial inclusion post-Covid.

- ***"Activities to Meet Challenges in Implementing Regulatory Framework to Achieve Sustainability Goals"***

A representative from Rizal Commercial Banking Corporation will present a paper 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.

- ***"Activities to Support Business Survival"***

A representative from an Iranian bank will present a paper sharing its experience and activities in support of business survival particularly of SMEs.

- ***"Leveraging Fintechs to Drive Digital Transformation"***

A representative from Maybank will present a paper sharing its experience on leveraging Fintechs to drive its digital transformation efforts

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

Fintelekt®

A Policy Paper Prepared for the Asian Bankers Association by Shirish Pathak, Managing Director of Fintelekt Advisory Services

Introduction

Over the last two years, through its position papers, Fintelekt has highlighted the key elements of an effective AML/CFT framework with a focus on improvement areas for banks, highlighting existing gaps. We also provided strategic recommendations for the banking industry, in the interest of contributing to a stronger AML/CFT compliance regime in the region.

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.

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.

The role of AML/CFT compliance professionals has never been more important, and it is imperative for AML/CFT compliance heads to assume a leadership role within the bank and become significantly more valuable as true advisors, as banks and financial institutions navigate their way through increasingly complex regulations and risks.

Compliance Ecosystem Maturity

The Financial Action Task Force, which is the inter-governmental policy-making body whose objective is to set standards and promote effective implementation of legal, regulatory and operational measures for AML/CFT to safeguard the integrity of the international financial system, has laid down the 40 recommendations which are in turn enforced by country regulators. It identifies jurisdictions with weak measures with respect to AML/CFT and publicly lists countries with weak AML/CFT regimes.

The current list of jurisdictions with strategic deficiencies include Albania, Barbados, Botswana, Cambodia, Ghana, Jamaica, Mauritius, Myanmar, Nicaragua, Pakistan, Panama, Syria, Uganda, Yemen and Zimbabwe. The jurisdictions of Iran and North Korea remain in the High Risk Category.

Lately there has been a lot of debate about the FATF approach (and this is being acknowledged by the FATF itself as well) around the mutual evaluation methodology and there is also increasing dialogue within many countries whether the FATF process and approach itself is democratic or not, and this is especially felt in countries that may not have access to resources that are required such as access to technical expertise, internal capability and spending capacity.

And while many of the disadvantaged countries have the will and may want to do something about the problem but have genuine constraints, on the other hand we are actually seeing lack of will and inclination in certain areas of adherence to standards within some of the developed nations to control money laundering and terrorist financing.

And this begs the question – Are the developed countries justified in their demand of action from some of the developing countries and are they really right in the demands they make of the developing countries in the ecosystem. Now this is not an excuse for the disadvantaged countries to not comply, but I think it needs to be taken into account when different types of countries are evaluated at a global stage, so that there is no undue discrimination.

When it comes to actual compliance maturity evolution within a country, each sector has evolved at a different pace. For example, large multinational banks and insurance companies, and large national private sector banks and insurers, have really leapfrogged in terms of AML/CFT compliance evolution. But certain types of institutions – such as smaller public sector banks, insurers or cooperative banks, non-banking financial institutions, smaller insurance companies, DNFBPs, brokers, have arguably not kept pace in many countries.

So if one looks at it from a macro perspective, there has definitely been an upswing over the last many years, but at a micro level, one can still see plenty of vulnerabilities and each country is only as strong as its weakest bank or institution.

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Recent Global Trends In Aml/Cft

Drive to Effectiveness v/s Technical Compliance: This is the first over-arching trend that we are seeing. Those of you who follow the FATF, will remember that last year, the FATF Executive Secretary made a statement at the FATF Plenary, where he said that there has been considerable failure in AML/CFT technical compliance and effectiveness globally across countries and institutions. And it appears clear from this statement that all parties involved - be it the government, regulators, supervisors, law enforcement, judiciary or the various categories of reporting entities - all have a long way to go on the path of improvement. Therefore for the global compliance ecosystem, there is a indeed still a lot of work to be done.

Risk-based Approach: The move to a risk based approach is definitely being spoken about a lot, and we also see regulators in many countries in Asia clamping down on reporting entities and mandating enterprise wide AML/CFT risk assessments.

Beneficial Ownership, TBML, Terrorism, Trafficking, Cyber: In the recent past, as many countries try to weed out corruption, we have also seen a higher focus on beneficial ownership norms. There is a high level of scrutiny on trade transactions, and we are also witnessing a rise in public private partnerships, more cooperation and coordination between various stakeholders such as the police, customs, income tax, enforcement departments and the financial services industry. The fight against trafficking, whether it is human / wildlife or organ trafficking, seems to be intensifying and while the problem is still huge, there now seems to be more cognizance within the financial sector to figure out ways to identify transactions and parties involved in this. Cyber fraud and other types of fraud schemes have witnessed a high upswing during the pandemic.

Public Private Partnerships: We are seeing more traction in Financial intelligence/information sharing partnerships (FISPs) which allow regularly convened public private dialogue on financial crime threats towards building a common understanding of risks, threats and vulnerabilities affecting the national AML/CFT system. These could be Strategic, which are aimed at the exchange of aggregate strategic information or Operational, aimed at advancing concrete investigations through the exchange of tactical operational information. These programs are usually aimed to be goal-oriented on priorities, create mutual value for all partners and complement the existing suspicious transaction reporting regime in a country.

Non Face-to-face Due Diligence: At a tactical level, more recently, there has been an increased trend of moving to non face-to-face KYC, due diligence and risk profiling because of the pandemic, as well as measures on countering cyber fraud and the use of cryptocurrency for money laundering and proliferation finance.

Quality of Reporting: On the regulatory side, quality of reporting is seeing a tremendous focus and financial intelligence units are laying a significant emphasis on this, especially as they themselves come under pressure from the government and law enforcement units, and are in some cases themselves being audited for effectiveness. Having a robust transaction monitoring system, supported by a good team of AML analysts, is critical to the success of effective and efficient reporting. Equally important is training the customer facing staff to identify potential suspicious behavior and report it to the compliance team, without tipping off the customer.

Business Conduct and Governance: We are also seeing an elevated focus by regulators on banks' business conduct, essentially more emphasis on ensuring that the tone from the top is actually helping to build a better compliance culture.

The Evolving Role of the Compliance Professional

The world is going through tremendous changes now and it is unclear how this is going to pan out in terms of translating to stakeholder expectations, risk management and operations in the medium and long term. Compliance professionals need to continuously develop their ability to deal with uncertainty and at the same time acknowledge and accept that they own role is changing.

To draw a parallel, one needs to consider how the role of the CFO or the CRO evolved over time over the last three decades and became more strategic as opposed to operational. Similarly, the compliance role is also becoming more strategic as financial institutions realise that they need to conduct business in a sustainable and compliant manner. Therefore, compliance professionals need to, over the next few years, figure out how they can become more and more valuable to the institution in terms of being true advisors internally and not just be perceived as a tool for submitting regulatory reports. Earlier, the role was limited to understanding regulations, submitting reports to the regulator, ensuring that there is right technology in place, compliance training across the organisation, and ensuring a team of qualified AML analysts. Now, in the next step of evolution, the compliance officer has to be aware of the latest concepts such as RegTech and virtual currencies, know how to analyse patterns and not just transactions, work closely with product teams to ensure that new products being launched are not susceptible to money laundering, understand local and global typologies, and map trends based on historical data of suspicious activity and

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reports to ensure that customer facing staff is well aware of risks in each geography that the institution operates in.

All through this process, the ability of the compliance officer to adapt to rapid change – whether it is regulations, technologies, typologies, mindsets – is critical. It is now also incumbent on the compliance officer to provide a strategic view to the top management on how the compliance department can actually help business and not hinder it.

Regulators expect not just reports and data, but actual intelligence and analysis. Compliance professionals therefore need to take a look at the bigger picture and understand and implement controls and measures not just across various functions and departments within the bank, but factoring in a deep understanding of risks across the entire supply chain of third parties that the institution associates with in terms of customers, correspondent banks and institutions, brokers, agents and sources of capital. In many leading institutions, this is already happening, but in a majority of them we see this as something missing i.e. the inability to look at the big picture. Collaboration across the ecosystem is now being recognised as a way to more effectively fight financial crime in a collective manner, and this is something that compliance professionals need to tune their minds and actions towards – a more collaborative and collective approach.

Over the last two decades of AML/CFT focus, we have seen the evolution of the regime moving from transactions to patterns, from detection to prediction, from working in silos to collaboration, and from technical compliance to effectiveness. But what we have to recognise that the challenge today is NOT the absence of standards. The challenge today is the robust and thoughtful implementation of standards, and the need of the hour is collaborative action amongst all stakeholders - be it the government, regulators, supervisors, judiciary, law enforcement, intelligence agencies, public sector institutions and the private sector - acting in true partnership, against a common enemy, individually as well as through partnerships - both formal and informal.

Recommendations

Do not wait until the regulator slaps a penalty on your institution to implement a strong and demonstrable training program across all levels within the institution. A reactively implemented AML/CFT program does not bode well for your institution's reputation with the regulator.

In a majority of institutions, the business will often look for loopholes to compliance practice. As a compliance person, it is part of your job to sensitize the business regarding the risks and to protect the institution. And this is also why you need to have a grasp of the business side, and not just focus on compliance in a silo. Encourage the business to follow compliance in the right spirit and not merely as a tick mark item.

Factor in the latest industry trends, new typologies and case studies into your AML/CFT program. It is not a very easy task, but it needs to be done. There are a number of publicly available resources to help with this, such as the latest reports from FATF, The Egmont Group, UNODC and Interpol. Fintelekt Academy (https://fintelekt.academy) currently has more than 100 training videos available across various subjects within AML/CFT, and most of them are free-to-view, with new ones getting added every week.

Finally, one-time certifications are not the answer… remember that most large global institutions have been penalized despite having dozens and sometimes hundreds of certified compliance professionals in their compliance teams. Continuous, practical, peer-generated and role-specific learning is key to minimizing your risks.

Long-Term Decarbonisation Planning for Banks

A Policy Paper Prepared for the Asian Bankers Association by Dr. Adrian Fenton, Vice President of Asia Sustainable Finance at World Wide Fund for Nature (WWF) Singapore.

Introduction

Climate change is used here in reference to the change in global atmospheric conditions and climate attributable to human activity. The overwhelming consensus is that human activities since pre-industrial levels has led to an increase in global average temperature by approximately 1°C1. Climate change is widely considered one of the greatest existential problems currently facing humanity.

Globally, many stakeholders have officially politically declared the situation an 'emergency', including fourteen national governments and almost two thousand sub-national governments. Generally, these declarations recognise that urgent action is required to halt climate change. What 'urgent action' means is often undefined, but 'emergency' declarations tend to result in enhanced legislative, policy, and budgetary powers to resolve the situation.

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The growing number of declarations should be interpreted as a signal that populations around the world are increasingly expecting their governments to significantly increase efforts to address climate change.

The Paris Agreement of the UNFCCC

Global efforts to tackle climate change either directly or indirectly take their direction from the Paris Agreement, adopted by 192 countries around the world under the United Nations Framework Convention on Climate Change (UNFCCC) at its 21st Conference of the Parties in 2015.

For financial institutions, the key section is Article 2, under which countries agreed to:

1. Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;
2. Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production;
3. Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

The last element of Article 2 is pivotal to efforts to address climate change. Previously the role of the financial system in inadvertently facilitating climate change was largely ignored. Focus instead was largely on public finance. However, the agreement of Article 2.1 (c) means the financial system and its links to climate change have become centre stage, providing an undisputable signal that increased focus and regulation in relation to banks and climate change is to be expected.

Nationally Determined Contributions (NDC) are another important element of the Paris Agreement, signifying each country's proposed contribution to tackling climate change. Importantly, NDCs will be periodically increased under a 'ratcheting mechanism' until Article 2.1 has been achieved2. Current NDCs and current efforts are massively insufficient for Article 2.1 to be achieved3. Consequently, banks should expect NDCs to increase which will impact on their investments and clients.

National Adaptation Plans (NAPs) and Low-Emission Development Strategies (LEDS) are the other important elements of the Paris Agreement. NAPs outline how a country will manage increasing physical risks associated with climate change. LEDS outline how a country will decarbonise their economy over the long-term; the current expectation is that LEDS plan for a net-zero transition by 2050. Banks should be aware of NAPs and LEDS as they will impact their investments and clients.

Supervision and disclosure of climate-related finance risks

The Paris Agreement was quickly followed by the creation of the 'Network of Central Banks and Supervisors for Greening the Financial System' (NGFS) in 2017. The NGFS has led to increased attention into how banks inadvertently facilitate climate change and how a changing climate and decarbonisation efforts could affect all financial institutions. The creation and growth of the NGFS should be recognised by banks as a signal of further supervision of climate related financial risks.

The creation and efforts of the Task Force on Climate-related Financial Disclosures (TCFD) cemented the notions of 'transition risk' and 'physical risk', which are now essential terms of the climate change lexicon4. Focus has been on transition risk, which largely denotes the risks to which financial institutions are exposed due to decarbonisation efforts. Physical risks, largely denote the dangers which physical climate impacts impose on financial institutions, both directly and indirectly.

Many stakeholders are increasing focus on the disclosure of transition risks by financial institutions, ranging from central banks and financial regulators, credit risk agencies, investors, and civil society organisations. Disclosure is likely only the start. In Australia, the Hutley legal opinion5 found directors not properly managing climate risk could be held liable for breaching their legal duty of due care and diligence. Inadequate management of climate risks could become a significant legal issue for banks.

The main framework for disclosing climate-related financial risks is the framework proposed by the TCFD. This framework is the de facto basis of many emerging disclosure requirements by stakeholders, including regulators. This framework requests financial institutions to describe:

- Board's oversight of climate-related risks and opportunities.
- Management's role in assessing and managing climate-related risks and opportunities.
- Climate-related risks and opportunities identified over the short, medium, and long term.
- Impact of climate-related risks and opportunities on strategy and financial planning.
- Resilience of strategies to different climate-related scenarios, including a 2°C or lower scenario.
- Processes for identifying, assessing, and managing

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climate-related risks as well as integrating them into the organisation's overall risk management framework.

- Metrics used when assessing climate-related risks and opportunities in line with its strategy and risk management process.
- Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and related risks.
- Targets used to manage climate-related risks and opportunities and performance against targets.

Transition risk and the inevitable policy response

The exposure of banks to transition risks6 is of increasing concern as these risks themselves increase. Some of this increase is due to market forces, such as decreasing renewable energy costs. However, it is also because current NDCs and lack of LEDS which are inconsistent with the Paris Agreement.

This misalignment is expected to be corrected in what is coined the 'inevitable policy response' (IPR)7. In summary, the IPR theory states that the gap between current decarbonisation efforts and what is required to achieve the Paris Agreement will be resolved. This resolution is expected to be abrupt, caused by rapid government policy changes, resulting in significant market volatility, and capital rapidly shifting from high to low-carbon activities resulting in stranded assets.

The theory is considered relatively likely to occur. Current NDCs result in global average temperature increase of 3°C above preindustrial levels8, and so will have to increase with implications for the global financial system which is backing projects that will increase global average temperature relative to pre-industrial levels by over 4°C9. Banks will benefit from the IPR as it limits physical risks associated with climate change; however, credit risks associated with some clients will increase.

The IPR was mostly developed in mind of asset managers and owners, particular long-term investors. However, it equally applies to banks for whom clients will be exposed to inevitable policy changes. In anticipation of the IPR and the associated financial losses, banks should engage in forward looking scenario and strategic planning with attention given to strategic asset allocation, portfolio structure, governance approaches, and risk management responses.

Science-based targets

Forward looking scenario and strategic planning requires setting climate related targets used to manage climate-related risks and opportunities and performance. Many banks have begun setting GHG reduction targets, often devised under specific initiatives, most notably UNEP-FIs Principles for Responsible Banking, which has 214 signatory banks, collectively worth $53 trillion, representing 40% of the banking industry10. However, more progressive initiatives exist including Collective Commitment to Climate Action11 and the Bankers for Net-Zero commitment12.

GHG reduction targets are built upon the GHG Protocol Corporate and Value Chain Accounting and Reporting Standards. Generally, three elements to GHG emissions have been identified:

- Scope 1 emissions - direct impacts from owned or controlled sources,
- Scope 2 emissions - indirect impacts from consumed electricity, heating and cooling,
- Scope 3 emissions - emissions resulting from businesses receiving financial resources and services, but not directly owned or controlled by the banks themselves.

Scope 3 emissions comprise the vast majority of the associated GHG emissions of banks. They are the most difficult to reduce but are those of most interest to stakeholders. This has led to the Science-Based Targets initiative (SBTi) developing specific guidance for commercial banks, asset managers, asset owners, and mortgage real estate investment trusts13. The SBTi14 is a respected platform for disclosing climate related targets for all businesses and seeks to:

- Define and promote best practice in emissions reductions and net-zero targets in line with climate science.
- Provide technical assistance and expert resources to companies who set science-based targets in line with the latest climate science.
- Bring together a team of experts to provide companies with independent assessment and validation of targets.

Banks which set 'science-based targets' commit to aligning lending and investment portfolios with the level of ambition required to achieve the goals of the Paris Agreement. As highlighted previously, this means the Science-Based Targets initiative is directly associated with Article 2 of the Paris Agreement, which banks should identify as the destination of the inevitable policy response by national governments and their central banks and financial regulators.

Making such a commitment can potentially result in substantial benefits to banks15:

- Build business resilience and competitiveness by

increasing emphasis on identifying and capitalising on new commercial opportunities created by the low-carbon transition.

- Driving innovation through client engagement by developing innovative financial products and services that enable customers to reduce emissions in the real economy.
- Build credibility and reputation, by utilising the latest available science and are validated against robust criteria developed through a multi-stakeholder consultative process.
- Influence and prepare for shifts in public policy as financial institutions with science-based targets are positioned to meet future regulatory and national policy adjustments.
- Demonstrate leadership, financial institutions that undertake the target setting process lead the way and push the market toward the most credible and practical solutions.

Currently, 60 financial institutions have committed to SBTi, although the initiative for financial institutions is still in the pilot phase, involving Amundi, Bank J Safra Sarasin, Storebrand, Eurazeo, La Banque Postale, Mizuho Financial Group, De Volksbank, and Wells Fargo & Company.

The move towards science-based targets is not without limitations. The SBTi itself recognises that 'it is unclear which specific actions by financial institutions will reduce real economy emissions'. Currently, it is impossible to adequately measure the current and future impact of actions by financial institutions to address climate change. Precise and universally accepted methods may never exist. It is increasingly accepted that perfection should not be the enemy of progress and that science-based targets, though limited, is what currently exists, and that anticipation of future precise and universally accepted methods should not deter immediate efforts.

Client engagement

Managing Scope 3 emissions requires that either banks drop or change clients, support clients to decarbonise, or off-set emissions. Dropping clients has flaws, most notably for banks for whom dropping clients directly impacts on profitability and so can only be pursued after significant internal debate. Civil society are also at odds with banks dropping clients because if these clients are simply served by other banks then nothing changes overall with regards to GHG emissions.

Carbon off-setting is still under scrutiny and conceptually underdeveloped16. International trading of emissions does occur, most notably with the EU Emission Trading Scheme. However, international negotiations have failed to create a true international carbon market. Additionally, many stakeholders believe it be a form of greenwashing and there are environmental, social, and governance issues surrounding many existing schemes.

Client engagement is becoming the generally accepted best course of action. Banks potentially can keep clients and clients keep their financial services. However, without credible consequences for not transitioning business models, or engagement fails to provide adequate support then engagement will likely fail, particularly if clients can change financial services provider. Civil society can be wary about the sincerity of engagement strategies as they can maintain the status quo.

No definitive guidance exists regarding what client engagement strategies should entail. An issue is that a lot of guidance will inevitably be sector and client specific. However, the following components (as well as their public disclosure) are likely to be expected to form part of all client engagement strategies:

- Timeline: adopting a decarbonisation target, and the development of a clearly articulated and detailed implementation plan for the gradual closure of relevant assets.
- Sale of assets: in certain instances stakeholders may expect asset sale (instead of closure) to be treated with a similar gravity as norm-based violations, most notably coal assets.
- Lobbying: disclosure of lobbying practices (including through industry associations) and intervene if there is demonstrated industry capture of key legislative files.
- Legal cases: disclosure of relevant legal cases that hamper the low carbon transition.
- Board nominations: disclosure of board candidate nominations aptitude and track-record regarding relevant climate change issues.
- Remuneration: whether executive remuneration policies are linked to the achievement and delivery of climate related targets.
- Escalation strategy: consequences for non-disclosure or failing to comply with mutually agreed targets and requests.

Summary

The signals stemming from the Paris Agreement all indicate likely increased desire and requirements for enhanced

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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.

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.

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.

The Science-Based Targets initiative is the most widely utilised multi-stakeholder initiative helping banks to develop targets which support forward-looking scenarios and strategic planning in a manner which deals with the problems associated with the inevitable policy response.

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.

ABA Helps WWF Singapore in Survey on Sustainable Finance

The Asian Bankers Association (ABA) is encouraging members to participate in an important and interesting research project currently being conducted by the World Wide Fund for Nature (WWF) Singapore, which is one of ABA's Knowledge Partners.

The research project seeks to understand the views of banks regarding the effectiveness and impact of sustainable finance measures enacted in the Asia-Pacific region.

Members have been requested to complete a short questionnaire designed to provide confidential and anonymous feedback on the sustainable finance measures enacted in their respective countries and to influence their future development. The results will directly feed back into the next meeting of the ABA Policy Advocacy Committee to be held on August 30, 2021, 2:00 PM, Taipei time, during which meeting members will be able to see the preliminary findings.

The research is being conducted by WWF Singapore jointly with the SOAS Centre for Sustainable Finance (located at SOAS University of London) and the South East Asian Central Banks (SEACEN) Research and Training Centre. The research project is funded by the INSPIRE Research Platform which is dedicated to supporting the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). The project is led by Dr Adrian Fenton, Vice President - Asia Sustainable Finance, WWF Singapore.

The WWF is an international non-governmental organization founded in 1961 that works in the field of wilderness preservation and the reduction of human impact on the environment.

Training and Education

ABA, Fintelekt hold webinar on "Cultural Landscape of AML Compliance"

ABA and its Knowledge Partner, Fintelekt Advisory Services, hosted a webinar on "Cultural Landscape of AML Compliance" on May 5, 2021.

The webinar was moderated by Fintelekt Managing Director Shirish Pathak, and featured speakers from The Mizen Group: CEO Patrick Kelly, CTO Paul McCarthy, CTO and Senior Associate Dr. Katy Dineen.

The speakers addressed the cultural landscape of compliance and how cultivating that culture can serve to improve a team's mindset, skills, and appropriately manage risk while increasing business opportunity.

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More specifically, they discussed what is a culture of compliance and why it is so important; recognizing different cultural environments: financial sector vs. corporates; the characteristics of a healthy compliance culture; how innovation and technology can be encouraged to serve compliance needs; and how to bring about cultural change whereby innovative thinking becomes the norm.

Trends and Implications

To set the context for the discussion, Paul discussed some of the key trends in the financial services industry that include:

- Continued investment in Financial Technology companies (fintechs) despite the pandemic.
- Partnerships between financial institutions (FIs) and fintechs, which have become a critical element enabling organisations to drive their transformational strategies.
- Digital transformation, which has accelerated contactless mechanisms and ways of interacting with customers.

Some of the implications of these trends are in terms of greater compliance risks, operational and competency challenges which AML compliance professionals need to be aware of. Financial institutions are typically more conservative and careful at managing compliance risk, while fintechs tend to be more innovative and reactionary about regulatory /compliance obligations.

What this means for the eco-system which includes FIs and fintechs is that there is heightened regulatory awareness and concern which translates to a need to balance innovation and risks.

Regulatory Expectations on Culture

While regulators all over the world understand the importance of correct policy and procedure, they recognize that it is not enough to avoid poor regulatory outcomes. Regulators are focusing more and more on culture, leading to culture becoming particularly important.

Regulators find it difficult to keep up with the pace of innovation and their concern is for the threat faced by consumers and the harm that they can suffer from unregulated products. On the other hand, if laws are not fit for purpose for innovative fintechs, they can impede innovation. Regulators are aware that there needs to be more flexibility in the system in order to encourage innovation and yet safeguard the interests of consumers.

What is culture?

The colloquial understanding of culture points to culture being unique and different. There is no one size fits all definition or understanding of what is the 'right' culture. However, despite the differences in the understanding of culture across countries and regions, there are shared characteristics of a healthy culture. Trust and trustworthiness are two of these common characteristics.

There are three aspects of culture present within and throughout organisations: conduct culture, risk culture and compliance culture. Culture refers to the beliefs and values latent within the organisation that support employees' decision making and behaviour – and in the case of compliance culture, this means avoiding the circumvention of laws and regulations.

A healthy compliance culture has the characteristics of honesty, reliability, competence, inclusion, integrity and is values led as against being led by a procedure of ticking the boxes. A good culture has been recognized by regulators as leading to good regulatory outcomes.

Critical Success Factors for Good Culture

When in a partnership:

- Financial institutions need to:
  - ◊ Monitor potential compliance culture risk internally as they continue to innovate.
  - ◊ Monitor potential compliance risk culture of their strategic partnerships.
  - ◊ Understand cultural alignment and the influencers in the organization.
- Fintechs need to:
  - ◊ Demonstrate their compliance processes are embedded in the organization.
- Both need to:
  - ◊ Demonstrate improvement or sustainability after

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compliance initiatives or when introducing new products or services.

◊ Measure and perform peer review to share competencies.

The Mizen Group offers a Cultural Diagnostic Tool, which is an employee perception-based survey that measures 9 dimensions and uses advanced quantitative tools to provide a culture scorecard on 5 different outputs to the organisation.

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

ABA Invited to Support "Blockchain in Banking" Online Conference Held on May 20

The Asian Bankers Association (ABA) has been invited by Blackarrow Conferences, a conference producing company based in Mumbai and Jakarta, to support the "Blockchain in Banking" Online Conference to be held on May 20, 2021, at 1:30 PM India time.

Focusing on blockchain which can bring greater efficiency and transparency to the banking industry, the online conference will look into how blockchain helps banks to store data in blocks using a tamper-proof format, and lets them improve the mobility of data and decrease the time taken for KYC efforts. The conference session topics include: (1) Blockchain and Banking: The Role of DLT in Financial Services; (2) Will Blockchain Disrupt or Rebuild the Financial Services? (3) Reducing Costs on Cross Border Trade Transactions; (4) Processing Customer KYC and Fraud Protection; (5) Transnational Unit of Account, Intra-firm Trade; and (6) Enhancing Clearance and Settlement Systems.

The virtual event shall showcase presentations from speakers such as - Marloes Pomp - Dutch Blockchain Coalition, Navin Gupte – Ripple, Prof. Dr. Philipp Sandner - Frankfurt School Blockchain Center, Dr Agata Ferreira - Warsaw University of Technology, Simon Seiter - Deutsche Börse AG, Gerard Dache – Government Blockchain Association, Benjamin Duve - Commerzbank AG, Narayanan Raman -Deloitte Touche Tohmatsu India LLP, Magnus Jones - Ernst Young; and many more.

To register for the online conference, interested parties may register here. More information on the event can be found on the official website or by sending an e-mail to enquiry@blackarrowconferences.com.

News Updates

Asian Development Bank Forecasts Strong Rebound

Developing Asian economies are to grow a solid 7.3% this year after last year contracting slightly due to the COVID-19 pandemic, the Asian Development Bank (ADB) said in a report on April 28.

However, that forecast is in doubt as COVID-19 outbreaks flare in several countries, including Thailand, India and the Philippines, the lender said.

Those setbacks threaten the trend just as growth has been gaining momentum, ADB chief economist Yasuyuki Sawada said.

"Economies in the region are on diverging paths," he said. "Their trajectories are shaped by the extent of domestic outbreaks, the pace of their vaccine rollouts and how much they are benefiting from the global recovery."

China, which first reported the virus and has been the first major economy to bounce back from the pandemic, is forecast to grow 8.1% this year, slowing to 5.5% next year, the ADB said.

It estimates that India's economy would expand 11% this year, in line with similar forecasts from the IMF and private

News Updates

economists.

Surging new cases in India — at more than 300,000 per day for the past five days — might derail that progress as hospitals are inundated with seriously ill patients, it said.

The ADB forecast that Myanmar's economy would contract nearly 10% this year following a military coup that has thrust the country into turmoil.

The economy grew a modest 3.3% last year, before the military seized power on Feb. 1, provoking a mass civil disobedience campaign that has stifled most business activity.

ADB economists did not foresee a significant increase in inflation, despite concerns in the US and elsewhere that massive government spending and other stimulus might spark surging prices.

The ADB expects inflation in the region to fall to 2.3% this year from 2.8% last year, when disruptions from the pandemic pushed food prices sharply higher in some places. The inflation rate for developing Asia is forecast to rise to 2.7% next year.

Apart from the cost of lost lives and misery, as well as damage to health and productivity, the pandemic has extracted a harsh toll in many ways, wiping out millions of jobs and sinking families into poverty. It has also put children far behind in their studies, the report said.

The authors estimated that the cost to future earnings from school closures amounts to US$1.25 trillion, or more than 5% of regional economic activity last year.

Associated Press

Fintech uprising will define post-pandemic banking

One thing that quickly became apparent after the onset of the COVID-19 pandemic and the fleeting collapse in financial markets is that big U.S. banks, the villains of the previous crisis, were determined to be the good guys this time around. No job cuts in 2020. Deferred payments on credit cards and mortgages without repercussions. You name it, the likes of Bank of America Corp. and JPMorgan Chase & Co. appeared willing to provide it.

It would be naive to expect this kind of treatment to last forever — banking is a highly competitive business, after all. However, a combination of shifting behavior because of the pandemic and industry trends that have only accelerated over the past year might leave top commercial banks with little choice but to remain consumer friendly or else risk losing market share to financial technology companies.

These upstarts gained a lot of momentum during the COVID-19 era. With the public less inclined to visit physical branches, consumers flocked to mobile apps to serve their financial service needs. Many of the underbanked were attracted to the convenience of Square Inc.'s Cash App in addition to its lower fees to deposit their paychecks directly, invest in stocks and pay for goods.

According to the company, 36 million customers conducted transactions on its app in December, up more than 50% from the previous year. For comparison, JPMorgan reported 40.9 million active mobile customers as of the end of last year, an increase of 10% from 12 months earlier. PayPal Holdings Inc.'s digital wallet use soared as it added services from cryptocurrency trading to installment payments for online purchases. It's also making progress at enabling in-store payments using QR barcodes, which are now available at 600,000 merchants.

Unless banks offer similar payment services and innovations inside their apps, these two fintechs will likely continue to thrive. It's not just about features, either. The traditional players tend to fail at the in-app experience. While Square's and PayPal's apps have intuitive and simple designs, older companies can struggle to get the basic user interface right, using too many screens that require extra steps. Say what you will about Robinhood Markets "gamifying" investing with confetti, but its ability to attract millions of new customers speaks to the

News Updates

importance of ease of use, especially for something as important as money.

With even Walmart Inc. muscling its way into banking through a new fintech startup, regional lenders see the writing on the wall. The handful of recent mergers and acquisitions are a push to scale up to close the technology gap. "The client is not going to accept just having someone nice at the branch," Kelly King, Truist Financial Corp.'s chief financial officer, said in 2019. "Touch has to merge with technology."

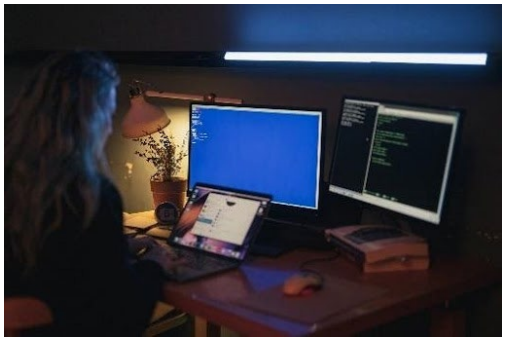
That's only more true now than it was two years ago. While banks still have many incumbency advantages, fintechs have the upper hand in the move to mobile. To prevent an uprising, Wall Street may have to cater to the little guy like never before.

Bloomberg

Special Features

Insurance Prices Are Rising, With Cyber Claiming Big Increases

By Lucy Clarke, Marsh JLT Specialty and Global Placement



Global commercial insurance prices increased 18%, on average, in the first quarter of 2021, although there are signs that increases may be plateauing in some regions. The first quarter increase was lower than the 22% seen in the prior quarter.

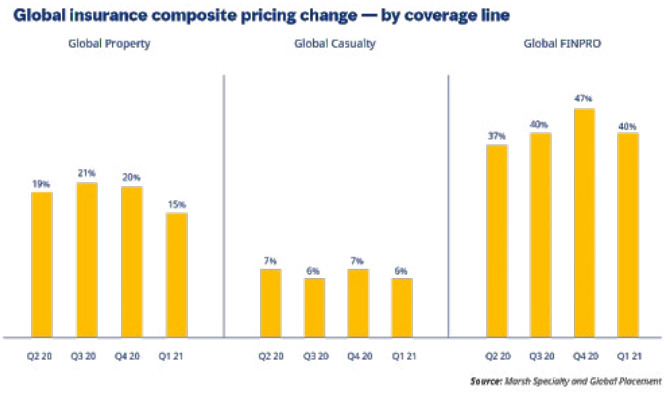
It was the fourteenth consecutive quarter of increases in the Marsh Global Insurance Market Index and the largest increase observed since the index's inception in 2012.

Pricing for cyber insurance pricing diverged from the trend, with prices generally increasing — notably by 35% in the U.S. and 29% in the U.K. — driven by the frequency and severity of losses.

The U.K. and Pacific regions again led the increases, with average composite insurance pricing up by 35% and 29%, respectively. Average pricing in the U.S. rose by 14%, down slightly from the 17% year-over-year increase experienced in the prior quarter.

Average pricing increases in Continental Europe (13%), Asia (8%), and Latin America and Caribbean (5%) were all lower than in the prior quarter.

All three major product lines showed average pricing increases globally, though less in the prior quarter, with financial and professional lines up by 40%, property by 15%, and casualty by 6%.



US Insurance Pricing Plateau Expected

The average rate of increase for overall U.S. insurance pricing appears to have plateaued, barring unforeseen changes in conditions, as the level of increase slowed for the second consecutive quarter. Led by increases in property and financial and professional lines, U.S. insurance pricing in the first quarter increased an average of 14%.

Property insurance pricing increases in the U.S. slowed each month of the first quarter, with greater reductions on catastrophe (CAT) risks. About 80% of renewing clients experienced an increase, with 26% of clients reducing limits purchased.

Financial and professional lines pricing in the U.S. increased an average of 25% in the quarter. D&O pricing was up 27%, less than the 44% year-over-year increase seen in the

Special Features

previous quarter. For the second and third quarters of 2021, average pricing is likely to increase in the 10% to 20% range.

Pricing for cyber insurance increased 35%, on average, the largest increase since 2015. The increase was driven largely by the escalating frequency and severity of ransomware events. Payment demands now frequently exceed 1 million. The attacks have affected all industries, especially health care, manufacturing, educational institutions, and public entities.

Casualty insurance pricing in the U.S. increased 7%; excluding workers' compensation, the increase was 12%.

UK Pricing Increases

Overall, insurance pricing in the first quarter of 2021 in the U.K. increased 35%, the highest of any region and the fourteenth consecutive quarter of increase.

Financial and professional lines increased 71%, largely due to pricing for D&O as some insurers said that increases in the first quarter of 2020 were inadequate; however, the rate of increase was lower in the first quarter of 2021.

As elsewhere, cyber insurance rate increases quickened, primarily due to ransomware events. Insurers throughout 2021 are likely to continue closely scrutinizing cybersecurity hygiene and data practices, especially as cyber exposures increase due to ransomware, the implementation of multifactor authentication and poor remote desktop protocols.

In other major areas, property insurance pricing increased 18%, on average, and casualty was up by an average of 7%. It was the seventh consecutive quarter of increase for casualty pricing.

Pricing in Asia Increases

Insurance pricing in the first quarter of 2021 in Asia increased 8%, year-over-year, a lower rate than the 11% average in the fourth quarter 2020.

Property insurance pricing rose 10% in the region, on average, while casualty pricing remained generally flat in the quarter.

Financial and professional lines pricing in the region rose 23%, on average, the largest increase observed in several years and the eighth consecutive quarter of increase. Insurers were selective on U.S.-listed D&O, with rate increases ranging from 75% to 100% in some cases.

Insurance Pricing by Region

Other regional highlights in the first quarter included the following:

Continental Europe experienced a 13% average increase in overall composite insurance pricing. Financial and professional lines pricing increased 23%, property 16%, and casualty 6%, on average.

Composite pricing rose 5% in Latin America. Casualty pricing declined 5% on average, the only decrease seen in a major product line globally.

Insurance pricing increased 29% in the Pacific region. Property pricing rose 20%, on average, a moderation from the prior four quarters. Casualty insurance pricing rose 17%, on average, the largest year-over-year increase since 2012.

Brink News

How Stock Markets Respond to Social Unrest

By Philip Barrett and Sophia Chen, International Monetary Fund

What happens to stock markets when social unrest—such as mass protests and riots—occurs? Are investors scared-off by the disorder? Or are they buoyed by the prospect of positive, popular change in response to unrest?

The chart of the week, drawn from our recent IMF staff working paper, uses a new dataset of 156 social unrest events during 2011–20 to shed some light on these questions. It shows that in countries with more open and democratic institutions, social unrest events have a negligible impact on stock market returns (blue line). But in countries with more authoritarian regimes, the effect is large and negative: on average, stock market returns fall by 2% within 3 days, and by about 4% in the following month (black line).

These findings are consistent with real-world examples. For instance, stock markets in France—a country with strong and open institutions—were largely unmoved in the days after the Yellow Vest protests began in late 2018.

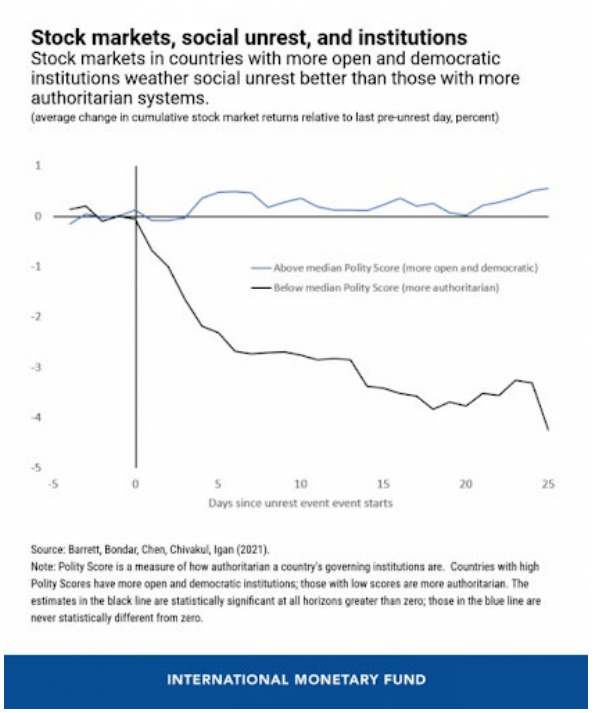
Of course, differences across countries could occur for many reasons other than political institutions. So, we also check that this relationship holds after accounting for other factors that might be correlated with the degree of institutional authoritarianism, including the severity of unrest and the country's income level.

To dig deeper into what sort of institutions might be important, the paper runs further experiments using the six measures of social and political institutions that form the World Bank Governance Indicators. Of these, two factors play a crucial role in mitigating negative stock market reactions to social unrest

Special Features

events: popular participation in government, and the ability of the government to regulate markets in ways that promote private sector development.

What sort of investor behavior might explain these patterns?



One clue comes from the volume of shares traded, which increases sharply following a severe unrest event. As more trades occur when investors disagree on the value of an asset, a higher trading volume typically reflects more uncertainty over the outlook. This result suggests that social unrest affects stock market returns through an indirect information channel rather than via direct disruption to economic activity.

Together, these results imply that in countries with high standards of governance, social unrest does not lead to more disagreement and uncertainty about future economic performance. This perhaps reflects the ability of more open institutions to reconcile divergent opinions and find compromises.

In contrast, this flexibility may be missing in more authoritarian systems. There, institutions may be less able to adapt to social problems, meaning that unrest can lead to rising fears of further uncertainty and deter investors.

IMF Blog

Economies in the Financial Spotlight in 2021

Throughout 2020 and into 2021, the global financial system withstood the effects of the global pandemic and economic lockdowns due to unprecedented policy support. Strong financial systems that are well regulated and well supervised help maintain financial stability. But like a well calibrated engine on a car, maintenance is key. Each year the IMF takes a look under the hood of select economies, which helps to unmask vulnerabilities that could present bigger problems down the road.

The Financial Sector Assessment Program, or "FSAP" as it's widely known, helps to assess financial vulnerabilities and make financial systems stronger and better able to withstand adverse events. The IMF considers country-specific features of financial systems and tailors its analysis to the needs of each member participating in the program. Assessments for advanced economies are done by the IMF alone, while those for other economies are typically carried out jointly with the World Bank. The IMF's Executive Board will soon conduct a periodic review of the FSAP.

In 2021, the IMF plans to assess the stability of six financial systems. Two assessments cover economies with large financial systems (United Kingdom, Hong Kong SAR). The remaining four focus on the emerging market (Chile, Philippines, South Africa) and frontier (Georgia) economies. For economies with large, systemically important financial systems it is mandatory to undergo financial stability assessments every five years. For others, assessments are carried out at the request of their governments.

The 2021 FSAP assessments include the following:

Chile features very large and deep local markets compared to other economies of similar size and level of development. The assessment will focus on the resiliency of the financial system, which exhibits a high level of interconnectedness between banks, mutual funds, pension funds, and insurance companies, particularly in light of the economic shocks that were experienced in the fourth quarter of 2019 and

Special Features

during the pandemic. It will also examine the effectiveness of banking, insurance, and financial market supervision following the reorganization and consolidation of the regulatory structure, with an emphasis on macroprudential policy coordination, the closing of regulatory gaps, and COVID-related forbearance measures.

Hong Kong SAR is a small, open economy, and a major international financial center. The FSAP will assess the financial sector's cross-sectoral and cross-border linkages, in view of extensive linkages to mainland China, stretched real estate valuations, and exposure to shifts in global market and domestic risk sentiment. The assessment will review the regulatory and supervisory frameworks for fintech developments, in addition to regular risk and regulatory assessments of banking, securities and insurance markets, as well as a review of crisis management arrangements and macroprudential frameworks. In addition, there will be a detailed assessment of payments and financial market infrastructures.

Georgia is a small, open economy with a moderately-sized financial sector comprised almost entirely of banks. The banking system is relatively concentrated and highly dollarized in both deposits and lending—the latter leading to higher credit risks from unhedged borrowers of banks' loans in foreign currency in case of currency depreciation. Against this backdrop, the FSAP will focus on banks' solvency and liquidity risks, and carry out assessments of banking supervisory oversight, macroprudential policy (especially with regards to risks from financial dollarization), and financial safety nets, including bank resolution and deposit insurance. The World Bank will also examine financial sector competition, assess oversight of markets and payments systems, and provide guidance for development of capital markets and access to finance for small and medium enterprises.

The Philippines' assessment was just concluded in March 2021. The country is now recovering from the impact of COVID-19. Banks dominate the financial system and entered the pandemic with solid capital and liquidity buffers. However, they are closely interconnected with nonfinancial corporations where market analysts forecast significant earning shocks, especially in retail, tourism, transportation, and construction industries. While recovering, the economy is also vulnerable to physical risks from climate change owing to its geographical position. The risk assessment examined bank resilience against COVID-19 shocks and physical risks (typhoon) and their interconnectedness with nonfinancial corporations. The assessment also evaluated bank oversight, macroprudential policy, and safety-net arrangements. The World Bank investigated oversight and developmental issues of insurers, payment systems, capital markets, and credit reporting, as well as climate change and environment risks supervision and deepening markets for green growth.

South Africa is home to Africa's largest financial sector, with large cross-border banking groups and a well-developed investment fund and insurance sector. The assessment will examine the strength of the financial sector in a difficult environment of subdued growth and large fiscal deficits (exacerbated by a weak financial position of state-owned enterprises and the ongoing health and economic impact of COVID). The importance of capital flows to the financial sector will underpin the "capital-flows-at-risk" analysis, as well as the assessment of systemic liquidity management and macroprudential policy. The assessment will also examine banking, insurance, and securities markets; pension and cyber risk supervision; crisis management and resolution; fintech; financial inclusion; climate risk; and capital markets development.

The United Kingdom is one of the world's most complex and open financial systems, hosting several globally systemic entities, and a large domestic financial sector. The 2021 FSAP will take place during a challenging macrofinancial period: While UK institutions have proven resilient to the pandemic's sharp economic contraction, there could be scars that challenge the profitability prospects of the financial system. The United Kingdom's exit from the European Union will lead to structural changes. And there are new developments—such as the growing share of market-based finance, adoption of new technologies, and the increasing importance of climate change and cyber risks—that deserve attention. The FSAP will examine risks in these areas and assess the adequacy of the oversight framework to safeguard financial stability.

IMF Blog

Among Member Banks

SBI ties with hospitals to facilitate treatment for employees

State Bank of India (SBI) will try to keep the interest rates benign as long as possible with a view to supporting the economic growth, its chairman Dinesh Kumar Khara has said.

On the impact of the second wave of Covid-19 on non-performing assets of the bank, the SBI chief said that as the lockdown was not pan-India, one will have to wait and watch to assess its impact on the banking sector.

Observing that multiple variables including inflation have a bearing on the interest rates, he said, "our effort is to support the growth initiatives. To really ensure that happens, we will try to keep the soft interest rate regime for as long as possible."

In an interview to PTI, Khara said it is too early to give any colour to likely scenario of NPAs because of local restrictions.

The impact of lockdown differs from states to states as it is not uniform, he said, adding, "so, probably we can wait and watch for some more time before making any comment on impact on economy and NPA situation."

Speaking about various initiatives of the country's largest lender, Khara said, SBI has decided to set up makeshift hospitals with ICU facilities for Covid-19 patients in some of the worst affected states.

The bank has already earmarked ₹30 crore and is engaging with non-governmental organisations (NGOs) and hospital management for setting up medical facilities on an emergency basis for the treatment of Covid-19 patients.

He said the bank intends to put in place 1,000 beds with 50 ICU facilities in the states that are the worst affected.

SBI is also collaborating with hospitals and NGOs to provide oxygen concentrators for patients.

"We have put in place an action plan. We have earmarked ₹70 crore plus out of which we are giving ₹21 crore to 17 circles for Covid-19 related initiatives," he said.

For the safety of employees and their families, he said, the bank has tied up with hospitals across the country to facilitate treatment of those who have fallen sick on a priority basis.

About 70,000 employees out of 2.5 lakh strong staff strength have already got vaccinated. The bank has decided to bear the cost of vaccination for its employees and their dependent family members.

Mint

MUFG signs deal with wealth management platform InvestCloud

Japan's largest bank, Mitsubishi UFJ Financial Group (MUFG), has agreed a deal with InvestCloud to install its Wealth Adviser platform for use among the bank's employees.

The service will be used for wealth management and financial planning.

According to Christine Ciriani, chief executive of InvestCloud's private banking division, the deal is recognition of the company's investment in its Japanese presence.

"This means everything from supporting local regulation to adapting our wealth management platform to the Japanese script and the Japanese calendar," Ciriani said.

Japan currently ranks as the second largest wealth management market worldwide.

Funds Global Asia

Among Member Banks

KDB, Hanwha Group to cooperate in green energy sector

Hanwha Group and Korea Development Bank (KDB) signed an agreement to cooperate in green energy and financing projects worth 5 trillion won ($4.5 billion) over the next five years.

According to Hanwha Group, the signing ceremony was held on Wednesday afternoon at Hanwha Solutions' Jincheon plant, located in the country's interior North Chungcheong Province.

KDB Chairman Lee Dong-gull and Hanwha Solutions CEO and President Kim Dong-kwan — the eldest son of Hanwha Group Chairman Kim Seung-youn — attended the joint signing ceremony, along with incumbent CEOs of Hanwha Group's other subsidiaries related to green energy, including Hanwha Energy, Hanwha Power Systems and Hanwha Engineering & Construction.

"Hanwha Group aims to advance into the next decade as a global green energy leader through elaborating green energy business models as well as developing energy technologies of the next generation," Hanwha Solutions CEO Kim Dong-kwan said at the ceremony.

He also highlighted that Hanwha Group's footsteps in the green energy sector will be accompanied by the joint growth of local small- and medium-sized companies, strengthening the country's green energy business landscape.

Hanwha Group has been focusing extensively on expanding its green and renewable energy businesses, including solar and hydrogen energy, by actively pursuing mergers or acquisitions and engaging in research and development on a global scale. Planning to invest up to 9 trillion won over the next five years, the group has conducted a paid-in capital increase and issued sustainability bonds.

The partnership with KDB is part of the state-run bank's cooperation programs with local enterprises to nurture low-carbon and eco-friendly energy sectors. The joint effort is expected to boost the group's long-term development initiative in the global energy sector.

Korea Times

Hana Bank Temporarily Exempts Myanmar Workers from Overseas Remittance Fees

Hana Bank has decided to exempt Myanmar people staying in Korea from overseas remittance fees when they transfer salaries to their families in Myanmar.

The bank's made the decision to help Myanmar workers in Korea in consideration of a recent turmoil in Myanmar.

The exemption period for overseas remittance fees will run until July 31. The exemption will be applied to all channels of Hana Bank including branches, internet banking, smartphone banking, ATM and the ARS.

"We hope the day will come soon when Myanmar workers staying in Korea work freely without worrying about their families in Myanmar," a Hana Bank official said.

Business Korea

Among Member Banks

Maybank says Malaysian economic rebound on track but risk tilted to downside on MCO

Maybank Investment Bank Bhd economists said that while the outlook of the Malaysian economy rebounding in 2021 is on track, the risk to growth remains tilted to the downside due to the latest round of the Covid-19-driven movement control order (MCO 3.0) enforced nationwide.

In a note today, Maybank Investment Bank economists Suhaimi Ilias, Dr Zamros Dzulkafli, Ramesh Lankanathan and William Poh Chee Keong said they are keeping the research firm's full-year 2021 economic growth forecast for Malaysia as measured by gross domestic product (GDP) at 5.1% for the time being.

"Review of our forecasts will be guided by the dynamics of the pandemic and containment measures, vaccination progress and input from our monthly GDP estimates. The official forecast is [within the] range of +6% to +7.5%," they said.

The Malaysian economy registered a decline of 0.5% in the first quarter of 2021 (1Q21) from a year earlier, supported mainly by an improvement in domestic demand and export performance, particularly for electrical and electronic products, as the country contended with the impact of the MCO and continued closure of international borders to curb the spread of the Covid-19 pandemic, according to Bank Negara Malaysia's (BNM) statement yesterday.

"The Malaysian economy registered a smaller decline of 0.5% in 1Q21 (4Q20: -3.4%). On a quarter-on-quarter (q-o-q) seasonally-adjusted basis, the economy registered a growth of 2.7% (4Q20: -1.5%)," BNM said.

The Maybank Investment Bank economists said the outlook of the Malaysian economy rebounding in 2021 is on track after a recession last year as real GDP's year-on-year (y-o-y) contraction narrowed further in 1Q21 after shallowing in the second half of 2020 (2H20) from a slump in 2Q20.

"Furthermore, the base effect that boosted March 2021 GDP will continue to be at work, especially in 2Q21," they said.

The Edge Markets

Bank of Maldives teams with Pomelo Pay to help reinvigorate struggling tourism sector

Digital payments start-up Pomelo Pay has expanded its Covid-19 proof payment support to hospitality and tourism businesses in the Maldives through its partnership with the Bank of Maldives (BML).

The move is intended to help companies come back stronger in 2021 as restrictions loosen, while still offering a selection of new products that facilitate Covid-safe payments.

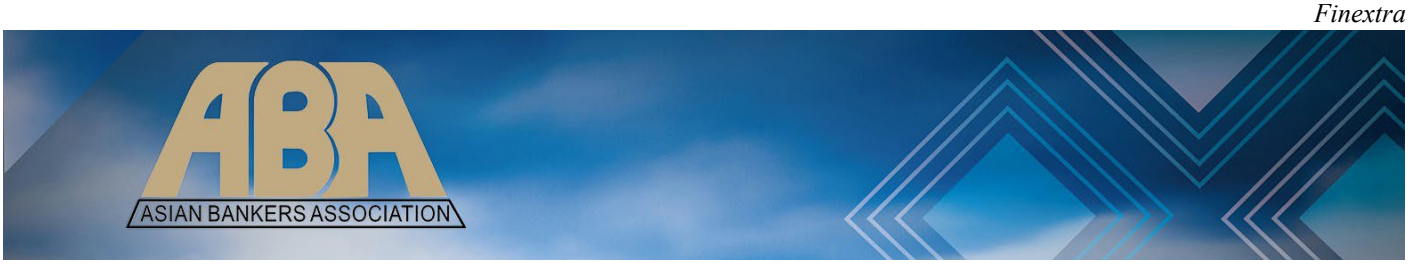
Pomelo Pay has provided a Payments-as-a-Service (PaaS) platform for BML since October 2019, allowing the bank to efficiently offer its business customers innovative payments solutions. As a result of this partnership, businesses who bank with BML have been able to access Pomelo Pay's full suite of contactless payment and analytics tools. This includes acquiring international schemes and wallets, as well as domestic payment methods.

The partnership enables BML to unlock new revenue streams and generate cost-savings by using Pomelo Pay's fast, secure, and scalable API. This allows for a seamless integration helping to convert manual work into fully automated processes and creating a global digital ecosystem with great customer experience for their end users. New features in the expanded offering will permit BML business customers to increase revenues from international transactions with multi-currency payments; upgrade their compliance systems and processes with the new compliance module; draw actionable insights from enhanced data analytics; take pre-authorization payments by sending payment requests; bolster their virtual presence with an online shop feature; and process contactless payments with mobile phones using improved NFC technology.

Vincent Choi, CEO and Co-Founder of Pomelo Pay, said: "Due to its incredibly prosperous hospitality and tourism sectors, the Maldives has been hit particularly hard by Covid-19 which has limited occasions for travel and social interaction. Through our partnership with the Bank of Maldives, we are hoping to breathe fresh life into these crucial industries.

Tim Sawyer, CEO and Managing Director of Bank of Maldives, said: "In the burgeoning e-commerce industry, our customers' payment experience needs to be simple, secure and cost-efficient. Our partnership with Pomelo Pay has enabled to us to offer businesses with solutions for seamless payment integration to fuel their growth, and comes at a critical time as the Maldives is well on its way to recovery post-Covid."

Finextra



Among Member Banks

Pascual returns to PNB as new chairman

Philippine National Bank (PNB) has announced the appointment of Federico Pascual as chairman and Leonilo Coronel as vice chairman.

Pascual and Coronel were appointed during the organizational meeting of the board of directors of PNB last week. Pascual replaced former chair Florencia Tarriela, while Coronel replaced former vice chair Felix Enrico Alfiler.

Both Tarriela and Alfiler have reached the term limit for independent directors set by the Bangko Sentral ng Pilipinas (BSP).

Pascual, 78, obtained a graduate degree from the University of the Philippines, a graduate degree from Columbia University and an undergraduate degree from the Ateneo de Manila University.

Pascual is also an independent director of Allianz PNB Life Insurance Inc., PNB Mizuho Leasing and Finance Corp., PNB-Mizuho Equipment Rentals Corp., PNB International Investments Corp., and PNB Holdings Corp. He also chairs the Bataan Peninsula Educational Institution Inc. and is president of Tala Properties Inc. and Woldingham Realty Inc.

Additionally, Pascual is an official of Apo Reef World Resort, Sarco Land Resources Ventures Corp., SCTEX Development and Franchisers Corp., Hermosa Golden Rainbow Corp, and Green Grower Farm. He is also a partner of the University of Nueva Ecija Caceres Bataan branch and a member of the multi-sectoral governing council of the Bureau of Customs (BOC).

Meanwhile, Coronel, who has an undergraduate degree from the Ateneo de Manila University, is now a member of the Australia Institute of Company Directors. He was also former executive director of the Bankers Association of the Philippines (BAP).

In the past, Coronel occupied the position of chairman of PNB-IBJL Equipment Rentals Corp., chairman for PNB-Mizuho Leasing and Finance Corp., managing director at BAP Credit Bureau Inc., president at Cebu Bankers Association, project director at Small and Medium Enterprise Credit Program, treasurer and trustee at Capital Market Development Council, treasurer at PDS Holdings Corp., director at Software Ventures International Corp., chairman for PNB-IBJL Leasing and Finance Corp. as well as treasurer and director at Philippine Depository & Trust Corp.

Philippine Star

RCBC's DiskarTech partners with digital payments gateway PayMongo

The sustainable lending portfolio of Rizal Commercial Banking Corp. (RCBC) reached P52.165 billion iRCBC's inclusion super app DiskarTech has teamed up with digital payments gateway PayMongo to expand the reach of its financial products and services.

PayMongo is a Filipino startup that offers various payments solutions that will help micro, small, and medium enterprises (MSMEs) give their clients access to payment options that are safe, fast, and efficient. With PayMongo, DiskarTech will be able to offer more seamless payment solutions to individuals and MSMEs using the app for financial transactions, without the need for elaborate paperwork.

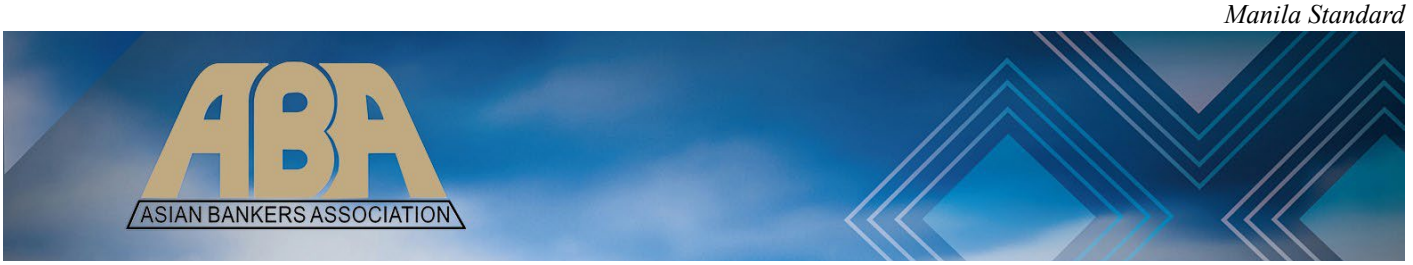
"What is really striking is that the PayMongo team has that clarity of vision. Much like their goal, DiskarTech is also rooted in creating products and services that are easy to understand. We're all about breaking barriers. Less complex processes will encourage more Filipinos to use the app. With PayMongo, we're looking forward to breaking some more barriers," said Lito Villanueva, Executive Vice President and Chief Innovation and Inclusion Officer of RCBC.

This will be made possible through PayMongo's innovations. First is the PayMongo Links which allows merchant to send links anywhere—whether email, text, or social media—which their clients can access so they can pay via multiple payments options. PayMongo also offers PayMongo API. API stands for Application Programming Interface, which integrates directly to a merchant's website and app and can process payments without needing to re-direct the customer outside the app's page. These are just some of the PayMongo features DiskarTech users can enjoy once they sign-up with PayMongo.

"PayMongo and DiskarTech share the vision of financial inclusion for all Filipinos. Our contribution in this collaboration is to provide DiskarTech's entrepreneurs an easy-to-use payments platform. We also keep their transactions safe and secure. This is how we help SMEs grow," said Edwin Lacierda, PayMongo co-founder and chief operating officer.

RCBC is one of the leading universal banks accelerating digital transformation in the Philippines. It is the first local universal bank to have the most extensive reach with registered customers from across all 81 provinces nationwide through its mobile apps RCBC Mobile and DiskarTech. Its digital products include RCBC mobile and online banking, handheld ATM Go mobile point-of-sale terminals, and DiskarTech, among others. DiskarTech was recognized as the 2020 breakout finance app in the country by App Annie, a global data analytics firm covering all mobile applications worldwide.

Manila Standard



Among Member Banks

Doha Bank wins 'Best Trade Finance' award for 3rd time

Doha Bank has been recognised for its outstanding performance in the 'Best Trade Finance Bank' for 2021 by Global Finance consistently for the third time.

Headquartered in the State of Qatar, Doha Bank is a leading provider of trade finance and supply chain solutions to its wholesale banking clients locally and in other markets across the GCC, as well as internationally.

The bank's presence across countries coupled with a vast FI network enables it to serve clients across geographies. The on-the-ground trade product team comprises seasoned professionals with rich and diverse experience in working capital, trade, and supply chain solutions.

They not only provide the product suite of vanilla trade products, but also extend advisory solutions, trade risk mitigation, and short-term financing solutions for managing working capital to suit individual client requirements.

The bank's products and solutions are built around advanced technology and automation to provide its clients with a seamless experience in the execution of their trade transactions.

Dr R Seetharaman, CEO of Doha Bank, said: "We are very pleased to be acknowledged by Global Finance for demonstrating excellence in the category of 'Best Trade Finance Bank'. Indeed, Doha Bank has been one of the primary providers of trade finance services in the local, Middle East, and international markets for more than 40 years. Innovation is at the heart of all we do at Doha Bank and we are committed to continually innovate and improve our products and delivery to all our clients.

"Trade finance continues to be a key focus area for the bank and this award of 'Best Trade Finance Provider 2021' from Global Finance Magazine is a testimony to the trust and confidence our clients have in our trade solutions and advisory capabilities. We thank our esteemed clients for this recognition and remain committed to partner them in all their trade finance requirements across regions."

Gulf Times

DBS, JPMorgan and Temasek partner in blockchain payments platform

DBS Bank, JPMorgan and Temasek are teaming up to create a new blockchain-based platform for payments, trade and foreign exchange settlement.

The company, which will be named Partior, will leverage blockchain technology and digitise commercial bank money, with the aim of reducing current frictions and time delays in cross-border payments, trade and currency settlements, the firms said in a statement on April 28.

Partior, which means "to distribute and share" in Latin, is also expected to develop wholesale payment rails based on digitised commercial bank money to enable "atomic" - or instantaneous - settlement of payments for various types of financial transactions, according to the statement. That would help banks overcome challenges presented by the current standard sequential method of processing global payments.

"The launch of Partior is a global watershed moment for digital currencies, marking a move from pilots and experimentations towards commercialisation and live adoption," said Mr Sopnendu Mohanty, chief fintech officer at the Monetary Authority of Singapore (MAS), in the statement.

Partior will target some of the most promising use cases for blockchain technology. Processes like cross-border payments can often be slow and cumbersome even in the digital era, so there is plenty of room for improvement.

Partior will focus initially on facilitating flows primarily between Singapore-based banks in both US dollars and Singapore dollars, with the intent to expand service offerings to other markets and currencies. It will engage banks to join the platform to establish the scale required to benefit the industry.

Partior's platform will also be designed to complement ongoing central bank digital currencies initiatives and use cases.

The venture by DBS, JPMorgan and Temasek builds on their past work as part of Project Ubin, an industry initiative by MAS to explore the application of blockchain technology involving multi-currency payments and settlements.

Straits Times

Among Member Banks

HNB supports Sri Lanka Welfare Society of the Blind Women

Supporting the livelihoods of visually impaired women, Sri Lanka's most customer friendly bank HNB PLC donated 300 white canes and dry ration packs to the members of the Sri Lanka Welfare Society of the Blind Women.

The donations made utilizing voluntary contributions gathered by HNB employees, were handed over to members of the Society at a special event at HNB Towers under the patronage of HNB Managing Director and CEO Jonathan Alles.

"HNB is proud to partner with the Sri Lanka Welfare Society of the Blind Women to serve the visually impaired women of the country. Our goal is to do our part in ensuring they are given opportunities, recognition and respect that are equal to every other citizen, and we hope that partnerships of this nature will pave the way for a more inclusive and caring society," HNB Managing Director and CEO, Jonathan Alles said.

Colombo Page

CTBC Bank to raise stake in its Thailand financial group

CTBC Bank, a wholly owned subsidiary of Taiwan's CTBC Financial Holding Co., has set a goal of becoming the largest shareholder of LH Financial Group Public Company Ltd (LHFG) in Thailand by raising its stake in the Thai group.

CTBC Financial said CTBC Bank had decided to invest 4.2 billion Thai baht or about NT$3.9 billion (US$137 million) to acquire 2.33 billion LHFG shares. The acquisition plan has been approved by a board meeting of CTBC Financial, the Taiwanese firm said.

After the transaction, CTBC Bank will see its stake in LHFG rising to 46.6% from the current 35.6%.

The acquisition plan is pending an agreement to be signed by both sides as well as regulatory approval from Taiwan and Thailand, CTBC Financial said.

In 2017, CTBC Bank spent about NT$15.1 billion to acquire a 35.6% stake in LHFG as the first Taiwanese financial institution to own a stake in a Thai counterpart. CTBC Financial spokesperson Chiu Ya-ling said LHFG had been fundamentally sound before the COVID-19 pandemic hit Thailand, contributing about NT$1 billion in profit to CTBC in 2018 and 2019.

In 2020, however, its bottom line was affected by the pandemic and its return on equity fell to about 5%, from 8% seen in 2019 and 2020, in the wake of an increase in non-performing loans, Chiu said.

Nevertheless, if Thailand eases its restrictions against foreign investors' ownership of up to 49% in a financial institution, CTBC Bank will likely take a higher stake in LHFG as part of its efforts to extend its reach globally, Chiu noted. She said LHFG focuses on corporate banking and under its corporate umbrella, the group owns LK Bank, LH Securities and LH Fund Management businesses.

LH Bank, which has 108 branches, is the core business of the Thai group, ranking as the 13th largest commercial bank in Thailand in terms of asset value, according to Chiu.

CNA

Among Member Banks

E.SUN rated best in Taiwan by Sustainalytics ESG Risk Rating

Sustainalytics, a world leading ESG research institution, has assigned an ESG rating to E.SUN Financial Holding Co. (E.SUN). In the latest Sustainalytics ESG Risk Ratings, E.SUN is ranked first in Asia, second worldwide among 386 companies in "diversified banks" industry. This is one of the best performances for any Taiwanese banks in international ESG evaluations.

E.SUN is ranked top ten worldwide across several rated ESG risk material issues, including business ethics, data privacy and security, human capital, and ESG integration. Especially, E.SUN is ranked first in "product governance" risk issue category. Sustainalytics is also very positive about E.SUN's ESG management, which is rated "strong". The improvement of ESG management score is the main reason that contributed to advance of E.SUN's ranking this year. Sustainalytics pointed out that E.SUN has strong ESG reporting practices and a board committee appointed for overseeing ESG issues. The ESG rating report also indicated that E.SUN has a very strong environmental policy and has established adequate standards on social supply chain issues. In addition, E.SUN also has set up a strong whistleblower program.

Headquartered in the Netherlands, Sustainalytics was founded in 1992. It is one of the most renown ESG research institutions in the world. It periodically performs evaluation of environment, society, and governance for corporates around the world. The results are widely adopted by many asset management companies for research purpose.

In climate change, E.SUN took the lead among Taiwanese peers to join TCFD. E.SUN used scientific method to quantify financial impact resulted by climate change thereby to manage its associated risks. This year, E.SUN further invited some outstanding Taiwanese corporates to join E.SUN ESG Initiative, under which participating companies committed to take actions against climate change risk.

E.SUN is currently ranked top in Taiwan financial sector by many international ESG rating institutions, such as Dow Jones Sustainability Index, MSCI ESG, FTSE4Good. In the future, E.SUN will continue to work together with customers, shareholders, and employees to make more positive impacts and create greater value for the society.

Business Wire

Hua Nan plans Jakarta office

Hua Nan Commercial Bank has received approval from the Financial Supervisory Commission to set up a representative office in Jakarta, days after it formally launched a representative office in Bangkok. The bank said that it plans to provide financial services and useful information to Taiwanese businesses in countries targeted by the government's New Southbound Policy, taking advantage of its existing branches and representative offices in the region. In addition to running branches in Singapore, Manila, Sydney and Ho Chi Minh City, Vietnam, Hua Nan operates representative offices in Hanoi, Bangkok and Yangon, Myanmar.

Taipei Times

Fubon Financial board approves record dividend

Fubon Financial Holding Co's board of directors on Thursday approved a proposal to distribute a record cash dividend of NT$3 per share, topping proposals by local peers, data showed. The previous time Fubon paid at least a NT$3 cash dividend was in 2015.

This year's payout ratio would be about 35%, based on the company's earnings per share of NT$8.54 last year, with a dividend yield of 4.67% given its share price of NT$64.2 when markets closed on April 29.

Its board also approved the issuance of a NT$1 stock dividend, Fubon Financial said, adding that it plans to allocate part of its capital surplus to pay the stock dividend. The company also said it would pay NT$30.7 billion (US$1.1 billion) in cash dividends. The proposal is subject to shareholders' approval at its annual meeting on June 11.

Fubon Life Insurance Co contributed NT$7.44 billion to its parent company's profit, or 12.2% of the unit's net profit of NT$61 billion last year, Fubon Financial said.

It was the first time in three years that Fubon Life has allocated its profit to fund its parent's cash dividend distribution, Fubon Financial said.

The financial conglomerate usually recognizes profit at its subsidiaries according to standard accounting practices, it said, adding that it needs approval from the Financial Supervisory Commission to use the funds to pay dividends.

Taipei Times

Among Member Banks

Vietcombank to raise charter capital again

The Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) proposed raising its charter capital to over 50 trillion VND (2.17 billion USD) during its annual shareholders' meeting on April 23.

Under the plan, Vietcombank will issue more than 1 million shares to pay for last year's dividends at a rate of 27.6% of 2019's retained earnings. The State-owned bank will also issue additional individual shares, worth a maximum of 6.5 percent of total charter capital at the time of offering, to investors and existing shareholders.

At least 46 million individual shares will be issued to its strategic investor Mizuho Bank, so the Japanese bank will still hold at least 15% of shares.

The dividend payouts are expected to be conducted this year while the individual share offering is scheduled for 2021-2022.

Also at the meeting, Vietcombank said it is set to increase total assets by 5%, total outstanding loans by 10.5%, and consolidated pre-tax profit by 11% this year. The non-performing loan (NPL) ratio will be kept at under 1% and dividends will be paid at 8%.

As of the end of 2020, Vietcombank's total assets exceeded 1.32 quadrillion VND, up 8.5% against 2019, total outstanding loans were valued at over 845 trillion VND, up 14% year-on-year, and the NPL ratio remained at 0.62%.

Pre-tax profit last year totaled more than 23 trillion VND, equivalent to the 2019 figure and 16.3% higher than the annual goal. As of the end of March 2021, pre-tax profit was 8 trillion VND, up 70% against the same period last year.

VNA

Erste Group reports Q1 beat thanks to recovery in main markets

Austrian bank Erste Group reported better-than-expected first-quarter profit as recovery in central and eastern Europe economies allowed it to reduce risk provisions.

The retail-focused bank's profitability was hit hard as the coronavirus pandemic forced it to multiply provisions for loan losses, but most of the countries in which it operates have been recording declines in infection rates throughout April.

"We're off to a good start in 2021, which promises to be a solid rebound year," finance chief Stefan Doerfler said in a statement.

Austria's largest bank, which operates in eastern Europe and its home market of Austria, said its first-quarter net profit came in at 335 million euros ($405.85 million), above analysts' average forecast of 305 million euros, based on Refinitiv data.

Positive contributions came primarily from the release of provisions for loans in Austria and Romania and the recovery of loans already written off in Hungary and Austria, Erste Group said.

The Vienna-based group added it recorded significant deposit inflows and solid lending growth across all of its markets.

Reuters

Banking and Finance Newsbriefs

Hong Kong

Hong Kong's new Green and Sustainable Finance Grant Scheme begins May 10

On May 4, 2021, the Hong Kong Monetary Authority (HKMA) released the details of its Green and Sustainable Finance Grant Scheme (GSF Grant Scheme), which will consolidate Hong Kong's existing Pilot Bond Grant Scheme and Green Bond Grant Scheme into one new program. According to the Chief Executive of the HKMA, Mr. Eddie Yue:

"The global green bond market has grown from practically non-existent ten years ago to US$270 billion in 2020. In Hong Kong, we have taken early and proactive steps to strengthen Hong Kong's position as a regional green and sustainable finance hub, including the issuance of two rounds of Government green bonds since 2019 and the establishment of the Green and Sustainable Finance Cross-Agency Steering Group to coordinate cross-agency market development efforts. The launch of a new [GSF] Grant Scheme to support green and sustainable bond issuance and lending will further enrich the green and sustainable finance ecosystem in Hong Kong."

The GSF Grant Scheme will subsidize costs for eligible bond issuers and loan borrowers in two areas:

General Bond Issuance Costs: The GSF Grant Scheme will subsidize expenses incurred by first-time green and sustainable bond issuers, including arrangement, legal, audit and listing fees. The scheme will subsidize half the eligible expenses, up to a maximum of HK$2.5 million where the bond, its issuer or its guarantor is rated by a credit rating agency recognized by the HKMA (or HK$1.5 million in the absence of such a rating).

External Review Costs: The GSF Grant Scheme will subsidize transaction-related external review fees for eligible first-time and repeat green and sustainable bond issuers and loan borrowers, including the costs of pre-issuance review and post-issuance review and reporting. The scheme will subsidize the full cost of eligible expenses, up to a maximum of HK$800,000 per bond issuance or loan.

The GSF Grant Scheme will commence May 10, 2021 and last for three years. Going forward, the HKMA may update or adjust the details of the GSF Grant Scheme as needed.

Eye on ESG

India

India central bank relief measures to only delay stress for financial institutions: Fitch

Relief measures announced by India's central bank last week to help lenders and borrowers during the new devastating wave of Covid-19 infections will only delay the stress for financial institutions, Fitch Ratings said on May 10.

The Reserve Bank of India (RBI) rolled out on May 5 a slew of measures including a loan restructuring scheme to help lenders tide over mounting bad loans and give some borrowers more time for debt repayment.

Fitch said these measures would provide some relief to financial institutions over the next 12-24 months but at the expense of delaying the recognition and resolution of underlying asset-quality problems.

The central bank may unveil more measures to support the financial sector, like credit guarantee schemes or a blanket moratorium, if indications of economic stress mount, the ratings agency said.

Asia's third-largest economy is battling a ferocious surge in coronavirus cases that has forced several states to go into lockdowns, although institutions like Fitch expect the shock to economic activity will be less severe than in 2020.

"The authorities are implementing lockdowns more narrowly, and companies and individuals have adjusted behaviour in ways that cushion the effects," Fitch said in a report.

However, it said disruptions could persist longer and spread further than its baseline case scenario, especially if lockdowns were introduced in more regions or nationwide, noting that a drop in April-May activity would delay the country's recovery.

Last week, S&P Global Ratings said its outlook on India's sovereign debt remained stable, even though surging cases could threaten the economic recovery it had seen so far.

India could remain vulnerable to further waves of the pandemic even once the current surge subsides due to its slow pace of vaccination, Fitch warned.

Reuters

Banking and Finance Newsbriefs

Japan

BOJ warns of risks to Japan banks from Archegos-type overseas funds

Japanese financial institutions have become more exposed to market risks triggered by non-bank and overseas funds, the central bank warned on April 20, in the wake of losses caused by the collapse of family office Archegos Capital Management.

Since the global financial crisis in 2018, Japan's financial sector has become increasingly linked to global market moves as foreign investment funds pile into the country and domestic banks invest more in overseas securities, the BOJ said.

That has increased overlaps in portfolios between domestic and foreign financial institutions, the central bank said in a semi-annual report analysing Japan's banking system. "This suggests that the market risks Japanese financial institutions face can be amplified through trading activities of overseas investment funds and other entities more than before," the report said.

"Studies have shown that an investment fund holding more illiquid assets tend to face more pressure for redemption when market prices fluctuate, and that the degree of price impact by such a fund tends to be more significant," it said.

The collapse of Archegos, which defaulted on margin calls late last month and triggered a fire sale of stocks across Wall Street, has led to huge losses among some investment banks including Japan's Nomura Holdings Inc (8604.T) and the securities unit of Mitsubishi UFJ Financial Group Inc (8306.T).

While the BOJ made no direct mention of Archegos, the focus on overseas funds underscore its caution over the impact of their behaviour on domestic financial institutions.

The BOJ said Japan's banking system had sufficient buffers to weather the lingering battle with COVID-19, even as a renewed spike in infections stokes uncertainty about the outlook.

But it warned that banks must guard against potential risks such as rising credit costs, losses in securities holdings from abrupt market moves and dollar funding strains. “Even after the pandemic subsides, financial institutions’ profits will remain under pressure from low interest rates and structural factors,” the report said. *Reuters*

Korea

South Korea's banking association alarmed by altcoin trading mania

The Korea Federation of Banks has raised alarm over the increase in altcoin trading volumes across crypto exchanges in the country.

According to a report by The Korea Herald, the banking association has asked member banks to conduct an audit on the altcoins being offered by their crypto exchange clients.

The KFB is reportedly concerned about the potential risks of banks providing account services to exchanges overexposed to altcoins. An official of the banking association quoted by The Korea Herald explained:

“One of the criteria that we recommend is the safety of digital assets and that can be measured by the number of digital coins on an exchange. If an exchange deals with too many digital assets, it takes on more risks.”

As previously reported by Cointelegraph, there has been a noticeable pivot by crypto traders in South Korea toward altcoins. This shift coincided with a corresponding dip in Bitcoin (BTC) trading activity that had characterized the earlier part of the year, even leading to the collapse of the Kimchi premium.

Three of South Korea’s “Big Four” crypto exchanges — Upbit, Coinone and Bithumb — each list over 150 altcoins on their platforms. The KFB’s recommendation comes as BTC trading on these exchanges accounted for less than 5%, far lower than the average across other major exchanges like Coinbase and Binance.

Indeed, as of the time of writing, only Coinone has Bitcoin trading activity occupying the top two positions in the last 24-hour period. Data from CoinMarketCap shows BTC trading on Upbit and Bithumb at 4.15% and 9.13%, respectively.

Under South Korea’s real-name crypto trading paradigm, the onus is on banks to maintain strict oversight over their cryptocurrency exchange clients, hence the reason for the KFB’s warning. The banking association also wants its members to be aware of the potential money laundering risks that could be associated with the current altcoin trading explosion.

South Korea’s altcoin trading surge is yet another piece of evidence in support of the alt season market cycle narrative. Indeed, Bitcoin's market capitalization dominance continues to decline and is now at its lowest level since July 2018.

Several major altcoins have set new all-time highs, with Ether (ETH) breaking the $4,000 milestone to deliver over 450% in year-to-date gains. *Cointelegraph*

Banking and Finance Newsbriefs

Malaysia

Malaysia issues US$800m sustainability sukuk, world's first by a sovereign

Malaysia has issued US$800 million worth of 10-year trust certificates, billed as the world's first sovereign US dollar sustainability sukuk as the proceeds will be used exclusively for green projects, the finance ministry said on April 22.

In addition, the South-east Asian nation also issued US$500 million 30-year trust certificates, the ministry said in a statement.

Malaysia, which has the largest sukuk market globally, upsized the offering from an initial target size of US$1.0 billion to US$1.3 billion due to demand as over-subscription hit 6.4 times.

"The strong demand has also resulted in the lowest ever yield and spread for a US-dollar sukuk issuance by Malaysia," the ministry said, with the 10-year and 30-year trust certificates priced at 2.070 percent and 3.075 percent respectively.

Proceeds from the sukuk will be used for eligible social and green projects aligned to the United Nation's Sustainable Development Goals Agenda, enabling the country to meet its commitments as a signatory to the Paris Agreement.

Reuters

Maldives

Maldives repays USD 190m in debt from sukuk sales

Minister of Finance Ibrahim Ameer has revealed that the state had sold a sukuk bond in order to repay a large fraction of the USD 250 million in euro-dollar bonds due to be repaid next year.

Last month, the state had confirmed a sukuk bond listing worth USD 200 million through Credit Suisse, Emirates NBD Capital, SSBC and Islamic Corporation for the Development of the Private Sector (ICD). The government had revealed that sales of the sukuk bond would be used to repay the USD 250 million euro-dollar bond taken on under former president Yaameen's administration.

Minister of Finance Ibrahim Ameer shared information about the sale of the sukuk bond in the special committee meeting held at parliament on April 21.

Minister Ibrahim Ameer stated that the euro-dollar bond in question, worth USD 250 million, needed to be repaid in full in the year 2022, adding that the bond had been highly disruptive towards the state's liquidity management plans. Minister Ameer said that they had sought the best rate from the sukuk issue programme, and that following a liquidity management exercise, existing bond holders had been given the option to tender the amount that they hold in bonds. When those parties proceeded with the tender, the USD 200 million sukuk was issued successfully, with which Minister Ameer stated that the government would be repaying USD 191 million in euro-dollar bonds to bond holders.

The Finance Minister stated that as such, the Maldives' debt situation had improved within the last week alone, and revealed that the state would only need to repay USD 58 million under the bond in the next year, Minister Ameer added that the ratings would improve the next time they go to market, noting that as of now, there was no liquidity or roll-out risk, and that the rating would improve at the next rating review.

Former president Yaameen Abdul Gayyoom's administration had, in the year 2017, issued a sovereign or euro-dollar bond worth USD 200 million with a repayment period of just five years.

In addition to this, the incumbent administration is working to sell another asset-based sukuk worth USD 300 million with the ICD in order to acquire funds needed for the state budget.

Raajje

Banking and Finance Newsbriefs

Philippines

BSP sets limit on pioneer digital banking players

Bangko Sentral ng Pilipinas (BSP) Governor Benjamin Diokno said they are limiting the initial batch of digital banking players to five as the central bank has received four license applications.

In a virtual briefing on April 29, Diokno said they put a cap on the initial players because they want to observe first the operations of these entities.

"What we want to do is learn to walk first before running so we want to get as much experience as possible before we consider more players in the market," he said.

To date, BSP's policy-making Monetary Board (MB) has approved the digital bank license of Overseas Filipino Bank (OFBank), a subsidiary of the state-owned Land Bank of the Philippines (Landbank) after the latter acquired the Philippine Postal Savings Bank (PPSB).

OFBank initially had a thrift banking license and started operations in June 2020 to cater to overseas Filipinos. It received its digital banking license from the BSP on March 25, 2021.

Diokno said the other applicants for digital banking license are two thrift banks that want to convert their license and a new player.

He said the applicants are given a year upon the approval of the MB of their applications to complete the requirements for digital banking operations.

Diokno said the existing banks are expected to start operations within the second half of this year while the new players, by 2022.

"For both new players and converting banks, the timeframe for application to commence their operations under a digital banking license depends on the readiness and full compliance with the existing operating license," he added.

PNA

Singapore

Singapore firms roll out green finance initiatives

A string of Singapore-based companies announced sustainable finance initiatives on Earth Day on April 22.

A Singtel subsidiary launched its first sustainability-linked revolving credit facility of $750 million. The telco said the credit facility - it permits an account holder to borrow money repeatedly up to a set limit while repaying in instalments - was the largest Singapore-dollar-denominated sustainability-linked loan made here.

DBS, OCBC and UOB will provide the three-year loan that features interest rate discounts pegged to pre-determined environmental, social and governance (ESG) targets in areas such as climate risk, carbon management, and workplace health and safety metrics.

Singtel chief financial officer Arthur Lang said the financing initiative is under the firm's new programme called Olives. "Under Olives, we will potentially launch other ESG-related loans and green bonds in future," he added.

"Having long integrated sustainability across our business, we are taking the crucial next step of extending this to our financing strategy as we continue to hold ourselves accountable for making a positive impact on society."

Singtel has reduced the carbon intensity of its business by more than 70% over the past five years. In March last year, it implemented a solar panel installation at Bedok Data Centre that generates 2,059MWh (megawatt-hours) of clean energy a year, equivalent to powering 462 HDB flats for a month.

Power utility SP Group said it has established a green financing framework and secured its maiden green loan of $100 million from DBS, OCBC and UOB on a bilateral basis.

Under the framework, SP and its subsidiaries will be able to issue green financing instruments to finance or refinance eligible projects in four areas: clean transport, energy efficiency, renewable energy and green buildings.

Straits Times

Banking and Finance Newsbriefs

Sri Lanka

In order to further strengthen the economic cooperation between two countries, the Government of Republic of Korea has agreed to provide concessional loans from the Economic Development Cooperation Fund (EDCF) of the Export Import Bank of Korea (KEximbank), Sri Lanka's Finance Ministry said.

Accordingly, the Government of Republic of Korea and Government of Sri Lanka have agreed to sign a new Framework Arrangement for the period of 2020-2022 to obtain loans through EDCF up to an aggregate commitment amount of USD 500 million to finance projects mutually agreed.

The loan interest rate on this concessional loan is about as low as 0.15% -0.20% and the loan has a repayment period of about 40 years with a grace period of 10 years, the statement said.

In addition, the two sides agreed to continue the Korean Exim Bank Representative Office, which was opened in Colombo in January 2016 by its Chairman, to further implement the projects in a well-coordinated manner.

The Framework Arrangement was signed today (May 10) by Mr. S R Attygalle, Secretary, Ministry of Finance on behalf of the Government of Sri Lanka, and Mr. Woonjin Jeong, the Ambassador of the Republic of Korea, representing the Republic of Korea.

Ada Derana

Taiwan

New cryptocurrency rules to take effect on July 1

Taiwan's Financial Supervisory Commission is to set up new money laundering regulations for the nation's cryptocurrency exchanges from July 1, requiring them to report transactions valued at more than NT$500,000 (US$17,770).

The move came after the Executive Yuan demanded that the commission establish regulations to prevent money laundering in the cryptocurrency industry. The cryptocurrency industry includes local trading platforms for cryptocurrencies, cryptocurrency wallet providers and firms that conduct security token offerings.

The commission plans to require cryptocurrency exchanges to report any transaction of more than NT$500,000 conducted in cash, or an equivalent amount denominated in a foreign currency, Banking Bureau Deputy Director-General Lin Chih-chi told a news conference in New Taipei City. That is in line with the commission's money laundering requirements for conventional banks, Lin said.

However, investors are unlikely to buy bitcoin with more than NT$500,000 in cash, as most exchanges require clients to link their bank accounts to their trading services, a commission official surnamed Yen said.

The BitoPro exchange does allow clients to pay with cash at local convenience stores, but the amounts are limited to NT$20,000 at a single store, the official said.

For trades between different types of cryptocurrency — such as investors exchanging ether for bitcoin — the commission is to require exchanges to report large transactions and to ensure they fulfill the "know your customer" requirements, Lin said.

The commission is to hold a public hearing next month with eight local exchanges, including Maicoin Ltd, Ace Digital Innovations Co Ltd and BitoPro, he said.

While some exchanges have reportedly required their clients to reopen their accounts to fulfill the "know your customer" requirements, the commission had not issued such an order, Lin said. The commission's regulation of the industry is to focus on customer identity authentication and "know your customer" requirements, personal data storage and information security, he added.

Companies that fail to comply with the new regulations would face fines of up to NT$10 million, the commission said.

Taipei Times

Publications

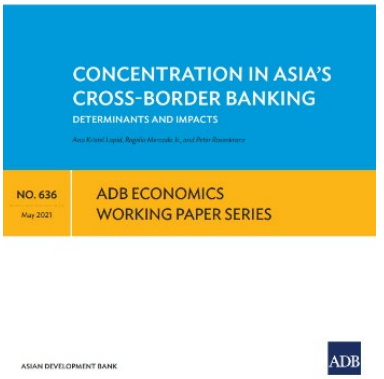
Concentration in Asia's Cross-Border Banking: Determinants and Impacts

This study from the Asian Development Bank (ADB) assesses the determinants and impacts of cross-border banking concentration in 47 economies in Asia and the Pacific from 2000 to 2019.

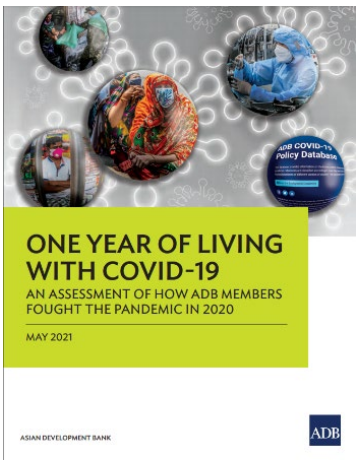
Cross-border bank positions in Asia and the Pacific remain highly concentrated to a few counterparties, exposing the region to financial risks and policy spillovers. This study constructs and analyzes cross-border bank concentration measures for the 47 economies. Results suggest that higher capital account, trade openness, and per capita income are significantly associated with lower cross-border bank concentration. Moreover, elevated cross-border bank concentration tends to lower domestic credit growth and nonperforming loans. The paper discusses policy implications for Asia and the Pacific.

Contact Details: ADB Publications

Website: https://www.adb.org/publications/concentration-asia-cross-border-banking



One Year of Living with COVID-19: An Assessment of How ADB Members Fought the Pandemic in 2020



Using the ADB COVID-19 Policy Database, this report examines how ADB members have dealt with the pandemic. It includes information on the amounts of the packages announced by ADB members during 2020 to combat the effects of COVID-19.

The report analyzes the specific measures taken, classified into liquidity support, credit creation, long-term lending, equity support, and health and income support. The analysis focuses on the financial statement effects of a given measure, in particular: (i) who, if anyone, bears the financial burden of the measure and in what form?; and (ii) does the measure create more debt or more income (e.g., net worth or equity, other things being equal) for the recipients?

Contact Details: ADB Publications

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