# Asian Bankers Association

## Newsletter

September 2022

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ASIAN BANKERS ASSOCIATION

# ABA Announcements

## The 38th ABA General Meeting & Conference to be held online on November 1 – 4, 2022


The Asian Bankers Association (ABA) will be holding the 38th ABA General Meeting and Conference virtually on November 1-4, 2022.

Jointly co-hosted by Rizal Commercial Banking Corp. (RCBC) and Hatton National Bank (HNB), this year's ABA Conference will carry the theme of "Redefining the Future of Banking Through Digital Transformation" and feature four Plenary Sessions, namely:

- Plenary Session One: The Digital Transformation Journey
- Plenary Session Two: Asian Banks: Navigating Through a Digitized Environment
- Plenary Session Three: Promoting a Sustainable World: Fostering Green Finance
- Plenary Session Four: Emerging Trends in Banking and Financial Services
  - ◊ Sub-Session One: Fintech Revolution: Impact on the Banking Industry
  - ◊ Sub-Session Two: The Future of Digital Currency
  - ◊ Sub-Session Three: Shifts in the Banking System: LIBOR and Others

The registration link is now available. Interested parties may register here.

# Training and Education

## Temenos Regional Forum Discusses Latest Banking Digitalization Trends

ABA Associate Member Temenos organized the Taipei Stop of its Regional Forum at Le Meridien Taipei Hotel on September 15, 2022 which was attended by more than 40 representatives from Taiwanese banks.

The half-day event, of which ABA was Supporting Organization, carried the theme of "Everyone's Banking Platform". Invited expert speakers and panelists from Deloitte, Red Hat, IBM and Microsoft shared their insights on issues surrounding digital banking, such as how open banking is empowering emerging banking business models, how to reshape banking digitally with embedded finance and the idea of composable banking services, among others.

The Forum also featured two Panel Discussions focusing on topics of "Banking on Change – The Next Horizon: XAI" and "The Rise of Digital Banking in Taiwan," respectively. The panelists elaborated on their views on the next-generation banking experiences expected by the Taiwan consumer emerging from the pandemic; why ecosystems-first banks of tomorrow are achieving breakneck growth globally; and how challenger banks are deepening engagements with consumers and SMEs through digital-first models and collaborative banking.

Temenos organizes its annual global event called the Temenos Community Forum (TCF). Over 1,500 senior executives from banks, partners, fintechs, investors, analysts and press globally come together to learn about the industry trends and challenges that other banks are facing today. Temenos Regional Forum (TRF) is an extension of TCF into Asia-Pacific to showcase the services that Temenos has to offer for the banking sector in the region.

## ABA & Fintelekt holds webinar on "AML in Digital Payments: Trends, Tools & Technologies" on September 23, 2022


The Asian Bankers Association (ABA) invited members to join the free webinar on Webinar on AML in Digital Payments: Trends, Tools & Technologies on September 23, 2022 | 11.00 am IST | 1.30 pm SGT/HKT.

Jointly hosted by Fintelekt Advisory Services Ltd. and ABA, this webinar discussed how the advent of digital payments has revolutionized the global financial system and led to the entry of a variety of fintech players and business models across the value chain.

AML and financial crime risks in this area are constantly evolving, as are regulatory responses across jurisdictions. AML controls and monitoring in this dynamic space brings with it a unique set of challenges and requires broader and more innovative approaches.

Key issues discussed during the webinar included the following:

- Evolving AML/CFT risks in digital payments
- Adapting existing AML controls to newer fintech environments
- Onboarding and due diligence responsibilities in digital payments
- Regulatory evolution and managing expectations

## ADB holds 55th Annual Meeting on September 26-30, 2022


The 55th Annual Meeting of the ADB Board of Governors took place on 26 to 30 September 2022 in a hybrid format. Governors and official government delegations attended limited in-person events at the ADB headquarters in Manila, Philippines, while the remaining events were held virtually, available for public viewing online.

## 2022 Asia Symposium – Central Banks in the Digital Age

SYMPOSIUM ON ASIAN BANKING AND FINANCE

Federal Reserve Bank of San Francisco

MAS Monetary Authority of Singapore

The 15th Symposium on Asian Banking and Finance was held virtually on September 27th, 2022 from 5:30pm-8:00pm PDT | September 28th from 8:30am-11:00am SGT. The Symposium was co-hosted by the Federal Reserve Bank of San Francisco and Monetary Authority of Singapore and was open to the public.

The theme entitled "Central Banks in the Digital Age" focused on digitalization and innovation. Innovative technologies have brought profound changes to the global economy and enabled innovations in the financial sector. The agenda discussed various ways that digitalization and technology are impacting central banks today, including implications for monetary policy, the public sector's role in promoting and harnessing innovation, and the future of digital assets.

# Training and Education

## Corporate Treasurer Treasury Week – Shaping Strategies in a Volatile Environment

Corporate Treasurer is holding their hybrid Treasury Week with the focus on "Shaping strategies in a volatile Environment". The virtual event will be held on November 23, 2022 at 9am – 11:15 am HKT/SGT, while the in-person event will be held on November 24, 2022 at 9am – 3:30pm HKT/SGT in Singapore.

De-globalisation, cross-border fragmentation, and recession fears have filtered into the global corporate landscape; trickling down to corporate treasurers who need to navigate through, as well as manage growing complexities in their day-to-day operations.


Beyond cash management and immediate disruption to global supply chains, the focus is also growing on the implications to liquidity, financial digitalisation, and cross-border transactions in an increasingly volatile environment.

Treasury Week 2022 gathers senior treasury professionals and treasury solution providers from all over Asia Pacific to examine, discuss and tackle new practices, new responsibilities and the challenges wrought by continued uncertainties.

A more detailed information on the event can be accessed here.

# News Update

## Singapore fintechs partner to facilitate ESG reporting

*By Sara Velezmoro*

Two Singapore fintechs, U-Reg and STACS, are collaborating to make it easier to corporates to report on sustainability. The partnership aims to address a "fragmented reporting environment" amid increased ESG disclosure requirements, according to an announcement sent to media.


"There are currently hundreds of ESG reporting provisions globally. This lack of standardization and interoperability poses a significant challenge for financial institutions globally, which undermines trust in ESG finance as a whole, and negatively affects the corporates seeking sustainable financing or investment," Benjamin Soh, co-founder and managing director at STACS, told Corporate Treasurer.

Without a sustainability team, corporates – especially SMEs – often find it challenging to know where and how to start on ESG reporting, he added. The partnership aims to provide an end-to-end reporting process for corporates looking to explore to sustainable finance, and a convenient way for banks in Singapore to access ESG information from their clients and green portfolios.

Corporates can now submit their Environmental Risk Questionnaire (ERQ) – a standard framework created by the Association of Banks in Singapore to standardize financial institutions' engagement with corporate clients on ESG – on U-Reg's ESG reporting platform. The platform also connects with STACS's "ESGpdia", a blockchain-based registry of ESG data and certifications which is linked to the Monetary Authority of Singapore (MAS)'s Project Greenprint.

Corporates can generate ESG reports and upload them onto ESGpedia via the platform, where authorized banks and asset managers can access them to make financing decision. This is turn, contributes to mobilizing capital towards corporates for green initiatives, the companies explained.

Florian Dumas, founder and executive director at U-Reg, believes that facilitating the ESG reporting process will incentivize voluntary disclosures. "As a result, the quality of data available to financial institutions increases and facilitates comparative analysis, which in turn helps the entire ecosystem to become more sustainable," he told CT.

A number of efforts have been made by Singapore's regulators towards reducing emissions and improving reporting. Project Greenprint, which launched in December 2020, aim to improve financial institutions' access to ESG data and thus direct more capital towards corporates embarking on sustainability projects.

Meanwhile, at its latest Budget 2022, the Ministry of Finance announced an increase in carbon tax from the current %5 per tonne of emissions, to $25 per tonne in 2024 and 2025, $45 per tonne in 2026 and 2027, and up to $50-80 per tonne by 2030.

Such an increase in carbon tax means that businesses will need to pay more attention to carbon accounting and reporting. Corporates should identify areas that have the greatest impat to their business and start from there, Soh advised.

"The regulator has identified that ESG reporting, without the proper tools and support from the ecosystem, comes at a significant cost and with that, the risk that it might only be implemented by the most sophisticated market participants," said Dumas.

# News Update

Besides regulation, education, grants and industry collaboration will help further boost the development of green finance in Singapore, the executives believe.

"MAS promotes interoperability across the different systems that are part of the ecosystem, which is key to the success of this initiative, as there will be different contributors at every step of the process," Dumas added.

*Corporate Treasurer*

# Special Features

## Central Bankers' New Cybersecurity Challenge

*By Giulia Fanti, Joshua Lipsky, Ole Moehr*

*CBDCs may pose security risks, but responsible design can turn them into opportunities*

In the typically cautious world of central banking, the idea of a central bank digital currency (CBDC) is moving at lightning speed. Atlantic Council GeoEconomics Center research shows that 105 countries and currency unions are currently exploring the possibility of launching a CBDC, either retail—issued to the general public—or wholesale, used primarily for interbank transactions. That's up from an estimated 35 as recently as 2020. It is not just smaller economies that are interested, either; 19 Group of Twenty (G20) countries are considering issuing CBDCs, and the majority have already progressed beyond the research stage.

But as more countries launch CBDC pilot projects, concerns about cybersecurity and privacy loom large. Federal Reserve Chair Jerome Powell recently listed "cyber risk" as his number one worry relating to financial stability, and a recent UK House of Lords report specifically described cybersecurity and privacy risks as potential reasons not to develop a CBDC.

These concerns are not unfounded. CBDC vulnerabilities could be exploited to compromise a nation's financial system. CBDCs would be able to accumulate sensitive payment and user data at an unprecedented scale. In the wrong hands, this data could be used to spy on citizens' private transactions, obtain security-sensitive details about individuals and organizations, and even steal money. If implemented without proper security protocols, a CBDC could substantially amplify the scope and scale of many of the security and privacy threats that already exist in today's financial system.

Until recently, little work had been done publicly in the cybersecurity and central banking world to actually understand the specific cybersecurity and privacy risks associated with CBDCs. Few have considered whether CBDC designs could mitigate risks or perhaps even improve the cybersecurity of a financial system.

Our new research, published in the Atlantic Council's recent report, titled "Missing Key–The Challenge of Cybersecurity and CBDCs," analyzes the novel cybersecurity risks CBDCs may present for financial systems and makes the case that policymakers have ample options to safely introduce CBDCs. There are many design variants for CBDCs, ranging from centralized databases to distributed ledgers to token-based systems. Each design needs to be considered before reaching conclusions about cybersecurity and privacy risks. These designs also need to be compared with the current financial system—the one that keeps Powell up at night—to determine if new technology could deliver safer options.

So what are some of the main new cybersecurity risks that could arise in a CBDC? And more important, what can be done to mitigate these risks?

**Centralized data collection**

Many of the proposed design variants for CBDCs (particularly retail CBDCs) involve the centralized collection of transaction data, posing major privacy and security risks. From a privacy standpoint, such data could be used to surveil citizens' payment activity. Accumulating so much sensitive data in one place also increases security risk by making the payoff for would-be intruders much greater.

However, the risks associated with centralized data collection can be mitigated either by not collecting it at all or by choosing a validation architecture in which each component sees only the amount of information needed for functionality. The latter approach can be aided by cryptographic tools, such as zero-knowledge proofs, which authenticate private information without revealing it and allowing it to be compromised, or cryptographic hashing techniques. For example, Project Hamilton (a joint effort by the Boston Federal Reserve and the Massachusetts Institute of Technology to explore a US CBDC) has designed a system that separates transaction validation into phases, and each phase requires access to different parts of the transaction data.

These cryptographic techniques can be extended even further to build systems that verify transaction validity with only encrypted access to transaction details like sender, receiver, or amount. While these tools sound too good to be true, they have

been tested extensively in privacy-preserving cryptocurrencies such as Zcash and are based on significant advances in the cryptography community. The bottom line is that technology enables central banks to ensure that both cybersecurity and privacy protection are embedded in any CBDC design.

**Transparency vs privacy**

A common concern with privacy-preserving designs (including those that use specialized cryptographic techniques) is reduced transparency for regulators. Regulators generally require enough insight to identify suspicious transactions, enabling them to detect money laundering, terrorism financing, and other illicit activities.

But even this is not an either/or decision. Cryptographic techniques can be used to design CBDCs that provide cash-like privacy up to a specific threshold (for example, $10,000) while allowing government authorities to exercise sufficient regulatory oversight. This kind of threshold is not so different from the current system in the United States, which allows reduced reporting for transactions under $10,000. The reality is that in many ways, a new CBDC system would not need to reinvent security protocols but could instead improve on them.

Several countries have committed to or even deployed retail CBDCs whose underlying infrastructure is based on distributed ledger technology. Nigeria's eNaira, launched in October 2021, is a good example. Such designs require the involvement of third parties as validators of transactions. This introduces a new role for third parties (for example, financial and nonfinancial institutions) in central bank money operations. Critically, the security guarantees of the ledger would depend on the integrity and availability of third-party validators, over which the central bank may not have direct control. (Although it is possible to implement distributed ledger technology with all validators controlled by the central bank, doing so largely defeats the purpose of using the technology.) The associated risks can potentially be mitigated through regulatory mechanisms such as auditing requirements and stringent breach disclosure requirements. However, there is not a clear blueprint for devising these regulations in a system as time-sensitive and closely interconnected as a distributed-ledger-based CBDC. This is why the need for international standard-setting and more knowledge sharing between banks is critical at this moment of rapid development and adoption.

**Threat or opportunity?**

Over the past 18 months some central banks have prematurely decided that a CBDC poses too many cybersecurity and privacy risks. We wanted to determine what is truly a threat and what is actually an opportunity. We concluded that governments have many CBDC design options to choose from, including new variants that have not yet been fully tested in current central bank pilots. These variants present different trade-offs in terms of performance, security, and privacy. Governments should choose a design option based on a country's needs and policy priorities. Based on our evaluation of these trade-offs, CBDCs are not inherently more or less secure than existing systems. While responsible designs must take cybersecurity into account, that should not prevent consideration of whether to design and test a CBDC in the first place.

One thing is abundantly clear in our research. Fragmented international efforts to build CBDCs are likely to result in interoperability challenges and cross-border cybersecurity risks. Countries are understandably focused on domestic use, with too little thought for cross-border regulation, interoperability, and standard-setting. Regardless of whether the United States decides to deploy a CBDC, as issuers of a major world reserve currency, the Federal Reserve should help lead the charge toward development of global CBDC regulations in standard-setting bodies. International financial forums, including the Bank for International Settlements, IMF, and G20 have a similarly critical role to play.

CBDCs' cybersecurity and privacy risks are real. But solutions to these challenges are within the grasp of technologists and policymakers. It would be unfortunate to preemptively decide the risks are too high before developing solutions that could actually help deliver a more modern and stable global financial system.

*International Monetary Fund (IMF)*

## India, South Asia and ASEAN should think big—must integrate for global good, says ADB economist

As the global economy shrinks and countries chase the International Monetary Fund (IMF) and the World Bank (WB) for bailouts, India stands strong as a rock for the South Asian region.

The country has been able to withstand the after effects of the Covid-19 pandemic and has helped in averting a humanitarian crisis in the region with its generous aid of food and essential items to neighbouring countries.

In an exclusive interview to India Narrative, Dr Dil Bahadur Rahut, Vice-Chair of Research at the Asian Development Bank Institute (ADBI) says that India will not only come out stronger from the crisis but will be able to support South Asian nations in their hour of crisis. He says that India should also foster regional trade and economic integration and contribute to the inter-regional cooperation.

Dr Rahut has earlier worked with the International Maize and Wheat Improvement Centre, the Royal Monetary Authority of Bhutan's Research and Statistics Department, and the Indian Council for Research on International Economic Relations (ICRIER).

Excerpts from the interview:

*IN: Do you think we are headed towards a bigger humanitarian crisis – food shortages, rising energy prices and disrupted global supply chains as the Russia-Ukraine war drags on and tensions mount in East Asia?*

*DBR*: I believe that many nations are committed to peace, stability, and ensuring global food supply; therefore, I don't think there will be a humanitarian crisis. I think we have learned this and proven it from the Covid pandemic. There are challenges against the planet and humanity. But I believe that there are vast sections of the society who are committed to make the world a better place live

There are countries like India, which supplied wheat to countries that were heavily dependent on Russia and Ukraine for its supply. Several people and countries are working towards peace and stability and development.

As long as the Russia-Ukraine war continues, I think low-income countries and the most vulnerable sections of society will be affected. It will compound the impact of COVID, which has already created havoc in terms of employment, income, and food security, and prices.

Russia and Ukraine were producing almost 30 per cent of the global wheat, and were major exporters of sunflower-oil, corn and barley. Reduction in the supplies of wheat, sunflower oil, corm would mean a price rise, which is reflected in the global food inflation. In March 2022, the FAO food price index touched 159.7, and it gradually came down to 138 in August 2022 from the earlier 128 in August 2021.

The second thing was the restriction in the supply of fertilisers from Russia and Ukraine, which affected the production of agricultural commodities in many countries. As a result, food prices have increased. Further some of the countries have banned food exports. Finally, the energy shock has also contributed to the increase in the food price.

Russia is an important supplier of energy, and when the energy supply from Russia it affected the European Union (EU), especially Germany. The EU had not prepared for uncertainties, had the EU built its own infrastructure and diversified sources of energy the situation would not have been as bad.

*IN: All of South Asia faces critical conditions. The IMF has rolled out more loans for Pakistan and Sri Lanka but these may turn out to be inadequate in the long run. Even Bangladesh and Nepal are facing financial challenges. What is your assessment of the situation in South Asia?*

*DBR*: Sri Lanka faces a crisis because of the flaws in their agricultural and tax reduction policies. Their commodities couldn't keep up in the international market. Also, they were heavily dependent on tourism and remittance as an important source of revenue, which put Sri Lanka in a tough situation during COVID. Right policies built on the foundation of good governance could have helped them to avert the current crisis.

Pakistan is going through a difficult time and the recent flood made it even more severe. The trigger was, of course, Covid and the supply chain disruption due to the Russia-Ukraine war. For the stability and prosperity of any country, good economic policy built on the foundation of good governance is a prerequisite.

Nepal's important source of revenue is tourism, which has dropped down due to the Covid pandemic. Further remittances, which is also another important source of revenue for Nepal, has been affected due to Covid. Like other countries in south Asia, Bangladesh has also been affected to some extent but is taking initiatives to stand strong.

Because of the Russian crisis, the demand for commodities contracted. India has always stood strong partly because of its good economic, and fiscal policy. However, strong internal demand in India is one of the reasons for economic stability.

Coming out from the crisis won't be easy for South Asia, but through regional cooperation and support from international communities, regions will overcome it and make significant progress. India is a hope for regional growth and transformation as it is a big country both in terms of population, economy and resources. India has played an important role in the food security of the region and should continue to support regional cooperation and trade.

Bhutanese economy is also strongly aligned with India. Bhutan's significant trade is with India and so is the case with Nepal. We have to increase inter-regional trade—including with Bangladesh. It is the Indian economy that is the big hope for the South Asia region.

When we talk about South Asia as a region, we have to think bigger in what we think of as a region. We have to integrate ourselves like the Association of South-East Asian Nations (ASEAN). We need to connect with South-East Asia through high-speed railways, trade and people.

*IN: So, why should South Asia link up to ASEAN?*

*DBR*: We should first connect South Asia and then link up to South-East Asia for the energy security of the region—for renewable energy and transformation. Then we should focus on food security and then on Net Zero carbon emissions.

We have to integrate strongly with ASEAN to expand opportunities for both the region and the prosperity of south and south east Asia. I believe South Asia and ASEAN are one big piece of land with historical connection and share similar visions. I find the region largely stable and we can depend upon each other.

*IN: Many people have predicted that with most South Asian nations facing financial crisis, India too will go down the same path. How is India, according to you, faring on the economic front?*

*DBR*: India will do very well. India is a large country. It is making huge investments on infrastructure—hard infrastructure like roads and railways as well as social infrastructure.

India is becoming more integrated. The north-east is coming closer to Delhi. There is a feeling of oneness and positive things are happening.

India is also investing in clean energy transformation, water security and in soil health. It is also working on livelihood programmes to improve the life of people in the rural areas. Though India has done a lot, I wish it does more.

The US, EU and China are the leading in research and development as they invest a lot more into research. India should

also do that—invest in people to bring them into research. Indian academic institutions are good, but India can do more to bring them at an international level. Academic institutions will bring about transformation. Like the US, EU and China, India should change itself and attract regional and international researchers.

In terms of agriculture, India is strong and can provide leadership in the region and to the world. India should also genuinely cooperate with regional and international researchers in agricultural research.

The world looks up to India for many reasons. India has resilience to all kinds of crises. It always manages to overcome, for example—the Covid waves, vaccine development, food and pharma industries. India is not only a big market, but a place where productions can happen. Given its heritage, India is also a great destination for tourism.

*IN: How do you see India's role in South Asia? It has been supporting Afghanistan, Sri Lanka and Maldives in various ways. It is also helping Bangladesh, Nepal and Bhutan. Do you view India as a stabilising agent because often there are people who are critical of India?*

*DBR*: People have various opinions but that should not overshadow the proximity we have. India is able to offer so many things to the region and we should value those. Criticism should not deter India from providing humanitarian and developmental assistance and educational opportunities to other countries. Rather India should be able to build institutions like Nalanda, Mithila University, Valabhi University, Takshashila and attract regional and global faculty and scholars.

There is scope for more cooperation as countries in South Asia can have joint ventures with each other. India, Nepal and Bhutan have so much potential in hydro-power, high value agriculture and medicinal plants. Other countries in the region have their own comparative advantage, which we should harness.

We should be looking at setting up an economic zone together and growing together in South Asia.

*IN: Supply chains have been damaged considerably due to the Covid-19 spread, the tensions in East Asia and also because of the Russia-Ukraine war. Do you think India and other countries in the region can restore supply chains?*

*DBR*: From recent experience, we have noted uncertainties in the global supply chains and the need to ensure stability in the supply chain is crucial. One way to ensure a smooth supply chain is through partnership with stable partners and diversity of the sources of supply. Countries are beginning to diversify the sourcing of food, fuel and energy. This will open up opportunities for more regions in the world.

However, there will be bigger disruptions in supply chains because of climate change, particularly in the food supply chain. Countries will have to invest in reducing greenhouse gas emissions (GHG). We can see what happened during the heatwaves in India, Pakistan and Europe. Asia plans an important role in food security because of the green revolution but the climate change crisis can damage crop production and impact food and nutritional security.

Countries like India, Bangladesh, Indonesia, Thailand, Malaysia and Vietnam are doing very well in terms of restoring supply chains. I believe these emerging countries should play a bigger global role in strengthening the value chain.

*India Narrative*

## Why Municipal Bonds are Emerging as a Key ESG Investment

When investors think about sustainable investing, they often focus on broad themes—such as water scarcity or clean energy—or individual companies that are leaders in environmental, social and governance (ESG) practices.

But those looking to build their ESG portfolios could also tap into municipal bonds. Increasingly issued by state and local governments to fund public projects that can have a positive social or environmental impact—from schools in underserved areas to infrastructure for zero-emission transportation—muni bonds can clearly align with sustainability goals.

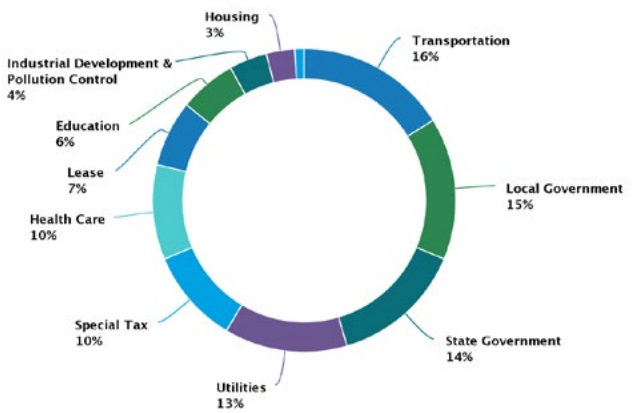
What makes them potentially alluring right now? New analysis from Morgan Stanley Research finds that muni bond valuations are still driven largely by the issuer's credit rating, and not according to their ability to address ESG-related risks—a pricing advantage that may soon change.

"Right now, investors interested in building a more sustainable bond portfolio can do so without paying a premium," says Samantha Favis, a strategist on the Municipal Fixed-Income team at Morgan Stanley Research.

"Looking ahead," says Favis, "we think ESG factors could begin to impact bond performance as the connection between credit risk and environmental and social variables becomes harder to ignore."

This pie chart shows how states allocate investors' capital. By financing the construction, maintenance, and improvement of critical public infrastructure and community

development, municipal investing largely overlaps with sustainability goals.




**Creating Value by Managing New Risks**

While credit markets have yet to emphasize ESG-related risks, these variables have a direct material impact on municipal credit ratings. For example, state and local economies must bear upfront costs to prepare for more frequent natural disasters caused by a warming climate.

What's more, the impact of drought, flooding, extreme heat and other climate events is far-reaching—affecting everything from agricultural yields and tourism to labor productivity.

Additionally, although social impacts are often harder to measure, states and municipalities tend to be more economically stable when their populations are healthier and better educated, as well as when they have higher levels of employment, homeownership and gender equality. These factors, in turn, contribute to higher growth and better labor productivity, meaning that municipal bonds supporting these outcomes are contributing to a positive ESG impact.

"At its core, ESG is about adding a new lens to risk management in the investment process by looking at ESG factors in addition to traditional financial metrics," says Carolyn Campbell, head of Morgan Stanley's ESG fixed-income research.

As the market recognizes the material impact of ESG factors on credit risk, this could begin to increase future muni valuations—meaning that investors are facing a narrowing window of opportunity to find the greatest value from muni investments in their ESG portfolios.

While the market plays catch-up, Favis says, investors can consider how sustainability-related risks might affect a locale's economic credit rating to find investment opportunities in public finance projects that aim to address potential ESG liabilities.

*Morgan Stanley*

# Crypto's Conservative Coins

*By Parma Bain, financial sector expert in the IMF's Monetary and Capital Markets Department; Ranjit Singh, assistant to the director in the IMF's Monetary and Capital Markets Department*

Stablecoins are far from the revolutionary ideals of crypto's creators and are not without risk

When it was launched in 2009, the crypto revolution was about much more than just finance. The financial crisis shook people's trust in banks and the governments that bailed them out. For those wanting to shun traditional institutions and find alternative means to make payments, Bitcoin and the innovative blockchain technology that underpins it promised to decentralize and democratize financial services. Power would be placed in the hands of the people—this remains a compelling vision.

The problem was that speculators soon piled into the market. Instead of spending bitcoins and other crypto assets, speculators simply hoarded them in the hope that prices would rise ever higher. Crypto assets struggled to prove their potential as a payment instrument and instead became a speculative punt. The creation of thousands of other volatile "altcoins"—many of them nothing more than schemes to get rich quick—made it even more problematic to use crypto assets for transactions. After all, how do you pay for something with an asset that is not a stable store of value or a trusted unit of account?

A stablecoin is a crypto asset that aims to maintain


a stable value relative to a specified asset, or a pool of assets. These assets could be a monetary unit of account such as the dollar or euro, a currency basket, a commodity such as gold, or unbacked crypto assets. This stability can be achieved only if a centralized institution is in charge of issuing (minting) and redeeming (burning) these crypto assets. Another centralized institution (a custodian) must hold corresponding reserves (typically fiat currency issued by governments) that back each unit of stablecoin that is issued.

**Centralizing finance**

This evolution is at odds with the original vision. Rather than decentralizing finance, many stablecoins have centralizing

features. Instead of moving away from fiat currencies, most types of stablecoins are fundamentally reliant on those currencies to stabilize their value. Rather than disintermediating markets, they lead to new centralized intermediaries, such as stablecoin issuers (who hold data on their users), reserve managers (usually commercial banks), network administrators (who can change the rules of the network), and exchanges and wallets (that can block transactions). In fact, given the transparency of blockchains and the need to comply with anti-money-laundering rules, stablecoins may offer less privacy than existing payment rails.

If stablecoins oppose elements of the initial vision of Bitcoin, why do they exist and what purpose do they serve? Stablecoins are used primarily to permit users to remain in the crypto universe without having to cash out into fiat currency. They're used to purchase unbacked crypto assets as well as access and operate in decentralized finance (DeFi). They were a key element in the growth of the crypto asset and DeFi markets.

In some emerging market and developing economies, dollar-denominated stablecoins could become popular as a store of value and a hedge against inflation and currency depreciation. From the users' perspective, this so-called cryptoization provides an avenue to protect financial interests in the face of macroeconomic pressures and weak financial institutions. Where they are not regulated, stablecoins can circumvent controls on free capital movement while complicating macroeconomic management by the central bank.

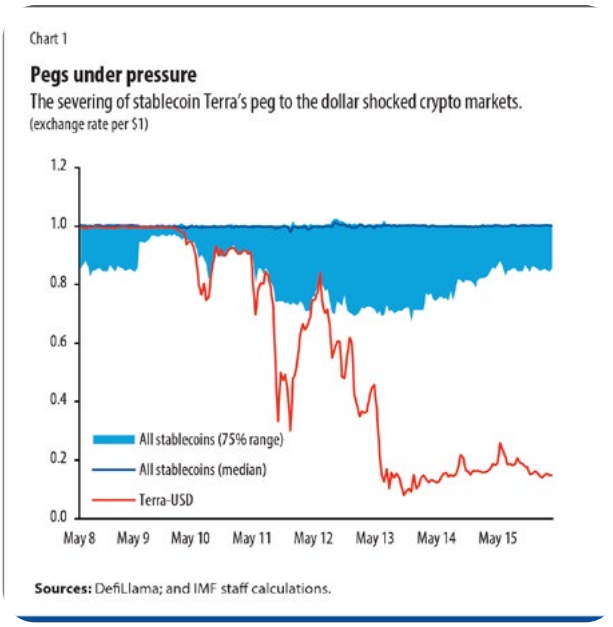
For some, stablecoins represent the future of payments. After all, in many economies most money in circulation is not central bank money but privately issued commercial bank money. Furthermore, blockchains have the potential to increase the speed and reduce costs for services traditionally offered by banks, in particular cross-border remittances. An argument can be made that stablecoins will be the privately issued money of the future.

**Unstable coins**

This vision comes with some challenges. First, stablecoins are not all stable. In fact, most stablecoins fluctuate around their desired value rather than sticking rigidly to it. Some stablecoins can deviate significantly from their desired value. This is particularly true of algorithmic stablecoins. These tokens aim to stabilize their value through an algorithm that adjusts issuance in response to demand and supply, sometimes combined with backing through unbacked crypto assets. However, these tokens are extremely risky. They are susceptible to de-pegging in the event of a large shock that becomes self-perpetuating once it starts, as the TerraUSD experience shows.

This stablecoin suffered a peg failure in mid-2022 after bank-like runs by users. The collapse of TerraUSD, then the third-largest stablecoin, triggered significant ripple effects across the entire crypto market. Similar contagion in the future could go well beyond crypto markets: many stablecoins hold reserves in traditional financial instruments, and exposure to crypto assets among traditional financial market participants has increased.

Second, the distributed ledger technology that underpins stablecoins has not been tested at scale from a




payment perspective. These technologies could make cross-border remittances and wholesale payments somewhat more efficient, but they may not offer sizable advantages over domestic payment systems, especially in advanced economies.

While financial inclusion is often touted as a benefit of stablecoins, most users are educated, relatively young, and already have bank accounts. Unless transactions are conducted outside the blockchain—taking stablecoins further away from the traditional crypto ideals of transparency and decentralization—they can at times be more expensive than alternatives such as mobile or electronic money. These non-crypto alternatives raised financial inclusion in Kenya from 14 percent to 83 percent between 2006 and 2019.

**Regulation challenges**

Finally, regulatory barriers may arise. Regulators of domestic payment systems may not allow stablecoins to serve as a payment instrument for purchases of goods and services and integrate with domestic payment systems. In addition, stablecoins (and the wider crypto universe) are not yet regulated for conduct and prudential purposes in many jurisdictions. Although some anti-money-laundering rules might apply, users aren't protected if something goes wrong. Users could face large losses without recourse to compensation if, for example, fraudulent stablecoins were issued, issuers claimed their stablecoins were backed but were not, stablecoins were stolen, or users couldn't access their stablecoins or redeem them at par.

Given the risks they pose, some authorities have looked to regulate stablecoins in a manner similar to traditional financial institutions, with different rules according to their business models, economic risks, and economic functions. For example, where stablecoins are not issued by banks and are used for payments on a small scale, issuers might be subject to adjusted payment regulations. Where stablecoins have less liquid reserve assets and are used for investment purposes, issuers might be subject to requirements similar to those applied to securities.

One of the proposals floated by many authorities is to apply bank-like regulations to stablecoins, particularly if they become more widely used for payments. Should this happen, stablecoins will themselves become the banks that crypto assets were meant to replace.

Any innovation that provides people with more choice, reduces the power of institutions that are too big to fail, and increases access to financial services should be explored. With the right regulation in place, stablecoins could grow to play a valuable role in delivering these benefits, but they won't be able to do so alone. And they are far from the revolutionary vision of crypto's creators.

*International Monetary Fund (IMF)*

## The 5 Best Assets to Protect Against Inflation

*By Lisa MacNicholas,*
*Investment consultant at Mercer*

*In this aerial view, visitors stand atop a large mound of salt bi-product from lithium production at a mine in the Atacama Desert on August 24, 2022 in Salar de Atacama, Chile. Albemarle Corporation, based in Charlotte, N.C. is expanding mining operations there to meet the rising global demand for lithium carbonate, a main component in the manufacture of batteries, increasingly for electric vehicles. Photo by John Moore/Getty Images*

Inflation was always set to be the hot topic at our 2022 U.S. Global Investment Forum (GIF), given the economic and geopolitical backdrop to the event. Five Mercer investment specialists examined the potential and presented their case for five inflation-hedging assets, in no particular order of importance or effectiveness.

**Private Debt**

Jason Sookhoo, senior investment consultant, Mercer, believes two key headwinds facing conventional fixed income portfolios are laying the foundation for a pivot towards private debt — inflation-eroding bond returns and rising rates having a negative return impact due to duration and credit spreads.

Sookhoo said that private debt can help mitigate these risks as the floating rate component attached to private debt investments rises as market rates rise, hedging an inflationary risk by mitigating duration.

Secondly, private debt markets are not valued every day, so valuations come with a time lag. Unless a sell-off lasts for a prolonged period of time, it is not as sensitive to credit spreads as publicly traded debt is and has led to smoother return profiles.

**Gold**

Following Sookhoo on stage was Travis Simon, alternatives investment specialist at Mercer. He explained the role gold can play in a portfolio, describing how the metal has stood the test of time and is revered by investors and collectors alike.

"Gold is often called the ultimate fear asset," Simon told GIF attendees. Unlike other commodities and real assets, gold is seen as a store of value and a currency. This has provided significant downside protection relative to other assets. The value of gold has risen nine times in the last 15 equity market sell-offs, said Simon. Looking at current markets, gold is relatively flat, while equities and some bonds are down double digits. Additionally, in low-rate and low-opportunity environments, such as the decade before 2020, gold performs even better.

This potential downside protection, coupled with a store of value, further bolsters the case for gold as a diversifying asset to traditional fixed income and equity portfolios.

**Natural Resources**

Next, Nick Barron, senior investment consultant, took the stage to outline how in the natural resources space, factors on both the demand and supply sides are creating an environment for investors to hedge inflationary risks.

On the demand side, emerging market economies are becoming more developed, and developed economies are becoming more sophisticated, fueling continued demand for these materials. Yet the supply side is limited given the finite availability of these resources, and technological advances will not offset that demand.

"We think that may lead to higher prices, which will ultimately benefit the natural resource producers over the long run," said Barron, while higher prices on natural resources will have a huge impact on inflation itself. Exposure to this sector can help mitigate the long-term structural impact of inflation on an investor's portfolio. Additionally, natural resource strategies can be tailored to meet growing ESG requirements.

**Commodities**

Next to take the stage was Ashley Holder, investment consultant. She described the strong historical relationship between commodities and inflation and noted that commodities tend to exhibit a high "inflation beta." Because of this, commodities can make a meaningful contribution at the total portfolio level with even a low portfolio allocation, making them a great candidate for inclusion in an inflation-sensitive portfolio.

Commodities tend to perform well in supply driven, stagflationary shock scenarios of rising inflation and falling

growth. Structural trends, such as the pace of globalization possibly slowing down, more volatile geopolitics and a renewed focus on self-reliance by countries and companies, could lead permanently to more constrained supply chains and tighter commodity supply going forward, which increases the likelihood of these supply-driven, stagflationary shock scenarios. Compounding this, further infrastructure spending will also increase demand for commodities going forward.

Holder also described the various routes to accessing commodities, be it futures contracts, hedge funds or natural resource equities. "Futures contracts offer the most direct exposure to commodity prices and are one of the most direct exposures to inflation hedging characteristics," she said.

Institutional investors have overlooked commodities over recent years, but Mercer believes now may be the perfect time for investors to take another look at their portfolio and consider adding commodities going forward.

**Listed Infrastructure**

And I just had to keep for myself what I believe to be the best topic — infrastructure. Infrastructure is made up of assets that are essential to society and act as the backbone of the economy, so infrastructure companies benefit from stable demand. Many infrastructure companies are regulated with little to no competition, which gives owners and operators leverage to hedge inflation. The pricing models of infrastructure companies often have built-in increases for inflation, such as long-term contracts with annual CPI-based increases.

While a cost increase can be irritating when you're paying your toll or utility bill, investors can use infrastructure as an inflation hedge owing to pricing mechanisms already in place, but also because of its more defensive, less cyclical nature. Listed infrastructure has historically outperformed global equities and fixed income in periods of rising inflation, and even more in times of unexpected inflation.

So, as we look ahead to the coming months, remember that deciding on an inflation-hedging strategy is not simply about hiding assets away. Rather, it is about leveraging the vast array of available options in tandem with your existing portfolio to keep you on track to reach your long-term financial goals.

*Brink*

# Among Member Banks

**BEA Completes Disposals of Blue Cross and Blue Care**


The Bank of East Asia ("BEA" or "the Bank") is pleased to announce the completion of the disposals of Blue Cross (Asia-Pacific) Insurance Limited ("Blue Cross") and the Bank's 80% stake in healthcare service provider Blue Care JV (BVI) Holdings Limited ("Blue Care") to AIA Group Limited ("AIA").

AIA has paid the Bank a total of approximately US$297 million (equivalent to approximately HK$2,331 million) in cash, which includes the considerations for the Bank's disposal of Blue Cross, inclusive of the transfer of Blue Cross's legacy life insurance portfolio to AIA, the disposal of Blue Care, and the previously agreed Blue Cross distribution arrangement.

A meeting of the Bank's Board of Directors will be held on 7th September for the purpose of, among other matters, considering the issuance of a special dividend. The special dividend may or may not be approved at the Board meeting.

Mr. Adrian Li and Mr. Brian Li, Co-Chief Executives of The Bank of East Asia, said: "BEA is committed to enhancing shareholder value, and the Board will decide on the use of proceeds from the disposals, which may include a distribution to shareholders. We will continue to pursue value creation opportunities to uplift shareholder returns, including the HK$500 million on-market share buy-back programme announced earlier."

In March 2021, BEA announced the formation of a 15-year exclusive bancassurance partnership with AIA for life insurance and long-term savings solutions for the Hong Kong and Mainland China markets. With the disposal of Blue Cross now complete, the partnership, which officially began in July 2021, will also cover general insurance, with AIA becoming the exclusive provider of non-life insurance products for BEA's personal banking customers in Hong Kong for a period of 15 years.

Mr. Adrian Li and Mr. Brian Li further commented: "Our bancassurance partnership with AIA has delivered strong results. The expansion of the partnership into general insurance will enable us to further leverage our extensive network and sales capabilities, as well as AIA's unparalleled product expertise, benefiting both our shareholders and customers."

*BEA News*

**Shanghai Commercial Bank Announces 2022 Interim Consolidated Profit of HK$1,251 million**

The consolidated profit after tax of Shanghai Commercial Bank Limited (the "Bank") for the first half of 2022 was HK$1,251 million, a decrease of HK$195 million or 13.5%, mainly due to the lackluster performance in net fee and commission income which had decreased by 23.7% year-on-year, as securities and investment businesses shrank under weakened sentiment. Net interest income also dropped by 3.8% as cost of customer deposits climbed while income form interest-bearing assets remained flat due to the continued deployment to higher quality and shorter tenor spectrums. Treasury related income had increased year-on-year, with outstanding performance on foreign exchange that was moderated by lower disposal gains from the debt and equity portfolios.

The Bank's total comprehensive loss attributable to equity holders for the first half of 2022 amounted to HK$939 million, versus a total comprehensive income of HK$1,500 million for the same period last year, mainly due to the mark-to-market valuation on the Bank's debt securities portfolio and equity investments impacted by interest rate hikes and volatilities of stock markets in the Greater China region. The overall loan-to-deposit ratio rose from 52.5% at the end of 2021 to 52.9% at the end of June 2022 as loans and advances grew by 1% to HK$97.4 billion while total customer deposits increased by 0.2% to HK$184 billion.

Total assets marginally decreased by 0.5% to HK$233 billion and shareholders' funds dropped by 3.7% to HK$32.9 billion when compared with that as at the end of 2021. Returns on average total assets ("ROA"), average equity ("ROE") and average liquidity maintenance ratio ("LMR") for the first half of 2022 were 1.1%, 7.5% and 58.4% respectively. The Bank's capital and liquidity levels remained robust, with capital adequacy ratio ("CAR") and common equity Tier 1 capital ratio at 21.4% and 18.1% respectively as at 30 June 2022.

In light of the geopolitical uncertainties, expected interest rate hikes, increasing recession fears, and various public health concerns brought about by COVID-19, we foresee continued challenges in our operating environment. The Bank will continue to stay vigilant and prudent on our customers' credit quality while ensuring steady business development in response to market changes. We will explore Environmental, Social and Governance ("ESG") and Green and Sustainable Banking ("GSB") related initiatives which have become important strategic areas of growth. We will also maintain our commitment to ongoing investments in our people and digital transformation to better serve our customers with regulatory compliance and risk management staying equally top of mind.

Please refer to the Interim Financial Disclosure Statement for the detailed financial figures.

*Shanghai Commercial Bank News*

**SBI WhatsApp service launched – here's how to register, check account balance and more**

India's largest public sector lender, the State Bank of India (SBI), has launched its WhatsApp banking service in India. This move came right after SBI chairman Dinesh Khara had disclosed plans for the bank to go the WhatsApp way.

With the launch of SBI's WhatsApp service, bankers can use WhatsApp banking service to check their account balance and mini statement, including complete insight about the last five transactions.

This customer-friendly initiative will allow bankers, including old age people, to avail most of its banking services through an instant messaging app eliminating the need to stand in queues for small bank-related works.

To use the SBI's WhatsApp banking service, bankers must register their accounts first. An unregistered customer who tries to avail the service will receive a message from the bank to get registered first.

"You are not registered for SBI WhatsApp Banking services. To register and provide your consent for using these services, kindly send the following SMS WAREG A/c No to 917208933148 from your Registered Mobile No with the Bank. You can view the detailed T&C for these services on the bank. sbi," the SBI bot will say in a message to the unregistered customer."

Steps to register for the SBI WhatsApp service

To register your bank account with the SBI WhatsApp banking service, send an SMS WAREG A/C No (9172089XXXX) from your registered mobile number. Once your registration is complete, you can use SBI's WhatsApp banking service.

*Business Insider India*

# Among Member Banks

**Bank Pasargad as the World's 320th Top Bank**

According to the July 2022 issue of The Banker magazine regarding the World's Top 1000 Banks, Bank Pasargad of Iran was recognized as the World's 320th best bank.

Bank Pasargad's ranking improved by 182 places in comparison to the year 2021.

On the basis of comprehensive appraisals of the financial indicators by The Banker, Bank Pasargad won the highest position in the Middle East in terms of Return on Capital (ROC) and Return on Asset (ROA) with ratios of 61.89% and 4.35% respectively. The 182-step climb in the year 2022's ranking also placed Bank Pasargad in the second place among the highest mover banks.

*The Banker Magazine*

**Establishment of the Ashinaga MUFG Scholarship Fund**

As part of its efforts to foster future generations and support children, MUFG has decided to provide ongoing support to the Ashinaga Foundation (ASHINAGA) via five Group companies and has established the Ashinaga MUFG Scholarship Fund, a benefit-type scholarship fund for high school seniors who wish to go on to university and university students studying science.

1. The Ashinaga MUFG Scholarship Fund

ASHINAGA is one of Japan's largest private nonprofit organizations that supports children who have lost either one or both parents due to illness, disaster, or other reasons, or whose parents are severely disabled and unable to support them financially. It provides scholarships to students who wish to continue school or advance to higher education but face economic difficulties, with the aim of improving such students' university entrance rates. Sympathizing with the children who desire to continue their education despite the challenges they face and agreeing with ASHINAGA's efforts to support them, MUFG has decided to donate to ASHINAGA in an ongoing manner and established the Ashinaga MUFG Scholarship Fund in cooperation with ASHINAGA to disburse the donated funds. The Ashinaga MUFG Scholarship Fund is a program to provide scholarships to high school students wishing to go on to university, as well as to university students studying science who need to pay expensive school fees.

2. Beneficiaries and benefits

i. High school seniors who wish to go on to university. Lump sum of ¥300,000 per student provided to subsidize expenses incurred in advancing to university.

ii. University students studying science. ¥40,000 per month from enrollment to graduation to support university students enrolled in expensive science courses. MUFG defines its Purpose as "Committed to empowering a brighter future. " Based on the belief that education is the foundation of a stable society and the source of economic growth, we will work to resolve structural issues in Japanese society, such as the shortage of human resources AI technologies, etc., being promoted by the government, the shortage of human resources in the medical and welfare fields, and unequal educational opportunities, through scholarships for high school students who want to advance to higher education and university students studying science.

*MUFG News*

**Mizuho issues green bond**

On September 5, 2022, Mizuho Financial Group, Inc. issued a green bond.

We have promoted our sustainability initiatives as an integral part of our group strategy. Based on our awareness that climate change is one of the most crucial global issues having the potential to impact the stability of financial markets, we have positioned addressing environmental issues and climate change as a key part of our corporate strategy. In May 2022, in taking concrete steps forward with our response to climate change as outlined in our Environmental Policy, we are pursuing efforts to limit the rise in global temperature to 1.5°C. To this end, we formulated Mizuho's Approach to Achieving Net Zero by 2050, which demonstrates our aims and actions towards realizing a low-carbon society by 2050, and the Net Zero Transition Plan, which indicates the direction of our initiatives. Based on this Environmental Policy and so on, utilizing engagement and holding constructive dialogue with clients as a starting point, we are supporting clients' transition to a low-carbon society and their climate change responses.

In order to accelerate our environmental business and expand our positive impacts on the environment through finance, we have set a target for environmental finance of 12 trillion yen from FY2019 to FY2030 and are proactively promoting our initiatives. The green bond (EUR 800 million) we have issued serves as a portion of funds for this environmental finance and responds to the needs of investors who have a high level of interest in the environmental field. This is the largest euro-denominated green bond issued by Japanese financial institutions. We have issued and managed green bonds based on a green bond framework we have formulated in line with the International Capital Market Association's Green Bond Principles 2018 and the Japan Ministry of the Environment's Green Bond Guidelines 2020. The framework has been reviewed with a second-party opinion from Sustainalytics, a third-party certification organization.

We will provide the funds we raise through the

green bond to our subsidiary Mizuho Bank, Ltd. (President & CEO: Masahiko Kato), which will use them to finance environmentally-friendly projects, including renewable energy (hereinafter "green projects").

At Mizuho, we have strengthened our initiatives toward a sustainable society (sustainability action) including climate change responses and transition to a low-carbon society. Leveraging our knowledge as a financial services group, we will proactively continue to provide advice, and solutions, including financing support such as sustainable finance and environmental finance, for strengthening and shifting our clients' businesses towards decarbonization.

*Mizuho News*

**SMBC Group to Launch Jenius Bank™, a New Digital Consumer Banking Business in the U.S.**


Sumitomo Mitsui Financial Group, Inc. ("SMFG", President and Group CEO Jun Ohta, together with subsidiaries "SMBC Group") announced that it will strengthen its presence in the U.S. with a new digital consumer banking business. Jenius Bank™ will launch and operate as a new division of Manufacturers Bank, a California state-chartered bank that is a wholly-owned subsidiary of SMBC Group.

Jenius Bank will launch in the coming months with personal loans and then expand its offerings with savings and checking products within its first year. Jenius Bank has established an extensive and ongoing consumer research program that will drive product designs with direct customer input. "With the launch of Jenius Bank, we have the rare opportunity to build exceptional products from scratch that uniquely meet the needs of today's digitally-native consumers who need and expect more," said Kazuhisa Miyagawa, Chairman and CEO of Manufacturers Bank.

Built on one of the most modern banking platforms in the industry, Jenius Bank will offer a 100% digital banking experience that delivers on the promise of smarter banking for a richer life. "The new digital consumer banking business is another tangible example of SMBC Group's focus and commitment to further enhancing its customer service," said President and Group CEO Jun Ohta.

John Rosenfeld is President of Jenius Bank. He has over 20 years of experience in the financial services industry, including serving as the founder and President of Citizens Access, an online direct bank of Citizens Bank.

Leaning into a digital-first strategy, Jenius Bank has partnered with several leading technology providers to bring together an integrated platform that will deliver on consumers' holistic needs. Jenius Bank's competitive differentiation also extends to its workforce, leveraging a predominantly remote employee base. Jenius Bank has assembled an executive team of proven leaders from both leading banks, as well as best-in-class digital experience companies, and it expects to continue growing staff based on their expertise, not their geography.

"Jenius Bank will be a leader in data and technology, using information to provide personalized insights for consumers seeking to make the most of their money, not just manage it," said Rosenfeld. Jenius Bank is also taking a firm stand that it won't charge the punitive fees that most banks charge today, it will minimize paper and manual processing, and it will not have any physical branches. "Our target customers don't want these things, and the resulting efficiency will allow us to provide more value back to them. We are equally committed to being a fully digital bank and to providing outstanding customer service through a U.S.-based support team," Rosenfeld added.

*Business Wire*

**Maybank launches Sustainable Product Framework to drive sustainable finance**


Maybank has designed its own Sustainable Product Framework (SPF) – the first ever by a Malaysian bank - to enable greater development of green, social and sustainable products. The framework, which will support the Group's commitment of 'Mobilising RM50 billion in Sustainable Finance by 2025', was implemented Group-wide across Islamic and conventional products effective 1 September 2022.

In keeping with best practices adopted by global peers, this framework covers products offered under corporate lending, debt and equity capital markets, trade financing, retail financing, insurance, asset and wealth management, derivatives and deposits. The main aim of the framework is to help Maybank's business teams have clarity in developing green, social and sustainable products by looking at the intended use of the proceeds from the product or solution offered, and whether it meets the Group's sustainable standards throughout its life-cycle.

Chairman of Maybank, Tan Sri Dato' Sri Zamzamzairani Mohd Isa said that the Bank has taken a leadership position by introducing such a framework into its business to allow for products and solutions to be designed based on the readiness and needs of its large customer base covering retail, non-retail and large corporates.

"Many of our customers are at different stages of the sustainability journey. We want to support them through this long-term journey and for that, we not only need to be clear ourselves on what is defined as sustainable finance, but also know how to work with our customers to offer them dedicated sustainable, sustainably-linked or transitionary solutions based on their needs," he said.

Meanwhile, Group President & CEO of Maybank, Dato' Khairussaleh Ramli said Maybank understands the responsibility it bears in channelling capital towards projects that can help create a positive impact on the environment or that drive a positive social agenda.

"As a leading financial institution in ASEAN and in line with our aspiration to be a regional ESG leader, we want to be able to drive sustainable financing through our regional operations in a more meaningful and impactful manner. This has led us to draw clear definitions of green, social and transition activities to guide our risk, business and sales teams on eligible sustainable financing and solutions. We hope that by giving our teams the right tools and clarity on perimeters of sustainable financing, this can expedite the growth of timely ESG financing solutions over the near term as well as enhance our efficiency in turnaround time for processing of these solutions," he said.

The SPF outlines methodologies and procedures to classify and report financial products and services offered by Maybank as sustainable. It also provides classification logic, eligibility criteria, verification processes and exclusion criteria, among others, for products to be recognised as sustainable finance. The framework also specifies qualifying transition elements for various hard-to-abate sectors in line with International Capital Markets Association's Climate Transition Finance Handbook and the decarbonisation pathway set by Transition Pathway Initiative.

The SPF is applicable to all financial products and services that integrate ESG criteria into business or investment decisions to bring about sustainable development outcomes or contribute positively to the achievement of the Paris Agreement goals and United Nations-Sustainable Development Goals (UN-SDG).

The implementation of this framework comes on the heels of Maybank almost reaching its half-way mark of its RM50 billion sustainable financing target by 2025. The Bank has mobilised more than RM13.6 billion in sustainable finance in FY2021 and RM10.3 billion as at 30 June 2022 (1H FY2022), already exceeding its FY2022 target of RM9 billion in sustainable finance. Over 80% of the 1H FY2022 sustainable financing mobilised has been from Malaysia and Singapore, with the bulk of corporate financing targeted at the property, infrastructure and renewable energy sectors.

"Given our significant momentum in mobilising sustainable finance solutions over the last one and a half years coupled with the rollout of the SPF, we will further evaluate our ability to do more sustainable financing in the immediate future," added Tan Sri Zamzamzairani, who is also Chairman of Maybank's Board Sustainability Committee.

Meanwhile, Maybank has also exceeded its FY2022 targets for two of its other sustainability commitments as of 1H FY2022. Under its second commitment of improving the lives of 1 million households across ASEAN by 2025, Maybank has achieved 215,945 households as of 1H FY2022 against the full year target of 150,000 households through various community flagship programmes and efforts to drive financial inclusion among the lower income group.

For its third sustainability commitment, Maybank aims to achieve carbon neutral position for scope 1 and 2 emissions by 2030 and net zero carbon equivalent position by 2050. Maybank has successfully reduced 41.1% of its Scope 1 and 2 emissions against its 2019 baseline versus its FY2022 target of 40% reduction, through the commencement of the Malaysia Renewable Energy Certificates and rollout of various energy efficiency programmes.

On the final commitment to achieve 1 million hours per annum on sustainability and delivering 1 thousand significant SDG-related outcomes by 2025, Maybank employees have clocked 848,354 sustainability hours as of 1HFY22 through on-going initiatives to strengthen diversity, equity & inclusion, transparency and governance and sustainability culture.

The SPF was launched by Tan Sri Zamzamzairani on 27th August in Bali in conjunction with Maybank Indonesia's inaugural Sustainability Day as part of the Maybank Bali Marathon event. Key activities held at the Sustainability Day included the presentation of the SDG awards to R.I.S.E (Reach Independence & Sustainable Entrepreneurship) programme beneficiaries and exhibitions of the Maybank Women Eco-Weavers and R.I.S.E programmes, both of which are Maybank Foundation's social impact programmes. The event also witnessed the UN Global Compact (Malaysia & Brunei) presenting its case study on Maybank Group's sustainability journey and achievements in relation to the SDG goals.

*Maybank News*

**Bank of Maldives opens application for Community Fund**


Bank of Maldives has opened applications for proposals under its Community Fund for the third phase of the year. A total of 10 projects will be selected to receive MVR 50,000 to implement projects in the areas of education, environment, sports and community development. The Community Fund is open only for registered NGOs.

NGOs can send proposals with supporting documents to community@bml.com.mv before 11:59pm on 17th October 2022.

The Community Fund is a program to empower NGOs to contribute to their communities through sustainable projects. As of today, the Bank has provided financial assistance for 70 projects across the country through this fund.

For more information on application process and past projects, visit https://www.bankofmaldives.com.mv/community-fund.

*Bank of Maldives News*

**Maldives Islamic Bank's Special Financing Rate for Energy Efficient Products**

Under an agreement signed with The Ministry of Environment, Climate Change and Technology, the Maldives Islamic Bank has started implementing a financing scheme to encourage the use of energy efficient "Hakathari" appliances. The financing scheme is designed as a list-based financing scheme which will allow for the purchase of 3, 4 and 5 star rated appliances from the list of items labelled under the Hakathari Program. Under the financing scheme, Hakathari appliances can be purchased at a rate of 10% per annum. The Hakathari Program will contribute to the sustainable development of the Maldives.

This effort is supported by the Strengthening Low Carbon Energy Island Strategies (LCEI) Project currently being implemented by the Ministry, which is funded by the Global Environment Facility (GEF) and administered by the United Nations Environment Programme (UNEP).

For more information about the Hakathari program, please visit: https://bit.ly/3wnh7lr.

*Maldives Islamic Bank News*

**Philippine National Bank's Digital App launch campaign with DDB-Optimax wins Excellence Award in 19th Philippine Quill Awards**

Philippine National Bank (PNB) and its digital marketing agency, DDB Group Philippines' Optimax Communications (DDB-Optimax), won an Excellence Award at the 19th Philippine Quill Awards

PNB and DDB-Optimax's "The New PNB Digital App Launch Campaign" won the prestigious award under the Communication Management division and Marketing, Advertising, and Brand Communication category.

"PNB is honored to receive the award for a campaign that further strengthens the bank's position in mobile banking. Filipinos can definitely lean on PNB as they continue to navigate the new normal," PNB Acting President Florido Casuela said.

PNB launched the new and improved mobile banking platform – the New PNB Digital App – to address banking customers' growing need for more reliable and user-friendly digital solutions in light of the continuing COVID-19 pandemic. It was aimed at meeting customers' new expectations when it comes to the bank's online platforms and services.

Providing a secure and easy way of banking anytime and anywhere, the enhanced mobile banking app offers clients a better experience through a fresh look, intuitive design, and quick access to frequent banking transactions with a customizable dashboard to boot.

PNB and DDB-Optimax came up with a launch campaign to maximize awareness of the bank's strengthened digital thrust while creating demand for the new app. The latter handled the creatives, digital media executions, as well as publicity for the campaign.

"The PNB Digital App launch campaign was DDB-Optimax's first campaign as a digital marketing agency. We are happy to have won the Quill excellence award as it validates the quality of the work that we do as a media agency that had transitioned into an integrated marketing communications agency two years ago," said DDB-Optimax General Manager Ela Federigan-Chua.

The campaign kicked off with a soft launch via a press announcement teasing the new digital app. Online teaser video, e-posters, print ads, and billboards were put up showing the celebrity power couple and millennial parents Dingdong Dantes and Marian Rivera (DongYan) endorsing the new app. This was considered a comeback for DongYan who first did a TV commercial for PNB five years ago for the bank's centennial celebration.

In July 2021, the app was officially launched with the premiere of the bank's DongYan video, which was strategically scheduled in time for the bank's 105th year anniversary celebration. Showing how "Life simply gets easier with the new PNB Digital App by your side", the DongYan video was uploaded on PNB's Facebook page and YouTube channel, and seeded on news sites and online blogs.

The omnibus material highlighted the app's features such as Bills Payment, Fund Transfer, and QR Payment, as well as its new features and billers that users need for their daily banking needs. It included a call to action to download the new PNB Digital App via the App Store or Google Play, plus a reminder that the old PNB Mobile Banking app would no longer be available after a certain time. In support of the usage of the new PNB Digital App and to further engage with PNB stakeholders, the campaign was also complemented by a raffle promo.

The New PNB Digital App's launch campaign successfully generated awareness in platforms frequented by target audiences (Facebook and YouTube), where it garnered millions of views, impressions, and engagement. Publicity efforts for the campaign also earned millions of pesos in total media values.

Desired business results were achieved as well with a sizable number of new users enrolling in the PNB Digital Banking App. There was also a significant jump in usage and revenues during launch month which saw an increase in Bills Payment and Instapay transactions.

*Philippine National Bank News*

**RCBC Starts Collecting Data on Portfolio's GHG Emissions**


Yuchengco-led lender Rizal Commercial Banking Corp. (RCBC) said on August 31 it started collating data on greenhouse gas emissions of its loan portfolio as part of its environmental and sustainability commitment. Armi M. Lamberte, first vice president and head of portfolio quality division of the bank, said RCBC is ramping up efforts to lower its carbon footprint.

Lamberte said that as a participant to the Partnership for Carbon Accounting Financials (PCAF), RCBC must disclose the GHG emissions of its portfolio within three years from joining the organization.

"We are now in the process of collating data on GHG emissions of our own loan portfolio," she said.

RCBC is the first local bank to participate in PCAF, an initiative among financial institutions worldwide to enable harmonized assessments and disclosures of GHG emissions financed by loans and investments. RCBC completed the PCAF onboarding training program in early October last year.

"RCBC's participation in PCAF is a decisive step in understanding the climate impact of the businesses that the bank supports," Lamberte said.

Portfolio monitoring is a central component of RCBC's sustainability initiatives. Other than the participation in PCAF, the bank has embarked on another pioneer capacity-building activity last year by enabling it to contribute to the Philippine commitment to the Paris Agreement.

This involves the bank's advisory engagement with the International Finance Corporation for the use of the Paris Agreement Capital Transition Assessment, or "Pacta," tool, the first to be conducted by the International Finance Corp. in Asia.

The results of the Pacta evaluation will be integrated into its environment and social stress testing results that will be reported to the Bangko Sentral ng Pilipinas.

The bank distributed sustainability infographic materials to its corporate clients and suppliers, aimed at promoting awareness of environmental protection, including reduction of GHG emissions and carbon footprint, water conservation and the integration of environmental responsibility into their operations.

*RCBC News*

**Doha Bank launches 'Doha Pay' for android, IOS smarthphone devices**


Smartphones and technology enabled gadgets have shaped the way we live. From daily essentials to more sophisticated smartphone functionalities, people have become quite acquainted with the digital benefits of using these services to enhance their lifestyle.

Also, post pandemic there has been a major disruption in the way people interact, engage, and live which has surged the digital adoption of all emerging technologies. Hence, digital payments solutions across all smartphone platforms and accessories have proliferated to suit the way people conduct financial transactions on the go, while traveling, dinning out and shopping by holding payment cards and loyalty in one place on their smartphones.

Doha Bank, one of the largest commercial banks in Qatar has always placed a high importance on its digital infrastructure and on delivering mobile first experiences to its clients. With high focus on becoming a leading facilitator of digital payments across all smartphone platforms, Doha Bank has collaborated with all major platforms to offer seamless and convenient payments to customers using both IOS and Android smartphone or devices with a single tap at grocery stores, pharmacies, restaurants, retail shops and many more.

Commenting on the launch occasion, Gudni Acting CEO stated 'We are excited to launch Doha Pay for android and other similar leading Tap and Pay services. Doha Bank customers can now use their 'Doha Pay' android or IOS mobile digital wallets to pay, anywhere contactless payments are accepted, in apps and effortlessly on the web too.

Customers will continue to receive all the rewards and benefits offered by Doha Bank's cards without the need to carry physical debit or credit card plastics.

The payments are accepted with a single tap at a wide network of Doha Bank POS terminals and also any contactless (NFC-enabled) machines across the state of Qatar or globally. These digital enablement's will further support and grown the Doha Bank's Cards customer experience.'

Depending on the platform being used, Digital wallets from Doha Bank can help you make safe and secure purchases using one or multiple security and privacy features depending on the payment service provider or platform, which entails industry-standard tokenization associated with a dynamic security code, authentication with Face ID, Touch ID, or device passcode, as well as a one-time unique dynamic security code.

Doha Bank is leading the market with innovative Cards & payments streams covering a unique portfolio of premium metal contactless and enriched cobranded cards proposition with a leading national airline and the largest hypermarket across the region.

*The Peninsula Qatar*

**ACRA affirms the highest rating of IBEC**


Analytical Credit Rating Agency (ACRA) affirms the credit rating of the International Bank for Economic Co-operation under the national scale for the Russian Federation – 'AAA(RU)', outlook Stable, and under the international scale – 'A-', outlook Negative.

In its official rating release, ACRA emphasizes that the credit rating of IBEC is driven by its financial metrics that stem from strong capital adequacy, weak risk profile, and adequate liquidity and funding. At the same time, a moderately strong assessment of the shareholder structure and the degree of support from the member states do not affect the definitive rating of IBEC.

Despite a significant reduction in the Bank's capital due to geopolitical events in the first half of 2022, the capital adequacy of IBEC remains high, which still allows the Bank to withstand the potential risks of a significant deterioration in asset quality and a reduction in funding volumes. Although as of mid–2022, the Tier-1 capital ratio was slightly below 25% (39% at the end of 2021), the subsequent depreciation of the ruble made this ratio strong again, according to ACRA's estimates.

The rating agency notes a forced decrease in the volume of the Bank's assets in the first half of 2022. This is largely due to the policy pursued by IBEC for limiting credit risks in the context of the current political and economic crisis. At the same time, the average quality of the Bank's assets is still quite high. The share of NPL overdue by more than 90 days increased due to a decrease in the volume of the loan portfolio, but still remained low.

ACRA assesses the Bank's liquidity and funding position as adequate. The shares of individual items in the Bank's funding structure have changed significantly, but the overall diversification of liabilities has remained at a moderate level. Moreover, the reduction in the share of funds raised from other banks to less than 25% of the IBEC's balance sheet currency had a positive impact on the funding factor score.

*IBEC News*

**DBS sets decarbonisation targets for key sectors**


DBS Group has set decarbonisation targets for its exposure to industries such as power, oil and gas, aviation and shipping, detailing the commitments as lenders globally face pressure to help fight climate change.

Southeast Asia's largest lender said on September 13, that nine sectors that are receiving funding from it have been given targets to hit by 2030 and 2040, eventually achieving zero emissions by 2050.

DBS said the nine sectors represent 31 per cent of the bank's outstanding loans but constitute the most carbon-intensive institutional banking segments it has financed.

"We do believe that this is one of the most expansive set of commitments that exist in the financial sector," Piyush Gupta, the CEO of Southeast Asia's largest bank, told a news conference.

In 2021, DBS agreed to align its lending and investment portfolios with net zero emissions by 2050 but had not provided a sectoral breakdown.

Globally, 116 banks have pledged to reach net zero carbon emissions by 2050. But they are under pressure to give details on the deep shorter-term cuts to "financed emissions" that are needed if the banks are to have any chance of meeting their goals.

DBS has also set an absolute emissions reduction target for the oil and gas sector.

By 2030, it aims to reduce absolute emissions in the sector which are attributable to the bank by 28 per cent.

"With the announcement, the bank aims to encourage and enable its institutional banking customers to pivot their business strategies and accelerate their transition journeys," said DBS.

"This could be achieved in various ways including by providing them with sustainable and transition finance solutions."

Southeast Asia, home to emerging markets such as Indonesia and Thailand, is seeing big increases in electricity demand, with coal and gas-fired power plants making up the main sources of electricity. Many governments in the region have set targets for net zero emissions and carbon neutrality.

"Our clients who are heavy carbon producers realise the train has left the station and they have to do the right thing," said Tan Su Shan, group head of DBS' institutional banking business.

The decarbonisation targets will also cover DBS' capital markets activities. The bank's total assets stood at S$686 billion (US$492.1 billion) as of December and customer loans at S$409 billion.

Gupta said DBS' target for the power sector is for emissions to drop from the current 260kgCO2/MWh to 138 by 2030, then reach zero by 2040 - a decade before targets set for the other sectors such as oil and gas, and automotive.

The bank has previously committed to zero thermal coal exposure by 2039. Its current exposure to thermal coal was just 0.26 per cent of its books, DBS said.

Asian banks, including DBS and Nomura Holdings are part of the Glasgow Financial Alliance for Net Zero (GFANZ), the body charged with marshalling the financial world's contribution to the fight against climate change.

*CNA*

**UOB announces brand refresh, reiterates ASEAN focus, digital bank personalization**

On Sept 14, UOB announced its brand refresh in line with its purpose – building the future of ASEAN: For the people and businesses within, and connecting with, ASEAN – reflecting the bank's long-term strategy and commitment to the region.

As part of the brand revitalisation, UOB also unveiled its refreshed logo and seal mark, new apparel and an integrated regional brand campaign 'Doing Right By You' to showcase the Bank's transformation to be future ready for its customers and its people in the new banking era.

The brand refresh is not just a re-branding exercise or a marketing campaign. It signals UOB's strategic intent to intensify its focus and investment in the region to develop and help realise the potential of the people in ASEAN. It also reinforces UOB's commitment to facilitate economic flows within and with ASEAN to support businesses across generations.

UOB's three strategic focuses will continue to be "connectivity, personalisation and sustainability". Connectivity is one of UOB's core strength with its regional footprint and its one-bank approach that help businesses to connect with and within ASEAN, opening doors to new opportunities of growth across ASEAN.

Personalisation – which can be experienced with UOB TMRW - captures the bank's focus on customer-centricity and commitment to understand the unique needs of each individual customer, achieved through a combination of data and relationship-led insights. This enables the bank to create solutions that are closely aligned to customer needs, in a manner that engages them and better anticipates their life goals.

Sustainability reflects UOB's long-term approach to the future, specifically the importance of impactful and sustainable development across the region. It captures the bank's commitment to help businesses to advance responsibly and to positively impact the environment and foster social inclusiveness alongside economic progress.

Wee Ee Cheong, UOB's deputy chairman and CEO says the bank always believed in the potential of ASEAN, with its favourable demographics and resilient fundamentals. As ASEAN re-starts its engine of growth post-pandemic, it is timely for UOB to unveil our sharpened purpose and brand refresh, he says.

"Today, we have the most extensive ASEAN footprint among the Singapore banks. By the time we celebrate our 100th year in 2035, we want to be the most preferred bank for both consumers and businesses across our key markets. A truly regional bank that helps our customers achieve their aspirations," says Wee.

*The Edge Singapore*

**Sri Lankan Airlines join hands with HNB for global digital payment needs**

Establishing its presence as a global digital payment solutions provider, Sri Lanka's most digitally savvy, leading Merchant Acquiring bank, HNB PLC, signed on as an Internet Gateway Provider for the national carrier, Sri Lankan Airlines.

The airline joins the most extensive portfolio of local merchants with access to enhanced e-commerce functionalities with the ability to offer customers seamless, robust and secure payment experiences via HNB's integrated e-Commerce payment management service CyberSource.

HNB Deputy General Manager – Retail & SME Banking, Sanjay Wijemanne and Sri Lankan Airline's Chief Executive Officer, Richard Nuttall were present at a special ceremony to mark the occasion.

"Since its launch in Sri Lanka, CyberSource has become the backbone of some of the largest e-commerce platforms and businesses, strengthening their presence across digital platforms. Over the recent past, we have witnessed a growing number of enterprises signing up for the facility strengthening the digital revolution and gaining speed in the country. Given our success in the local market, we are now venturing into the global market, and we are honoured to have done so with the country's global travel partner Sri Lankan Airlines," HNB Deputy General Manager - Retail & SME Banking Sanjay Wijemanne said.

Interconnected to SL Airline's very own Internet Booking Engine (IBE), Plus-Grade, Charika App, IVR & Holidays, CyberSource will facilitate transactions and reimbursements in multiple currencies across the airline's mobile and online portlets. HNB payment gateway is also facilitated with industry prominent secure payment acceptance with EMV 3D secure.

Moreover, HNB will offer access to the CyberSource Decision Manager, a fully-fledged fraud management system, to screen all e-commerce transactions and mitigate possible fraud.

HNB is keen on working hand in hand with Sri Lankan Airlines to strengthen the partnership by extending the advanced digital solutions currently in possession by the bank. Further, HNB is also planning to change the traditional means of accepting transactions by promoting digitalized e-commerce solutions to the industry whilst driving the digital initiative of the country.

*Hatton National Bank News*

**Bank of Taiwan "Gold is Forever, Wealth is Legacy" Sweepstakes**


To give back to its gold passbook customers, Bank of Taiwan is running a "Gold is Forever, Wealth is Legacy" sweepstakes. From August 15, 2022 to October 31, 2022, Bank of Taiwan gold passbook accounts whose buying and selling amount exceeds 50 grams (gold priced in NTD, USD, and CNY will be combined in calculation, same as below) will receive one sweepstakes entry. Accounts whose transaction amount exceeds 100 grams will receive two sweepstakes entries, and so on.

Additionally, to express its gratitude to its customers for participating in gold exchange, customers who meet one of the two following criteria will receive one newcomer lucky sweepstakes entry; customers who meet both criteria will receive two sweepstakes entries:

(1) Customers who open their first gold passbook account (not including accounts which are closed and reopened) during this period and buy over 5 grams of gold (gold priced in NTD, USD, and CNY will be combined in calculation).

(2) Customers who become a Wealth Management VIP of Bank of Taiwan for the first time during this period (not including accounts which are closed and reopened) and possess a gold passbook account.

*Bank of Taiwan News*

**SinoPac's banking and securities units post mixed results**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*Bank of Taiwan News*

**Chang Hwa Commercial Bank upbeat about profits**


State-run Chang Hwa Commercial Bank (CHB) on August 31, said its profitability would further benefit from interest rate hikes in Taiwan and abroad, after reporting an annual increase of 27.65 percent in the first six months of the year 2022.

During an online investors' conference, the lender described its net income of NT$5.32 billion (US$174.8 million) in the first half as "stronger than expected."

That translated into earnings per share of NT$0.5, an annual improvement of nearly 30 percent on the back of global interest rate hikes.

The uptrend is expected to continue after the US Federal Reserve said over the weekend it would press ahead with rate hikes to fight inflation, even if doing so would hurt economic growth, household income and businesses.

The central bank is likely follow suit, but at a moderate pace, as inflation in Taiwan is not serious, CHB said.

The scenario, if realized, would widen interest spread and lift its net interest margin, CHB officials said.

Banks appear to be the biggest beneficiaries of interest rate hikes, as life insurance companies are suffering drastic net worth declines caused by asset value losses amid global bond and stock price corrections.

The increase in CHB's profit came even though its mortgage operation shrank 12.3 percent in the second quarter from the first quarter, as rate hikes and economic uncertainty dampened buying interest, the officials said.

Housing transactions are likely to slow moving forward, but developers would not lower prices to facilitate deals because of construction cost hikes, CHB said.

Asset quality remained healthy, with bad-loan ratios falling to 0.23 percent as of June, it said.

Total loans in the first six months picked up 7.19 percent year-on-year, while saving deposits rose 11.72 percent, CHB said.

The bank would seek to boost profit by growing corporate banking, especially lending to small and medium-sized enterprises, it said.

*Taipei Times*

# Among Member Banks

**Cathay FHC Highlights Need for Restoring Biodiversity Through Pro-Nature Investments During UNGA 77 and Climate Week NYC**

A wide range of scientific evidence has shown that the loss of nature can have far-reaching consequences. Damaged ecosystems, for example, exacerbate climate change, threaten food security, and put people and communities at risk. According to the United Nations, we have only until the end of the decade to bend the curve on this loss of nature and biodiversity. Yet, transformational change is possible, if we start now.

On September 21, during the 77th Session of the United Nations General Assembly (UNGA 77) and Climate Week NYC, Cathay Financial Holding Co., Ltd., joined the World Biodiversity Summit, a pioneering global public-private partnership that bridges climate and biodiversity agendas. Together with key representatives from the United Nations Environment Programme (UNEP), the White House, the Organization for Economic Co-operation and Development (OECD), the World Wildlife Fund (WWF), the European Investment Bank (EIB), Netflix, Walmart, the Taskforce on Nature-related Financial Disclosures (TNFD), and government, business, and finance leaders, Cathay FHC joined in addressing the urgent need for restoring biodiversity through nature-based solutions and pro-nature investments.

As one of the leading financial institutions in Asia, Cathay FHC has long put sustainability at the heart of its decision-making, with a focus on sustainable business models to meet society's needs but are less impactful on nature. A few of its pioneering commitments include the 2015 signing of the Equator Principles by Cathay United Bank and the 2020 joining by Cathay FHC and Cathay Life Insurance of the Valuing Water Finance Task Force assembled by the NGO Ceres and the Dutch government. In addition to providing the first syndicated loan for offshore wind power in Taiwan, Cathay United Bank also joined project developer Ørsted in the world's first attempt to support coral reefs by growing coral on the foundations of offshore wind turbines. And in August of 2022, Cathay FHC joined TNFD, followed in early September by Cathay FHC signing the Partnership for Biodiversity Accounting Financials (PBAF), becoming the first organization from Taiwan to do so.

Cathay FHC also understands that "speed and scope" are important in a unified effort to fight climate change. For years, the annual Cathay Sustainable Finance and Climate Change Summit has guided Taiwanese companies, in particular, in taking a clear and aggressive path of action on climate change. And this year during the upcoming COP27, Cathay FHC has taken the initiative by working with the World Climate Foundation to feature live-streaming of the World Climate Summit at the event. "An individual might run faster, but a group runs further," Sophia Cheng, the Chief Investment Officer of Cathay FHC and the chair of the Asia Investor Group on Climate Change, has stated. "More importantly, more commitments mean more confidence. Action can then commence when businesses feel that this is doable! "

In her presentation, Cheng, who was the only Taiwanese speaker, pointed out that half of global GDP is directly or indirectly dependent on biodiversity. So, a loss of biodiversity will significantly affect financial stability. She urged all financial institutions to influence their stakeholders in halting and even reversing this loss of biodiversity, while calling for a realignment to a pro-nature economy that can drive new business opportunities. Cheng concluded that without biodiversity, there is no future for humanity.

*Newswires*

**Land Bank and Fisheries Agency Partner to Offer Payments for Seafood Purchases Online with Taiwan Pay**

In response to the increasing prevalence of online shopping, the Fisheries Agency of the Council of Agriculture, Executive Yuan, has counseled the Agricultural Technology Research Institute (ATRI) to establish the "GoFish!" online seafood shopping platform.

The platform offers a wide variety of high quality domestically produced seafood for online purchases and partners with local fishermen's associations and groups to organize a number of promotional activities based on different seasons and local highlights. In order to provide a more convenient payment method, the Land Bank is partnering with the Fisheries Agency to offer "Taiwan Pay" as a payment method on the platform, which allows consumers to enjoy the fun of buying seafood online and also to check out and pay with mobile devices quickly and conveniently.

To celebrate the launch of GoFish!'s Taiwan Pay mobile payment services, Land Bank of Taiwan announced the launch of "NT$200 off every NT$1000 purchase on GoFish! with Taiwan Pay" marketing campaign. From August 22, 2022 to December 31, 2022, users can register as a member of "GoFish!" and use "Taiwan Pay" at the checkout to enjoy a discount of NT$200 for a single order of NT$1,000 or more! Members of the public are invited to scan and pay with Taiwan Pay to enjoy exclusive discounts with the promotional campaign, which not only helps support Taiwan's fisheries industry, but also allows users to enjoy an instant NT$200 discount on their purchase. What's even better is that you can enjoy a 2% bonus point equivalent rebate when you use the Land Bank or any of the eight major public banks to make your mobile payment.

In response to the approaching Mid-Autumn Festival, the Director-General of the Fisheries Agency hosted a press conference on August 16 to promote the "GoFish! x Mid-Autumn Seafood Feast Carnival," calling on fishery associations, production and marketing classes, cooperatives and fish markets to attend the event and promote it to the public. Ms. Min-Fen Liang, Manager of the Bank's Department of Electronic Banking, was invited to attend the press conference to announce the upcoming launch of the Taiwan Pay mobile payment service on GoFish! and to promote the Bank's "NT$200 off every NT$1000 purchase on GoFish! with Taiwan Pay" marketing campaign.

*Land Bank of Taiwan News*

**Taiwan Business Bank net profit surges 66.51% to record high**

State-run Taiwan Business Bank is looking at further interest and fee income gains in the rest of this year on the back of rising interest rates at home and abroad after posting an impressive growth in profit.

Net profit surged 66.51 percent year-on-year to a record high of NT$4.16 billion (US$134.65 million) in the first six months after it set aside NT$965 million in provisions, bank officials told an online investors' conference on September 8.

The results translated into earnings per shares of NT$0.52, better than NT$0.31 per share recorded in the same period last year.

"Profit momentum will sustain for the rest of this year, as the US Federal Reserve is widely believed to be set to raise interest rates by another 0.75 percentage points later this month and Taiwan's central bank would make a milder increase, likely of 0.125 to 0.25 percentage points," a bank official said.

The interest rate increases would further widen interest spreads and net interest incomes that had gained 5 basis points each to 1.34 percent and 0.95 percent as of June, company officials said.

As a result, interest income advanced 12.68 percent year-on-year to NT$9.82 billion, while fee income swelled by 44.83 percent to NT$2.12 billion, thanks to strong sales of insurance policies, officials said.

Global monetary policy has boosted interest in unit-linked insurance policies, but fund products have lost appeal due to deep bond and stock price corrections, officials said.

Taiwan Business Bank incurred NT$5.9 billion of losses that eroded its net worth by NT$2.6 billion from NT$101.6 billion to NT$99 billion, officials said.

That would negatively affect dividend payouts next year since state-run lenders have to set aside provisions for unrealized losses, they said.

However, the bank said it is confident that its bond holdings would emerge unscathed in the long term because they are all rated investment grade.

*Taipei Times*

**CTBC arranges Taiwan's first sustainability-linked bond**

CHIMEI Corp (CHIMEI) on September 14 issued Taiwan's first sustainability-linked bond (SLB) on the Taipei Exchange.

Arranged and underwritten by CTBC Bank, the SLB was oversubscribed and marked a new milestone in the domestic bond market's sustainable development.

CHIMEI's SLB was issued in support of the Financial Supervisory Commission's sustainable development policy. The unsecured corporate bond has a five-year maturity, 1.65 percent coupon rate and total issue size of NT$1 billion.

It is the first certified SLB since the Taipei Exchange Operation Directions for Sustainable Bonds was announced in July.

Attending the listing ceremony along with CHIMEI president Chao Lin-yu, CTBC Bank vice chairman Austin Chan said he was confident that the bond would have a positive impact on environmental sustainability and development.

In particular, the bond would bridge the gap between capital market and corporate sustainable development goals while also practically facilitating CHIMEI's sustainable development and increasing the variety of sustainable bonds to investors, Chan said.

The coupon rate of the bond is determined by two CHIMEI sustainability performance targets based on the Science Based Targets initiative: reducing greenhouse gas emissions (Scopes 1 and 2) by 16.8 percent by 2025 from 2021 levels, and raising the portion of water reuse in its manufacturing processes to 80 percent by 2025.

If the targets are not met, as determined by a third party, the bond's coupon rate will increase to benefit investors' interest income.

CHIMEI's Chao said the SLB highlighted how the company uses innovative solutions and concrete actions to realize its long-term commitment to environmental sustainability worldwide.

Moving forward, CHIMEI will continue to seek opportunities to bring supply chains and financial institutions together to the benefit of environment, to actively implement "Clean and Green" sustainable development, and to strive for net-zero emissions with partners worldwide, he said.

The SLB was conducted based on the Sustainability-Linked Bond Principles of the International Capital Market Association. The positive market feedback it received reflects investors' satisfaction with CHIMEI's business performance over the years and trust in its responsible investment and environmental protection efforts, the company said.

Serving as the sole arranger of CHIMEI's SLB is the latest sustainability milestone for CTBC Bank, following the successful transactions of Taiwan's first green bond, first sustainability bond and first social bond.

The bank said that going forward, it would continue to be a strong supporter of Taiwan's bond market by expanding its financial services in sustainable finance, developing sustainable fundraising and investment products, and assist in achieving clients' sustainability goals.

*Taipei Times*

# Among Member Banks

**Fubon Financial merger with Jih Sun Financial given green light**


Fubon Financial Holding Co on September 21 received approval from the Financial Supervisory Commission for its merger with Jih Sun Financial Holding Co, marking the first merger-and-acquisition deal between the nation's financial holding companies.

The approval came about two years after Fubon Financial launched a tender offer to acquire a 50 percent stake in Jih Sun Financial for NT$13 per share in December 2020, valuing the deal at NT$24.53 billion (US$782.6 million).

The merger would reduce the number of local financial holding companies from 15 to 14.

Shareholders of the two companies gave the go-ahead to the deal on Nov. 5, 2021 at extraordinary meetings.

Shareholders in June also agreed to Fubon Financial's offering price of NT$11.71 cash per share to fully absorb Jih Sun Financial.

Fubon Financial, the nation's second-biggest financial holding company by assets, had increased its shareholding of Jih Sun Financial to 73.91 percent as of May 31, according to a company filing with the Taiwan Stock Exchange.

Fubon Financial president Jerry Harn told investors in August that the firm planned to complete its merger with Jih Sun Financial by the end of 2022 and to complete consolidating their units 2023.

The consolidation is expected to boost Fubon Financial's capital efficiency and cost optimization, and allow its banking and securities businesses to expand and provide more products to customers, the company has said.

Following the transaction, Fubon Financial would be the remaining entity, while Jih Sun Financial would be delisted from the Taipei Exchange, the Financial Supervisory Commission said in a statement.

*Taipei Times*

**Bangkok Bank approves a payment of interim dividend at the rate of 1.50 baht per ordinary share**


Bangkok Bank approved that an interim dividend from the profit of the operations for the first half of the year 2022 be paid on September 23, 2022 at the rate of 1.50 baht per ordinary share.

Bangkok Bank President Chartsiri Sophonpanich said the Board of Directors of the Bank adopted a resolution at the meeting No.8/2022, held on August 25, 2022 to the effect that an interim dividend for the operations for the first half of the year 2022 be paid on September 23, 2022 at the rate of 1.50 baht per ordinary share. The record date for determining shareholders' right to receive the dividend shall be September 8, 2022.

*Bangkok Bank News*

**Vietcombank and J&T Express pioneer the dynamic QR application in order payment**


The application of QR codes to cashless payments is increasingly popular in many socio-economic activities in Vietnam, especially with dynamic QR codes - thanks to the direct connection between the bank's payment system and the management system. Manage your business's receivables - bring more benefits and safety to both businesses and users.

The explosion of e-commerce in Vietnam in recent years has made delivery and delivery activities familiar to a large number of users. In particular, the payment experience in forwarding is increasingly being upgraded with new methods that are both convenient and easy to use but always ensure safety thanks to the application of new technology. Using dynamic QR codes is considered a new step in the way of cashless payment during transportation. As a unit that strives in the digital transformation race to improve customer convenience, J&T Express has applied modern technology to a new feature - payment for orders with dynamic QR codes.

Currently, with the form of payment via dynamic QR code, J&T Express is currently the first courier to apply this solution based on cooperation with Vietcombank. Accordingly, users only need to install an app of any bank on their phone when paying for an order by scanning the dynamic QR code generated by J&T Express, information such as the amount to be paid, account number, information, etc. order information... will automatically be displayed fully on the app to help J&T Express easily check the information and minimize possible confusion due to manual input operations. This also helps to speed up the transaction process as users do not have to enter additional information, nor do they need to prepare cash. For the forwarder, the payment via QR code will help shorten the time to process the bill of lading of employees, helping to increase work productivity.

Since 2018, Vietcombank has been one of the first banks in the market to provide a QR code payment platform for service providers, in order to bring a seamless, simple and enjoyable payment experience to customers. client. The payment solution using dynamic QR code cooperation between Vietcombank and J&T Express is expected to bring a quick and convenient payment experience for all 3 parties: seller - shipper - buyer, significantly shortening the payment process. payment time, saving costs for all parties and contributing to the government's push for 2030-oriented cashless payments.

*Gia dinh Vietnam*

# Among Member Banks

**VietinBank is the 'Best Foreign Exchange Service Bank in Vietnam' for 5 years**

Over the past time, VietinBank's foreign exchange business has undergone drastic and synchronous changes, which are highly appreciated by customers. Specifically, these include: Focusing on promoting consulting and customer support, simplifying transaction procedures, shortening transaction processing time, diversifying distribution channels, etc., thereby contributing to improving quality, foreign exchange service providers.

As a result of 2021, foreign currency trading volume and profit maintained a stable increase with sales and profit growing by over 25% and 30% respectively compared to 2020. By the end of August this year, revenue VietinBank continues to be one of the two leading banks in Vietnam's foreign exchange market. Along with that, VietinBank is currently leading the interbank market in terms of sales and market share; at the same time is one of the two banks with the largest market share in the market with a stable average of 10-15%.

Besides, VietinBank also continues to be a big and reputable partner of many domestic and foreign customers and organizations in the field of foreign exchange trading. VietinBank's customer scale has grown well and sustainably over the years with the number of new customers increasing by over 10% per year each year.

Global Finance's annual "Best Foreign Exchange Service Bank" award by Global Finance aims to introduce and honor financial institutions that provide stability and insights, helping clients cope with the environment. complex and fast changing field.

The awards surveyed in 113 countries based on criteria of trading volume, market share, global coverage, customer service, competitive pricing and innovative technology. The magazine also reviews and gathers information from industry analysts, executives and technology experts.

In 2021, Global Finance highly appreciated the importance of partners with foreign exchange solutions in the context of global supply chain disruption. The recognition of Global Finance magazine with the award "The best foreign exchange service provider in Vietnam 2022" is a testament to VietinBank's successes in the banking sector.

*Zing News*

# Banking and Finance Newsbriefs

## Hong Kong

**Hong Kong Floats Quarantine-Free Plan for Summit, but Bankers Don't want Special Treatment**

Hong Kong's Monetary Authority, in a bid to get top global finance executives to come to the city for a high-level summit in early November, has floated the idea of quarantine-free travel to event participants, as pressure mounts on the Chinese territory to end its long isolation from the rest of the world.

The response from some invitees has been: Thanks, but no thanks.

Since the early days of the coronavirus pandemic in 2020, Hong Kong has imposed some the of world's most stringent rules on travelers to the Asian financial hub. Virtually all arrivals from places other than mainland China and Macau still must spend days in quarantine and prove they are free of Covid-19 before they can mov about freely. The travel restrictions have been deeply unpopular with Hong Kong's international finance and business community, which has lobbied for them to be removed.

The city's November financial summit – which is meant to signal a reopening of the Asian financial center and showcase the opportunities Hong Kong still offers – has raised hopes that the government will lift restrictions on all travelers. The Hong Kong stock market is among the world's top fundraising venues, and the city has long been an important hub for global banks and money managers.

As the event date approaches, some heads of large financial institutions have indicated that they are keen to attend the conference, but they won't travel to Hong Kong if the current quarantine rules remain in place, according to people familiar with the matter.

The top executives also don't want exemptions from those rules, because of the negative optics of being given special treatment while most employees from their companies and the rest of the city are still subject to those restrictions, the people said.

The arraignment that has been discussed with prospective conference attendees has been billed as "0+7," meaning zero days spent in isolation upon entering Hong Kong, followed by seven days of health monitoring and restricted access to certain public venues such as restaurants.

The city currently has a "3+4" policy for international arrivals, requiring individuals to spend three days confines to a hotel room. If they test negative for Covid-19, they can move around with restrictions for the next four days.

Goldman Sachs Group Inc.'s David Solomon, Citigroup Inc.'s Jane Fraser and Morgan Stanley's James Gorman are among the chief executives who have been invited to the conference at the Four Seasons Hotels situated on Hong Kong's waterfront. Attendees would also stay at the venue, and executives are expected to have closed-door meetings with the city's financial regulators.

Some of the invitees were told they would be able to attend a welcome dinner at the hotel on the event's first day, and that it didn't contradict with restrictions on entering restaurants, people familiar with the matter said.

A spokesperson for the HKMA said the authority is in discussion

with "relevant stakeholders about the appropriate arrangements to facilitate the hosting of the event."

A spokesman for the office of the Hong Kong Chief Executive John Lee said that, in designing the city's Covid-19 measures, it would seek to contain the number of infections, reduce the number of deaths and protect high-risk groups while striking a "balance between risks and economic impetus, safeguarding the livelihood of the public and Hong Kong's competitiveness."

Mr. Lee, who took office July 1, said mainland authorities have expressed support for what his administration has proposed as a "reverse quarantine," which would allow people in Hong Kong to isolate at a facility in the city before crossing the border. Currently, travelers to mainland China are required to spend seven days in a hotel in the country followed by three days of home monitoring, down from 21 previously, after authorities revised rules in a bid to boost the economy.

*The Wall Street Journal*

## India

**Reserve Bank of India to Conduct CBDC Pilot Project with Four State-Run Banks**

India's central bank is set to run a pilot project with four state-run banks. The launch of the CBDC is slated for later part of 2022.

**Fintech Company FIS to Advise on CBDC Pilot**

India's central bank is set to conduct a Central Bank Digital Currency (CBDC) pilot project with four public sector banks with the potential launch toward the end of the year.

According to media reports the Reserve Bank of India will work with State Bank of India, Punjab National Bank, Union Bank of India and Bank of Baroda to run the pilot, with fintech company FIS advising. FIS is a provider of payment infrastructure solutions which has developed a CBDC virtual lab as part of its RealNet platform used by central banks around the world.

The launch of an Indian CBDC raises questions about its impact on stablecoins and cross-border payments. How the central agencies will regulate stablecoins remains an issue still not addressed by policymakers in India.

"It is too early to confidently forecast the trajectory and endgame for CBDCs and stablecoins, given the multitude of unresolved design factors still in play. For instance, will central banks focus first on retail or wholesale use cases, and emphasize domestic or cross-border applications?" said Raj Kapoor, Founder of India Blockchain Alliance"

Regulation and innovation make the impact hard to predict but early efforts to issue CBDCs have been met with only moderate adoption, Kapoor said.

"While it is too early to predict the impact of greater regulation on stablecoins, innovation continues apace with the likely emergence of many more (and newer) varieties in coming years. Coexistence and balance seem to be the future," Kapoor said.

*BSC News*

## Iran

**Iran's Currency Drops 10 Percent as Hopes for A Nuclear Deal Dim**

The US dollar has risen by more than 10 percent Since August 19 against the Iranian rial as optimism about a nuclear deal with the United States has turned into pessimism.

The dollar was trading above 310,000 rials on September 13, up from just above 280,000 in mid-August when observers and diplomats saw a real chance for a deal after 16 months of talks to limit Iran's nuclear program in exchange for lifting key US sanctions.

In recent weeks, Iran has hardened its position, with US and European officials now saying that a quick agreement is unlikely.

Rials decline has accelerated in the past week, as diplomats have expressed more pessimistic views about the prospects for a deal.

The Iranian currency has lost value more than ninefold since early 2018 when former US President Donald Trump withdrew from the 2015 nuclear agreement, the JCPOA and imposed crippling oil export and banking sanctions on Iran. In 2017 the rial was trading at around 33,000-34,000 to the US dollar.

The currency has been extremely sensitive to developments surrounding the nuclear dispute, with positive news reinforcing hopes for lifting of sanctions and negative news leading to economic uncertainty.

With the practical devaluation of the rial annual inflation has soared close to 50 percent and tens of millions of working Iranians have sunk into relative poverty. Food prices have risen by at least 100 percent in the past year.

*Iran International*

## Japan

**Wall Street push by Japan banks under scrutiny as rates rise**

Japanese banks' success in taking on Wall Street to offer loans in the United States is drawing regulatory attention as the cost of dollar funding rises.

Faced with ultralow interest rates and tepid loan demand at home, banks in Japan have been ramping up corporate lending and bond underwriting overseas. The biggest, Mitsubishi UFJ Financial Group, is on track to overtake Goldman Sachs Group to rank in the top five for U.S. loans in 2022.

Rapid rate hikes by the Federal Reserve are now making dollar funding a critical issue for the lenders, putting them at a disadvantage to U.S. rivals, a senior official at Japan's financial regulator said.

"We need not only to watch the volume and costs of funding, but also to monitor and discuss their business model," Toshinori Yashiki, deputy director-general at the Financial Services Agency, said in an interview.

Securing dollar funding has long been a challenge for Japan's lenders since they can't count on deposits from retail clients across the U.S. The banks mostly get their dollars from firms or other banks at a higher cost.

Banks that would like to borrow dollars in the market or offer yen funds in exchange for dollars for three months have to pay an annualized rate of more than 3%, according to data compiled by Bloomberg.

Yashiki said the matter has gained renewed urgency this year, as the Fed is reversing the massive monetary easing that prevailed for more than a decade following the financial crisis.

"In an ultralow interest rate era, there was little difference between Japanese and U.S. banks," he said. "But with interest rates rising this high, I think Japanese banks are clearly at a disadvantage, given they don't have (retail) deposit funding."

Apart from Mitsubishi UFJ, Mizuho Financial Group is on pace for ninth and Sumitomo Mitsui Financial Group 15th this year in U.S. loans, according to data compiled by Bloomberg. Five years ago, Japan's three biggest lenders ranked 11th, 17th and 30th, respectively.

Instead of exclusively arranging debt before packaging it for sale to others, Japan's banks often keep loans on their books. A balance sheet expansion may expose lenders to greater risks if dollar funding dries up or borrowers default in times of economic stress.

In response, they've been increasing deposits from corporate clients by building up transaction banking services and expanding loan origination and distribution businesses that tie up less of their own capital.

The sharp U.S. rate rises have also created causes of concern for other areas, Yashiki said, citing noninvestment grade overseas debt as one example, where borrowers were at risk in previous cycles.

"I don't know whether the noninvestment grade sector will be hit this time or not," he said. "But it's a fact that they are vulnerable, and we will monitor closely."

Japan's three mega-banks have been pushing into such riskier business in a search for profit. In April, Mizuho said it plans to hire bankers to build its businesses with noninvestment grade companies and leveraged buyout financing, where returns are expected to be higher.

Yashiki, a veteran regulator who in his college days was an American football player at Kyoto University, said the closer scrutiny does not necessarily mean the regulator is frowning on the business.

"In order for them to serve properly as financial intermediaries in Japan, I understand they need to pursue profits," he said. "And I won't oppose them seeking part of that in overseas noninvestment grade business."

Still, the more immediate impact of U.S. rate hikes has been felt in the banks' foreign bond holdings, with billions of dollars in losses on their portfolios and billions more in unrealized markdowns.

The regulator is concerned about the banks' portfolios of bonds and other securities because their performance could affect the lenders' financial health given their size, Yashiki said.

"We think it's inevitable to have unrealized losses depending on interest rate environments," he said. "The important thing is to have these losses within their risk management capacity."

*The Japan Times*

## Korea

**South Korean central bank eyes MiCA**

The South Korean central bank has indicated that initial coin offerings (ICOs) will be allowed under the Digital Assets Framework Act, according to a local news report. That comprehensive legislation is expected to be introduced in 2023 and implemented the following year.

The Bank of Korea (BOK) discussed ICOs in comments to a Korean translation of the European Union's Markets in Crypto-Assets (MiCA) legislation released Monday. The BOK stated that the MiCA regulatory package protected users and investors without hindering innovation.

"A balanced approach is needed to foster a sound market through the introduction of a crypto asset regulatory system to promote blockchain and crypto asset innovation while not hindering the development of related industries due to excessive regulation," the Korean central bank wrote, continuing: "When the on Digital Assets Framework Act is enacted in the future, it is necessary to institutionally allow domestic crypto-asset ICOs."

South Korea banned domestic ICOs in 2017, at the height of the ICO "mania" that led to restrictions worldwide. That decision was controversial from the start. Since the imposition of the ban, South Korean crypto firms have issued new crypto assets abroad and sold them in South Korea through domestic exchanges.

The BOK also commented on the MiCA approach to stablecoin regulation, "Considering that users suffered a lot from the Luna-Terra incident, it is necessary to adopt MiCA-level regulations for stablecoins," adding:"When enacting the Framework Act on Digital Assets, it is necessary to ensure that the role and responsibilities of the Bank of Korea, the monetary authority, for stablecoins, etc. are specified."

Stablecoins have given the attention of the South Korean government in recent months after members of the parliament began an enquiry into the collapse of Terra (LUNA) — now renamed Terra Classic (LUNC). South Korean president Yoon Suk-yeol, a member of the conservative People Power Party, made crypto industry deregulation a campaign issue leading up to his election in March.

*Cointelegraph*

## Malaysia

**Malaysia unlikely to go into recession due to economic diversification**

Malaysia is not likely to slip into a recession due to the diversified structure of its economy which is less dependent on commodities, aside from its pragmatic and responsive policies, said Bursa Malaysia chairman Tan Sri Abdul Wahid Omar.

He noted that the agriculture and mining sectors now only contribute 14 per cent to Malaysia's gross domestic product, while the services sector accounts for 57 per cent and the manufacturing sector contributes 24.3 per cent.

"The diversity of our trading partners -- where we are not overly dependent on one particular country -- adds to our economic resilience," he said in his opening remarks at the 'Invest Malaysia 2022 Series 1: Building Resilience Amidst Volatility' here, today.

Abdul Wahid said Malaysian banks and financial services companies have significant weighting in both the FTSE Bursa Malaysia KLCI and the FTSE4Good Bursa Malaysia sustainability index.

"These seven banking stocks alone, namely Maybank, Public Bank, CIMB Bank, Hong Leong Bank, RHB Bank and Alliance Bank have a combined market capitalisation of RM325.36 billion, or about 20 per cent of the total market capitalisation of RM1.65 trillion as at end-June 2022," he said.

He also said the financial system is complemented by well-functioning debt and equity capital markets, which were worth RM3.5 trillion as of June 30, 2022, where the debt capital market accounted for RM1.8 trillion and the equity capital market made up RM1.7 trillion.

"Malaysia is also home to the world's leading Islamic capital market at RM2.2 trillion, representing almost two-thirds of the total capital markets," he said.

He said the strength and stability of the financial system are important factors in Malaysia's resilience, where local banks are well capitalised, liquid, better managed and effectively regulated and supervised by Bank Negara Malaysia.

"Banks also continue to fulfil their intermediation role by mobilising funds to be channelled to productive sectors of the economy," he said.

On the global front, Abdul Wahid noted that the United States-China trade tensions and the Ukraine-Russia conflict have also caused commodity prices and logistics costs to skyrocket, resulting in high inflationary pressures globally, forcing central banks to tighten their monetary policy to rein in inflation.

"This is likely to cause economic slowdown and potential recessions in some countries in 2023," he said.

*The Star*

## Mongolia

**Bank of Mongolia Hikes Rates to Tame Prices, Halt FX Outflows**

The central bank of Mongolia hiked interest rates to the highest in five years to try and control rising prices and halt currency outflows.

The main policy rate was raised to 12% from 10%, the Bank of Mongolia said in a statement on September 20. That was the highest since 2017 and comes as inflation recently hit the highest since 2012, with rising prices prompting protests in the capital earlier in the year of 2022.

"An increase in the policy interest rate contributes to bringing inflation back to the target level," the bank said in the statement after the decision. Inflation should moderate following the rate increase, central bank Governor Lkhagvasuren Byadran said as he announced the increase.

Mongolia's economy has struggled this year due to a weak mining sector and rising inflation which has hit domestic spending. Prices were already increasing quickly even before Russia's invasion of Ukraine pushed global commodity prices higher, and the sanctions on Moscow since then have disrupted Mongolia's fuel supply.

"Despite some easing of border restrictions, the negative impact on the mining and transport sectors continues," the central bank said, referring to China's Covid Zero controls which have stopped some goods from crossing the border. China is Mongolia's main trading partner and took 85% of all exports in the first eight months of this year. Restrictions have been eased recently and the newly-built railway should also make it cheaper to transport coal to China.

The economy grew 1.9% in the first half of 2022, with sectors such as agriculture and services accelerating growth past 2019's pre-pandemic levels, while household consumption grew for three consecutive quarters, according to the statement.

Imported goods contributed to about half of the 14.4% growth in the consumer price index in August, according to a September report, with fuel prices in August up 13.2% from 2021.

Despite the growing economy, capital outflows are becoming a problem for the government, with the currency losing almost 13% of its value against the dollar this year as the Federal Reserve looks to continue hiking rates. That has put pressure on the central bank's reserves, which were almost 40% lower in August compared with a year earlier. That's been driven by both a drop in the value of foreign currency reserves and sales of gold, with volume of gold in the reserves down 38% in a year. Gold exports rose 75% in the first eight months of this year to almost $600 million.

*Bloomberg*

## Nepal

**Government of Nepal and World Bank Sign Agreements for $415 Million towards Building Infrastructure for Digital Development & Regional Transport and Trade Connectivity**

The Government of Nepal and the World Bank today signed concessional financing agreements for $275 million (equivalent to NRs. 34.96 billion) for the Accelerating Nepal's Regional Transport and Trade Connectivity (ACCESS) Project and $140 million (equivalent to NRs. 17.79 billion) for the Digital Nepal Acceleration (DNA) Project.

The agreements were signed by the Finance Secretary, Mr. Krishna Hari Pushkar, on behalf of the Government of Nepal, and the World Bank Country Director for Maldives, Nepal, and Sri Lanka, Mr. Faris Hadad-Zervos in the presence of Honorable Minister of Finance, Janardan Sharma and World Bank Vice President for South Asia, Martin Raiser.

"The projects will help unlock Nepal's economic potential through better connectivity and trade, enhanced digital engagement among people and businesses, and access to regional markets to support the socio-economic development in an inclusive manner," stated Mr. Krishna Hari Pushkar, Finance Secretary.

Under the Accelerating Nepal's Regional Transport and Trade Connectivity Project, the 69 kilometer two-lane section of the Butwal-Gorusinghe-Chandrauta road along the East-West Highway will be upgraded to a climate-resilient four-lane highway. With a focus on ensuring better road safety, the project is expected to reduce travel time by 30 percent, thus providing better access to India's western seaports. The project will construct at least three market areas with required internet and trade information facilities along the highway to help enhance economic opportunities, especially for women entrepreneurs and traders.

The Digital Nepal Acceleration Project supports the implementation of the Digital Nepal Framework, the country's digital economy strategy that was announced by the Government in 2019. The project will mobilize private capital to increase access to broadband services in rural areas, benefitting people and businesses that are currently not connected to high-quality and affordable internet connectivity. It will also support and secure the delivery of digital government services through improvements in Nepal's public data infrastructure and cybersecurity capabilities, increasing access to digital services by women, ethnic and social minorities, and persons with disabilities.

"The World Bank is committed to support regional integration and digital transformation in Nepal to ensure the country's trade growth, long-term sustainability, and resilience of investments, and enable an innovative digital economy," said Mr. Faris Hadad-Zervos, World Bank Country Director for Maldives, Nepal, and Sri Lanka.

*The World Bank*

## Russia

**Russian Banks Post Record $25Bln First Half Loss**

Russia's banking sector lost 1.5 trillion rubles ($24.8 billion) in the first half of 2022, a top Central Bank official said September 2.

This is the first time the Central Bank has disclosed financial results since Moscow invaded Ukraine in February.

"The loss-making banks lost 1.9 trillion rubles and profit-making banks made 400 billion rubles," Dmitry Tulin, the Central Bank's first deputy chairman, told the RBC news website in an interview.

"Thus, algebraically, we get a total loss of 1.5 trillion rubles," Tulin said.

The Central Bank stopped publishing figures for the banking sector after the start of the war and banned lenders from publishing regular earnings reports as Western governments froze Russia's financial assets abroad and imposed sanctions on Russia's banks.

The loss for the Russian banking sector is the first in seven years, RBC reported.

Tulin said one-quarter of Russian banks posted losses in January through June, while three-quarters remained profitable.

Two-thirds of first-half losses in 2022, or 1 trillion rubles, related to foreign currency operations, according to Tulin.

"We can say that we've managed with few casualties so far," he told RBC, noting Russian banks still had 7 trillion rubles ($116 billion) in reserves.

"A smaller part of this capital reserve has been used as a result of these losses. That's not the most expensive price for overcoming the consequences of the powerful blow dealt to our banking system by sanctions," Tulin said.

The banker forecast Russia's banking sector to close out 2022 with losses of 1.5 trillion rubles or less.

*The Moscow Times*

## Singapore

**MAS launches Financial Services Industry Transformation Map 2025**

Mr. Lawrence Wong, Deputy Prime Minister and Minster for Finance, and Monetary Authority of Singapore (MAS) Deputy Chairman, launched the Financial Services Industry Transformation Map (ITM) 2025 on September 15. The ITM 2025 lays out the growth strategies to further develop Singapore as a leading international financial centre in Asia – to connect global markets, support Asia's development, and serve Singapore's economy.

MAS projects the financial sector to grow by an average 4% to 5% per annum during 2021 – 2025 and create 3,000 – 4,000 net jobs on average each year.

The ITM comprises five key strategies: a. Enhance Asset Class Strengths; b. Digitalise Financial Infrastructure; c. Catalyse Asia's Net-Zero Transition; d. Shape the Future of Financial Networks; and e. Foster a Skilled and Adaptable Workforce.

MAS will work with the financial industry to deepen capabilities in asset classes in which Singapore plays a key regional or global role, MAS will also promote the development of digital infrastructure and platforms.

As one of the 23 sectors identified by the Committee of the Future Economy, the Financial Services ITM was first launched in 2017 with a strong focus on innovation and technology adoption and developing a world-class workforce. From 2016 to 2020, the financial services sector grew by an average of 5.7% per annum, exceeding the target of 4.3% per annum. The sector created an average of 4,100 net jobs each year, higher than the target of 3,000 net jobs per annum.

*Monetary Authorities of Singapore*

## Sri Lanka

**Sri Lankan Banking Sector Under Pressure Amid Nationwide Crisis**

It has been perhaps the worst year ever for Sri Lanka's economy, with the South Asian island nation having missed crucial debt-repayment deadlines, thus being the first country in the Asia-Pacific to default in the 21st century. Mass nationwide demonstrations against the government have been ongoing since March as sharply rising inflation and severe shortages of food, fuel, medicines and other necessities culminated in protesters storming government buildings in the capital city of Colombo. The protests eventually led to President Gotabaya Rajapaksa stepping down from his role on July 15 and fleeing the country.

The impacts of the Sri Lankan political and economic tailspin on the banking sector during the crisis have been profound, with dwindling currency reserves weighing heavily on lenders. But truth be told, the sector was already on a steep decline prior to the default, as the country's sovereign downgrade to CCC by Fitch Ratings in 2020 led to a major drying up of overseas funding channels for Sri Lankan lenders. Indeed, official data shows that Sri Lankan banks have been forced to cut their overseas borrowing activities over the last year dramatically.

"The operating environment for banks in Sri Lanka remains challenging, and we expect banks' financial profiles to come under stress," Fitch observed in late November 2021. "The sector regulatory non-performing loan (NPL) ratio rose to 4.7 percent by end-2019, prior to the economic disruptions from the pandemic, and reached 5.4 percent by end-1H20." The ratings agency also acknowledged

at the time that asset-quality stress was deteriorating, and Sri Lankan banks could also face "increased challenges in the access to—and pricing of—foreign-currency funding stemming from the deteriorating sovereign credit profile".

With Sri Lanka having defaulted this year, then, the situation for its banking sector remains perilous. In late May, S&P Global Ratings warned there was a distinct likelihood that some lenders might default on their foreign-currency obligations to overseas creditors, with reports suggesting they faced challenges in honouring their currency-swap obligations with international counterparties as well as letters of credit (LoCs)to oil companies. What's more, the dearth of foreign-exchange reserves that banks now hold has become so acute that supporting the necessary import purchases is severely straining their cash flows; indeed, without sufficient inflows, banks remain almost entirely hamstrung in their endeavours to stabilize the economy.

*International Banker*

## Taiwan

**Taiwan Central bank tipped to raise rates by 12.5 basis points**

Taiwan's central bank is expected to hike key interest rates by 12.5 basis points on Sept. 22 amid moderating growth in the local consumer price index (CPI), according to economists.

Taiwan's central bank is likely to take less aggressive action at its upcoming policymaking meeting than the U.S. Federal Reserve -- tipped to roll out a 75 basis point increase later this month -- due to a relatively small local CPI increase of 2.66 in August, the lowest since February's 2.33 percent, Taiwan Academy of Banking and Finance (TABF) economist Jerry Lin said.

With prices for industrial and agricultural goods on the global market declining, Taiwan's Directorate General of Budget, Accounting and Statistics said local consumer prices could stabilize further for the rest of 2022.

Lin said market expectations were that the Fed would raise key interest rates 75 basis points after wrapping up a two-day policymaking meeting on Sept. 21 (U.S. time).

The Fed's continued hawkish approach is an attempt to quell skyrocketing inflation in the United States, which hit 8.3 percent in August.

While August CPI rise in the United States represented a decline on July's 8.5 percent, it still stood well above the Fed's 2 percent alert level and surpassed a previous market estimate of 8.1 percent.

Lin said the local central bank may take additional anti-inflationary measures in the form of a 25 basis points increase to the required deposit reserve ratio, which is the fraction of deposits regulators require banks to hold in reserves and not loan.

At its June meeting, the central bank raised interest rates by 12.5 basis points with the discount rate at 1.5 percent, and also hiked the required deposit reserve ratio by 25 basis points in an effort to reduce liquidity levels and drain market funds.

Since kicking off a rate hike cycle in March, the Fed has raised interest rates by 225 basis points, while Taiwan's central bank has only increased rates by 37.5 basis points.

Lin said that if domestic inflation continued to moderate, it was possible the local central bank could leave interest rates unchanged at a quarterly policymaking meeting slated for mid-December.

However, Lin cautioned that an additional 12.5 basis points hike was possible in December if consumer prices in Taiwan continued to rise.

*Focus Taiwan*

## Thailand

**Thai finance ministry to meet central bank over baht weakness and issues**

Thailand's finance ministry will soon meet with the central bank to discuss the weakness of the baht currency, the finance minister said on September 20.

Arkhom Termpittayapaisith told reporters the baht's weakness was due to the dollar strength and he had to targets in mind for its level.

Meanwhile, Thailand's acting Prime Minister Prawit Wongsuwan has asked the finance ministry to closely monitor a weak baht currency and its volatility and seek broad opinion to determine policies, a government official said on September 20.

There were concerns about weakness in the currency and also oil prices, spokesperson Anucha Burapachaisri told a briefing after a weekly cabinet meeting.

The baht has been trading at its weakest level in more than 15 years against the dollar.

However, industrial sentiment improved in August, hitting its 11-month high, as consumers had more confidence in the Thai economy, Anucha said.

The cabinet approved an investment budget of 276 billion Thai baht ($7.48 billion) for state-owned enterprises in the 2023 fiscal year starting Oct. 1, he added.

Prawit is currently serving as caretaker while premier Prayuth Chan-ocha remains suspended pending a court verdict on his tenure as leader, which is scheduled for later in the month of September.

Finance Minister Arkhom Termpittayapaisith said Southeast Asia's second-largest economy was expected to grow 3% to 3.5% this year, and 3% to 4% next year, helped by tourism, exports and public investment.

*The Star*

# Banking and Finance Newsbriefs

## Vietnam

**Moody's upgrades ratings of 12 Vietnamese banks**

Moody's Investors Service has raised the ratings of 12 Vietnamese banks following its upgrade of Việt Nam's sovereign rating to Ba2 from Ba3.

Moody's has upgraded the long-term local (LC) and foreign currency (FC) deposit and issuer ratings of eight banks by one notch (Vietcombank, BIDV, OCB, SeABank, TPBank, Agribank, VIB and VietinBank) and the LC and FC Counterparty Risk Ratings and Counterparty Risk Assessment of seven banks by one notch (BIDV, Agribank, VietinBank, ABBank, LienVietPostBank, SHB and MSB).

The rating actions on the banks follow the firm's upgrade of Việt Nam's sovereign rating to Ba2 from Ba3 on September 6, and the change of the sovereign rating outlook to stable from positive on the same date.

Moody's said Việt Nam's credit strength is a key input in its deposit and debt ratings for financial institutions in the country. The upgrade in banks' ratings reflects the Government's stronger ability to provide support for banks in times of stress.

Besides, Moody's has also changed the rating outlooks of Agribank, BIDV, OCB, SeABank, TPBank, VIB, Vietcombank and Vietinbank to stable from positive. The rating outlook of ABBank, LienVietPostBank and MSB remains stable while that of SHB stays positive.

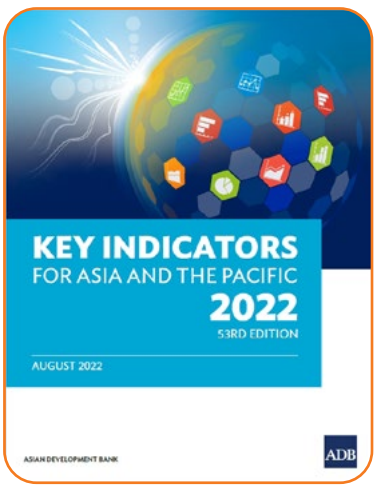
Amid the complex international situation leading to over 30 rating downgrades globally over the past eight months, Việt Nam is the only country in the Asia-Pacific and one of the four in the world to record a rating upgrade by Moody's since the beginning of 2022.

The Ministry of Finance said the upgrade of Việt Nam's sovereign rating to Ba2 shows the Moody's recognition of the country's increasing economic strength and better resilience to external macroeconomic shocks compared to others with the same rating.

*Newswires*

# Publications

## Key Indicators for Asia and the Pacific 2022




This ADB publication provides updated statistics on a comprehensive set of economic, financial, social, and environmental measures as well as select indicators for the Sustainable Development Goals (SDGs).

The report covers the 49 regional members of ADB. It discusses trends in development progress and the challenges to achieving inclusive and sustainable economic growth across Asia and the Pacific. This 53rd edition looks at how most economies in the region have bounced back to varying degrees from the COVID-19 pandemic. A gradual recovery of cyclical industries, the release of pent-up consumer demand, and increased confidence levels have contributed to developing Asia's economy.

To put into practice the "leave no one behind" principle of the Sustainable Development Goals, detailed and informative data is crucial. The 2022 report features a special supplement, Mapping the Public Voice for Development—Natural Language Processing of Social Media Text Data, which explores how natural language processing techniques can be applied to social media text data to map public sentiment and inform development research and policy making.

Details: ADB Publication

# Toward Inclusive Access to Trade Finance: Lessons from the Trade Finance Gaps, Growth, and Jobs Survey

A persistently large trade finance gap is an ongoing global challenge, particularly for small and medium-sized enterprises, which continue to face significant barriers to access financing. Since 2012, ADB has conducted a Trade Finance Gaps, Growth, and Jobs Survey. Reflecting on the survey results, the report provides insights on trade finance trends, analysis, and lessons and identifies what needs to happen to ensure access to trade finance is more inclusive. The report discusses the rapid digitalization in trade and trade finance markets and advocates for increased international cooperation to enable the full benefits of digitization to be realized.

Details: ADB Publication



## Register for the 38th ABA Conference

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