Asian Bankers Association

Newsletter

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June 2023

ASIAN BANKERS ASSOCIATION

ABA Announcements

CRD Association Senior Advisor Calls on ABA Secretariat

Mr. Jiro Tsunoda, Senior Advisor to the Credit Risk Database Association ((CRD Association), visited the ABA Secretariat office in Taipei on June 7 and met with ABA Secretary-Treasurer Mr. David Hsu, Deputy Secretary Mr. Amador Honrado Jr, and Deputy Secretary Mr. Mig Moreno. Mr. Tsunoda introduced his organization to the Secretariat officers, highlighting the statistical credit scoring system being used by its members in Japan and which it is introducing to the Central Bank of the Philippines. CRD Association collects financial data on SMEs from members — credit guarantee corporations throughout Japan, and government-affiliated or private financial institutions involving SME business, and returns to members the assessment of SMEs' business situations by a credit risk measurement model, which is based on the large amount of collected data. Mr.Tsunoda proposed to conduct a webinar for ABA members introducing its statistical credit scoring system as a follow-up to an earlier webinar that the Association of Credit Rating Agencies in Asia (ACRAA) and CRD Association on “Credit Rating Database for SME Inclusion” jointly conducted for ABA members on April 13, 2023.

Training Programs

RCBC Hosts Short-Term Visiting Program on Financial Inclusion

The Rizal Commercial Banking Corporation (RCBC) and Asian Bankers Association (ABA) jointly organized a Short-Term Visiting Program (STVP) focusing on the theme “Financial Inclusion: The Philippine and RCBC’s Experience” held on June 14 – 15, 2023 at the RCBC Plaza, Makati City, Philippines.

The primary objective of ABA’s short-term visiting program is to provide member banks, particularly those from less developed countries, the opportunity to study and undergo training on specific aspects of the operations and facilities of the host banks and learn from their experience and best practices.

The theme and topic for the 2023 STVP were chosen by ABA and RCBC after noting how the Philippines has made a lot of headway in pursuing its financial inclusion strategy dating back in 2015 when it formally launched a national strategy.

With a robust and advanced enabling environment provided by the Central Bank of the Philippines, RCBC wholeheartedly embraced financial inclusion as one of its key differentiations from the other big players in the financial industry sector.

Led by its forward-looking and trailblazing President & CEO and current ABA Chairman Eugene S. Acevedo, RCBC has successfully embedded in its DNA why embracing financial inclusion is critical not only to the growth of the bank but more importantly for the

With financial inclusion as the theme, the 2023 STVP aimed to provide participants the opportunity to have first-hand knowledge on:

a. how enabling regulatory environment encourages financial institutions in tapping new markets and opportunities found at the base of the pyramid,
b. enhance and upgrade knowledge and skillsets on how to pursue the market segments at the base of the pyramid,
c. gain first-hand knowledge of the operations, systems, and work procedures of the host bank's business units in charge of implementing its financial inclusion

strategy, and

d. interact with partners on the ground on how financial inclusion impacts the lives of the consumers/clients.

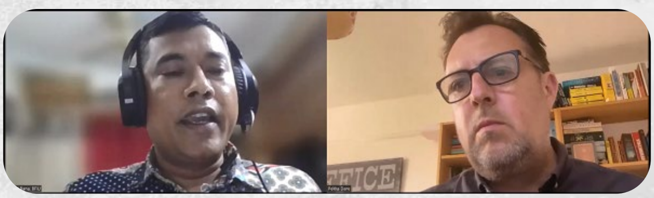
The two-day STVP was also envisioned as a platform for participants to exchange views and experiences on the significance of financial inclusion in their respective countries, the opportunities and challenges being encountered, and what ABA can do to support its members to further promote its advancement in the Asian region.

Day 2 of the Program was a field trip to Tanauan City, Batangas located some 1.5 hours by car south of Makati City, to enable the participants to briefly visit the local branch of Rizal Microbank, RCBC's thrift bank, and thereafter to meet with some of the bank clients with businesses located in the city's public market. The field visit aimed to provide participants how

the major financial inclusion instruments of the Bank work on the ground by interacting with agent-partners, and how small loans positively impact the lives of micro and small entrepreneurs,

A total of 11 representatives from four ABA members from four countries (Iran, Vietnam, Taiwan, and the Philippines), one representative from the Monetary Authority of Maldives, and one representative from a fintech company participated in the program.

Summary Report on "Managing Compliance Risks in 2023" webinar



The Asian Bankers Association (ABA) and the International Compliance Association (ICA) held a webinar on "Managing Compliance Risks in 2023" on June 15, 2023, with registered participants from 55 countries.

Moderated by Pekka Dare, Vice President of ICA, the session featured Speaker Md. Masud Rana, Additional Director of the Bangladesh Financial Intelligence Unit, an expert with 20 years field experience in the Bangladesh financial market and consultancy assignments in several countries in Asia.

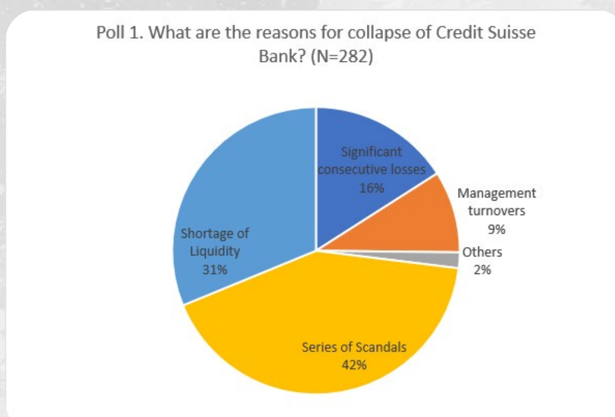
The session, which was held in a fireside chat format, addressed the most critical financial crime and compliance risks facing banks and strategies to mitigate these risks. The agenda covered various aspects of compliance and financial crime, including recent regulatory shocks and lessons learned from notable failures in the industry.

Following is a summary of four key questions discussed during the session:

Question #1 focused on the reasons for the collapse of Credit Suisse Bank, while Question #2 explored the reasons behind the bankruptcy filing of Silicon Valley Bank.

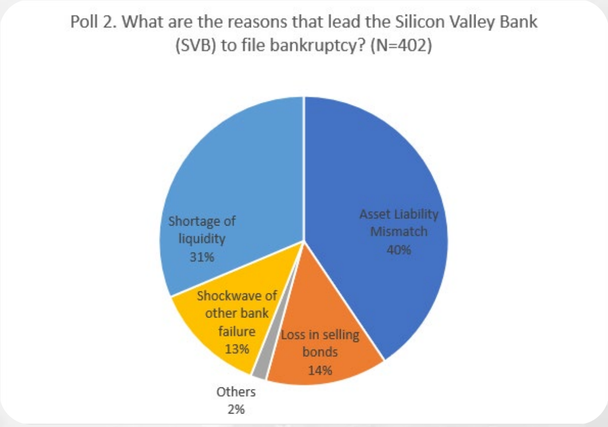
The fireside conversation, facilitated by Pekka, commenced with leading questions addressed to Masud.

The first question delved into the most critical financial crime and compliance risks organizations face in light of recent regulatory shocks caused by SVB, FTX, and Credit Suisse debacles. Attendees were particularly interested in identifying areas that require special attention and mitigation efforts, such as corruption.

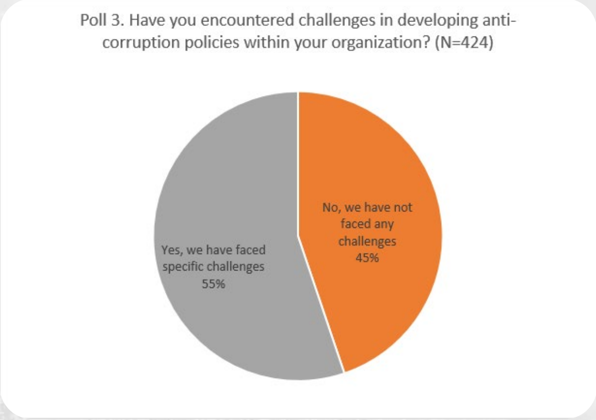


Question #2 focused on SVB's downfall and its primary causes. Attendees sought insights from Masud regarding similar examples from Bangladesh. The discussion aimed to shed light on the factors contributing to failures in the banking industry.

Training Programs



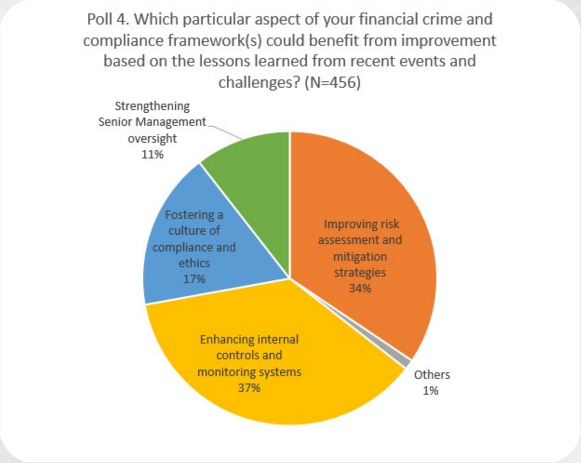
Question #3 also presented in a poll format answered by the audience provided further insights into the attendees' perspectives on financial crime and compliance risks.



The conversation then shifted to the importance of effective financial crime compliance policies and emerging risks in this domain.

Masud shared his experience and recommended strategies and best practices for developing robust financial crime compliance policies. Attendees were made aware of specific challenges they should consider during this process.

Question #4 shown below was also submitted to the audience, and the answers were discussed to identify areas within financial crime and compliance frameworks that could benefit from improvement based on lessons learned from recent events and challenges.



During the Q&A session, the audience had the opportunity to seek further clarification and explore additional topics related to compliance risks.

In the quickfire practical takeaways segment, Pekka asked Masud to provide actionable suggestions for the attendees to consider in the coming days, weeks, and months to manage compliance risks effectively.

In conclusion, the webinar provided valuable insights into managing compliance risks in 2023 and provided the audience with several valuable Key Takeaways such as:

- Organizations need to strengthen their compliance culture
- Continuous improvement of financial crime and compliance programs
- Leverage technology and data analytics
- Enhance collaboration with regulators and law enforcement agencies
- Consider transitioning to an intelligence-led approach in combating financial crime
- And, use Common Sense during your analysis

The rise of social media and its impact on the financial crime landscape was also discussed during the Q&A session.

Overall, the event successfully addressed the challenges and strategies for managing compliance risks, equipping the attendees with valuable knowledge and practical takeaways to navigate the evolving compliance landscape in 2023 and beyond.

News Update

UOB Partners with Keppel to Drive Sustainability and Digitalisation

Singapore-headquartered banking group, UOB has announced a new partnership with property conglomerate, Keppel, aimed at promoting sustainability and digitalisation among corporates in the region.

The parties signed three memorandums of understanding (MOUs) across three pillars: energy, the built environment and digital connectivity.

“Based on our recent UOB Business Outlook Study 2023 (SME & Large Enterprises) conducted across the region, there are two fundamental reasons why SMEs have challenges scaling up sustainability: insufficient knowledge and inadequate finance required for the initial investment. This partnership with Keppel addresses both of these," said Adrian Ow, managing director and head of ESG Solutions at UOB Group Wholesale Banking, in an interview with Corporate Treasurer.

Under the first pillar, with Keppel infrastructure, UOB will offer competitive sustainable financing – in the form of green or sustainability-linked loans, Ow explained – for corporates to adopt Keppel Energy-as-a-Service (EaaS) offering. Keppel's EaaS offers solutions including energy storage, photovoltaic solar panels and EV chargers, allowing firms to add green energy into their mix through a subscription model rather than upfront capital investment.

Commenting on demand for this solution, a Keppel spokesperson said, "We have been receiving very strong inquiries for the EaaS service and have a strong pipeline of deals in Singapore and the region. Many countries and companies have announced their net zero emissions ambitions. This can only be met with stepped energy efficiency improvement, coupled with abatement of emissions across energy-intensive industries, power/utilities, and the built environment."

The second pillar is focused on sustainable urban renewal with Keppel Land. UOB and Keppel will work with building owners to upgrade existing infrastructure and move towards green status.

"A lot of focus in the ESG space is on construction of new buildings, but we forget that about two-thirds of our buildings are existing ones, which are not green," Ow said.

Keppel will provide engineering solutions that reduce carbon emissions and improve energy consumption, such as energy efficient cooling, LED lighting, or energy efficient escalators. Again, UOB will look to provide green or sustainability-linked financing for these enhancements.

Additionally, UOB will collaborate with Keppel's telecommunications subsidiary, M1.

Under this MOU, UOB will aim to provide pre- and post-shipment financing to M1 and its suppliers around M1's enterprise solutions. Both parties will also look to jointly develop sustainability reporting tools for SMEs that meet the Global Reporting Initiative (GRI) as well as Singapore Exchange (SGX) reporting standards, leveraging UOB's expertise in SME sustainability reporting, Ow explained.

In the coming months, UOB and Keppel will conduct joint outreach campaigns to respective clients, focusing on capacity-building, seminars and clients events.

The Keppel spokesperson touted efforts by Singapore real estate companies to advance their sustainability agendas, adding that he sees similar trends in developed Asian markets such as Japan, Korea, and gateway cities in China. Southeast Asia is "catching up", he added.

While the sustainable renewal pillar of the agreement is largely looking to serve the real estate sector, the EaaS and connectivity pillars are applicable to SMEs across a range of sectors, including construction, consumer good, healthcare, oil and chemicals, and technology, media and telecoms (TMT), Ow said.

Keppel's wide reach will allow UOB to extends its sustainability solutions beyond Singapore to other countries where it has an existing footprint, including ASEAN markets, Hong Kong and mainland China.

Ow noted the importance of national priorities and agendas in each market as key factors driving the adoption of sustainable solutions.

"What we are seeing is that when a particular sector is aligned to the national priority for decarbonization, we really see that sector move. That is why for sustainability to move; governments, policy makers, businesses, researchers, private and public capital need to be aligned."

He gave the examples of hydrogen in Malaysia and Indonesia; electric vehicle manufacturing in Thailand; and solar energy in Vietnam.

Corporate Treasurer

Maybank YES SME E-Financing Solutions Fuel Technology Growth

Maybank Singapore's newly launched YES platform has connected over 500 small business owners raising capital, seeking access to business management tools and engagement for their products.

The Malayan Banking Berhad (Maybank) platform enables SMEs to connect and exchange insights as well as scale up their operating functionality through guided courses.

YES offers online account opening, a Maybank Business credit card, SME e-Financing of up to S$150,000 over a five year tenor and SME Start Digital subsidising up to two business efficiency and cybersecurity digital solutions to support SMEs that decide on going digital.

Capturing 20 percent SME market share in Singapore, deposit competition has already seen Maybank's net interest margin (NIM) contract according to Moody's, necessitating the rise in operating expenses to deliver the bank's ambitious digitalisation plans.

"A chief concern is capital sufficiency and funding gap at this nascent stage. Without at least two years of operating track record, it is often difficult for them to secure a bank loan for daily working capital or business expansion; and many would rely on their own savings or private fundraising efforts" commented Maybank Head of SME Banking Maybank Singapore, Marc Leong.

"We want to address this liquidity pain point through our latest e-financing solution that enables loan approvals within minutes, anywhere and at any time."

East and Partners

Singapore faces 'high risk' of technical recession amid external uncertainties, say economists

Singapore faces a "high risk" of slipping into a technical recession in the second quarter as challenges in the external environment persist, some private-sector economists said on May 25.

These comments came after official data for the first quarter showed the economy declined 0.4 per cent from the previous three-month period on a quarter-on-quarter seasonally adjusted basis.

This marks a reversal from the 0.1 per cent growth in the fourth quarter of 2022, leaving the economy at risk of a technical recession which is defined as two consecutive quarter-on-quarter contractions.

The last time Singapore entered a technical recession was in the second quarter of 2020 when the COVID-19 pandemic cooled global growth. Domestically, the roll-out of the "circuit breaker" halted almost all economic activities for two months.

On a year-on-year basis, the economy remains in positive territory with growth of 0.4 per cent year-on-year between January and March, albeit much lower than the 2.1 per cent growth seen in the previous quarter.

Authorities have maintained their forecast for gross domestic product growth to range between 0.5 and 2.5 per cent, with the actual expansion likely to "come in at around the mid-point" of this range.

Singapore's small and open economy relies heavily on trade, but external demand has been weakening amid a slowdown in the global economy, still-strong inflationary pressures and a downturn in the global semiconductor industry.

The country's key non-oil domestic exports (NODX) have since chalked up a seven-month losing streak. Authorities on Thursday also downgraded the 2023 forecasts for NODX following a "worse-than-expected" performance in the first quarter.

"Although it is not our base case scenario, there remains a high risk that the economy slips into a technical recession, either in (the second quarter) or in the second half of the year," Mr Shivaan Tandon from Capital Economics told CNA.

"While advanced economies have held up better than initially expected, we expect that resilience to fade in the second half of the year which will weigh heavily on demand for Singapore's exports," he added.

"This dynamic raises the risk of a technical recession given the export-driven nature of Singapore's economy."

Channel News Asia

AI Productivity Gains Can Solve Inflation – BlackRock

New artificial intelligence (AI) technologies can help end record inflation according to the head of the world's largest asset manager, BlackRock CEO Larry Fink.

A global slowdown in productivity is the primary reason why we have such high inflation, Fink asserts, warning inflation was "still too strong, too sticky" and would lead to two to four more interest rate hikes from the US Federal Reserve. The Fed held off on raising rates this week but forecast two more increases before the end of 2023.

Corporates are pinning their hopes on generative AI automating significant volumes of knowledge work. This includes tools such as OpenAI's chatbot "ChatGPT".

The new technology could add anywhere between US$2.6 trillion to US$4.2 trillion to the global economy, McKinsey Global Institute estimates in a report. AI could automate work activities that absorb 60 percent to 70 percent of employees' time today and in turn grow labour productivity by between 0.2 percent and 3.3 percent each year.

"AI has the huge potential to increase productivity, and transform margins across sectors which would bring down the inflation" Fink commented.

East and Partners

The Sustainable Treasure 2023 highlights: The Quest for Sustainable Supply Chains

By Sara Velezmoro

Corporates are increasingly looking to integrate sustainability into their supply chains – not least because regulation is becoming more stringent and risks of not doing so, more costly.

Expert panelists shared with the audience at The Sustainable Treasure 2023 conference on June 20 held by Corporate Treasurer, on their take on this sustainability endeavour.

"If you look at the commitments made by most government and corporates to net zero emissions, they have committed to reducing deforestation and scope 3 emissions… These targets are what's driving the entire supply chain – which includes customers and suppliers – to become compliant with ESG goals and objectives," said Gopul Shah, director and senior vice president of corporate treasury and trade structured finance at Golden Agri Resources.

Golden Agri supplies produce to giants such as Walmart, Nestle and P&G – all of which have made pledges to reduce scope 3 emissions. These indirect pollutants are generated through a company's supply chain, and are increasingly under the scrutiny by stakeholders and regulators.

"It is not negotiable with many of these large companies – you comply or you get censured," Shah added.

Support through tech and partnerships

Jemi Lam, Apac finance director at computing storage technology company, Western Digital, noted the firm's commitment earlier in June to four new sustainability goals: to run its global operation on 100% renewable energy by 2030; achieve zero net scope 1 and 2 emissions by 2032; reduce water withdrawal by 20% by 2030; and divert more than 95% of operational waste from landfill, by 2030.

For Lam, choosing the right partners, both regionally and globally, is essential.

To incentivize good supplier behaviour, corporates are increasingly turning to sustainable supply chain finance (SCF) – a working capital solution that offers better loan terms to those partners that comply with ESG requirements.

But measurement and traceability remain a challenge to successful sustainable SCF, noted the experts.

This is where technology is key, said Kingshuk Ghoshal, co-founder and CEO of working capital solutions platform, TASConnect, which launched in 2022 via Standard Chartered's fintech arm, SC Ventures.

"I think there is a huge scope for technology to come in and intermediate in facilitating the efficient rollout of sustainable working capital," he told the audience.

Shah noted that Golden Agri leverages satellite mapping technology to monitor and trace efforts across the almost-half a million hectares of palm oil plantations that the firm operates across Indonesia.

"When you are working with so many suppliers, technology becomes very essential for the business in terms of monitoring, and it also helps in reporting, it makes things more transparent and explainable as a journey," he said.

Golden Agri in earlier 2023 received an award recognizing its efforts in sustainability reporting.

Discussing best practices, Shah noted the importance of being transparent about corporate efforts, and the necessity to comply with leading reporting standards. He said these included taking into account any recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD); for listed companies such an Golden Agri which went public on the Singapore Exchange (SGX) in 1999, any requirements of the local stock exchanges; and of course, customer expectations.

Shah's co-panellists agreed on the relevance of sustainability reporting for communicating ESG efforts to existing and potential supply chain partners.

Finally, the experts advised the audience to ensure they screen banking and other ecosystem partners in order to work only with those that understand their business model or those willing to collaborate to help them achieve their ESG goals.

"We do a lot of screening when we approach potential partners – and even when we ourselves are approached by partners. There is a lot to look at before we make a deal," – Lam concluded.

Corporate Treasurer

Earnings Recession in 2023 to Transition to Strong Recovery in 2024

By Mike Wilson,
Chief U.S. Equity Strategist & Chief Investment Officer

Many investors are feeling optimistic about corporate earnings growth for 2023. They think the impact of rising interest rates is in the past and are taking for granted that areas such as consumer cyclicals, tech and communications services are due for a comeback after experiencing earnings recessions in 2022.

Heading into 2023, our earnings forecast was lower than consensus. But today that spread is even greater as we

recently cut our 2023 forecast further while the rest of the Street and buy-side analysts have raised their estimates.

We now expect a more meaningful earnings recession (with S&P 500 earnings per share falling 16% for the year to $185 compared with our earlier forecast of $195) that has yet to be priced into the market. At the same time, we also continue to forecast a sharp rebound in earnings-per-share growth in 2024 (+23%) and 2025 (+10%).

Here's what we think the market may be overlooking and why we are expecting earnings to decline in the remainder of the year.

Hotter but Shorter Cycles

For the past several years, our overarching view on markets has been shaped by our "hotter but shorter" cycle framework. Basing this thesis in part on a comparison with the post-World War II period, which looks similar to today in many respects, we have argued that this cycle would be more extreme than what we have experienced over the past 50 years.

First and foremost, the excess savings built up during WWII and COVID lockdowns were unleashed into the economy when supply of money was constrained. In each case, both fundamentals and asset prices returned to prior cycle highs at a historically rapid pace.

The surge in inflation and earnings in 2021 eventually led the Federal Reserve to tighten policy at the fastest pace in 40 years. The boom, and Fed reaction, proved surprising to many—and we think that the depth of an earnings decline this year and subsequent rebound may also come as a surprise.

We think the boom/bust period that began in 2020 is currently in the bust part of the earnings cycle—a dynamic that we believe has yet to be priced into the bear market that began 18 months ago and has been largely related to higher interest rates. In other words, we expect margins and earnings to decline rapidly as inflation falls.

Investor Optimism and AI Excitement

Investor assumptions on impacts of Fed policy and areas of accelerated earnings growth amid a broader market downturn are now built into consensus expectations, and we respectfully disagree. We think this consensus view stems mostly from some large companies sounding more optimistic about the second half of this year combined with the newfound excitement around artificial intelligence (AI) and what it means for both growth and productivity.

While individual stocks will undoubtedly deliver accelerating growth from spending on AI this year, we don't think it will be enough to change the trajectory of the overall cyclical earnings trend in a meaningful way. Instead, it may pressure margins further for companies that decide to invest in AI despite flat or slowing top-line growth in the near term.

Earnings Momentum and Quality

Over the past 70 years, earnings recessions have often reached bottom after average annual declines of 16%, the exact decline we are forecasting for 2023. Our earnings models considered the timing and magnitude of the deceleration in earnings growth we have seen so far during this cycle (from 50% to 0% currently). The historical analysis suggests it is unlikely that the earnings recession will stop and reverse at current levels and gives us additional confidence in our estimates.

Finally, earnings quality, as measured by net income to cash flow, recently reached its weakest level in the past 25 years. We see this as yet another warning sign that earnings growth could deteriorate further as the cycle turns and accounting policies reverse or are reset to more conservative assumptions. Moreover, the overearning during the pandemic and low quality of those earnings are broad based because of expected weakness in cash flow.

Given all of this, why would earnings rebound next year? As we head into 2024, we see the market processing a much healthier earnings backdrop. We also note that our 2024 EPS growth estimate of 23% for the year is in line with the historical precedent for earnings one year after earnings growth bottoms. Investors who agree with our earnings forecasts may decide to simply "look through" the downside this year. However, given that stocks are trading at 19 times 12-month consensus earnings versus 16 to 17 times historically, we think that is a risky strategy.

JP Morgan

Central Banks Can Fend Off Financial Turmoil and Still Fight Inflation

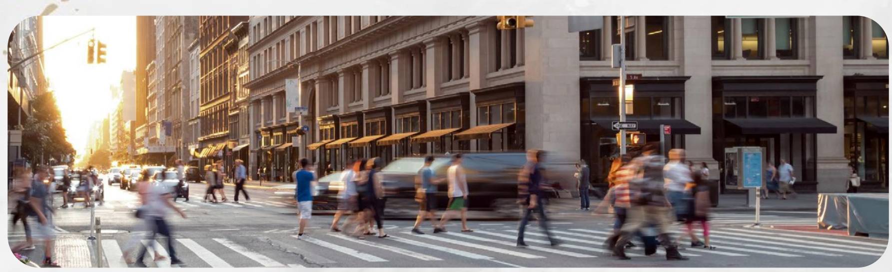
By Tobias Adrian, Gita Gopinath, Pierre-Olivier Gourinchas

Recent events have shown central banks and policymakers can deal with sizable financial stress without compromising their inflation-fighting stance.

Regulators and central banks were able to contain contagion from the collapse of Silicon Valley Bank and other US regional banks, as well as Credit Suisse in Switzerland, without retreating on the inflation front. The same is true of the Bank of England's actions to halt the selloff in bond markets that followed the UK government's tax-cut proposal last September.

In times of acute financial stress and high inflation, though, policy trade-offs are more challenging.

During the 2008 global financial crisis, policies in pursuit of price and financial stability were aligned. As economic activity faltered, the primary question for price stability was how to support aggregate demand to avoid deflation and recession. On the financial stability side, the main concern was to avoid



deeper financial distress. Aggressive easing of monetary policy allowed the simultaneous pursuit of both objectives.

With inflation now stubbornly high, the two objectives may clash. Central banks have had to raise policy interest rates aggressively to cool activity and bring inflation back to target. After a long period of low and stable inflation and interest rates, many financial institutions had grown complacent about maturity and liquidity mismatches. Rapidly rising interest rates have stressed the balance sheets of exposed bank and nonbank financial institutions through declining values of their fixed-income assets and increased funding costs. Left unmitigated, these could threaten overall financial stability.

How should central banks navigate this difficult trade-off? Conceptually, we propose to distinguish between times when financial stress remains modest, and times of heightened financial stress or acute financial crises.

Handling modest financial stress

Past episodes of monetary policy tightening have often generated financial stress. Provided these stresses remain modest, they shouldn't pose much of a challenge to achieving both price and financial stability objectives. Increases in the policy rate transmit to the real economy in part by raising borrowing costs for households and firms. If such modest financial stress leads to an unexpected weakening of aggregate demand, the policy rate path can be adjusted, keeping output and inflation broadly on the same trajectory. Central banks have taken this approach in the past. For example, the US Federal Reserve put a hold on raising rates in the early 1990s when it faced a looming credit crunch, even though inflation was running well above desired levels.

In addition, tools other than the policy rate can be used to contain financial stress. For example, emergency lending at the discount window or via emergency liquidity facilities can provide support while macroprudential tools, where available, could be loosened. In principle, the use of relatively standard financial stability tools—without the need for additional fiscal support—should be sufficient in the case of a modest rise in financial stress, allowing monetary policy to focus on inflation.

The challenges of heightened financial stress

Even when financial stresses may seem contained for some time, a number of developments can create adverse nonlinear feedback loops and quickly develop into a full-blown systemic financial crisis, a process that was hastened in the recent bank collapses by technology and social media.

Such an environment presents very difficult challenges for central banks. Forceful and timely action by policymakers is required through aggressive financial policies. These include various forms of liquidity support, asset purchases, or possibly direct capital injections. Sufficiently forceful, these interventions could leave monetary policy free to maintain its focus on inflation.

Critically, the actions needed to forestall a crisis may extend beyond what central banks can do alone. While central banks can extend broad-based liquidity support to solvent banks, they are not equipped to deal with the problems of insolvent firms or borrowers, which must be addressed by governments. The need for aggressive financial interventions becomes more acute as financial stresses intensify and insolvency risks grow, and often requires committing sizeable fiscal resources.

This is illustrated in a recent episode in Korea. When the default of a real estate developer last September triggered sharp disruptions in short-term funding markets, the Korean government responded with market support measures, including a corporate bond-buying program, while the Bank of Korea provided substantial liquidity support. These actions allowed the central bank to raise its policy rate in pursuit of its inflation objectives.

When governments lack fiscal space or political support to provide resources, risk management concerns may induce central banks to adjust their monetary policy reaction function to account for financial stress. Specifically, more prudence in raising rates is needed to reduce the risks of an adverse and potentially nonlinear reaction of the financial system. Under these conditions, while central banks should remain committed to price stability, they could tolerate a somewhat slower return of inflation to target. Uncertainties about balance sheet exposures, intermediaries' connectedness, and self-fulfilling market reactions to policy moves push in the same direction.

Of course, the reduced focus on inflation may be difficult to communicate, possibly heightening the sense of crisis. Moreover, it may leave central banks well behind the curve in fighting inflation or at the mercy of `financial dominance'. Hence the bar should be high in communicating such a shift in the reaction function, especially when inflation is still raging. The preferred course of action should be to rely on financial policies or to restore fiscal support.

In countries with limited monetary policy credibility and weak fiscal positions, policy options are far more limited. These countries are more vulnerable to broad-based depositor flight that triggers a sharp exchange rate depreciation and high inflation. If available, authorities can deploy measures requiring real resources (foreign exchange interventions, equity injections) but if a crisis is imminent, they may have to turn to capital management tools, notwithstanding potentially adverse reputational effects. Policy options can be further narrowed by investor concerns about the vulnerability of the financial sector.

When the financial crisis is acute

Should financial conditions deteriorate into a systemic crisis—with a sharp downturn in economic activity expected to ensue—central banks would clearly want to prioritize restoring

Special Features

financial stability. Central banks with high credibility could ease monetary policy, and if inflation was still running high, indicate that they would be more flexible about the time frame for returning inflation to target. In practice, the materialization of a crisis would likely put substantial downward pressure on inflation, thus realigning monetary and financial policy objectives.

But emerging markets with weaker macro policy frameworks would likely have to confront the very difficult challenges posed by capital flight and currency depreciation-inflation spirals. Their central banks would have to remain vigilant about the need to maintain a nominal anchor, limiting any scope to ease. While these countries could take some steps on their own (for example, with capital flow management measures), a strong international safety net is vital to mitigate the risk of a prolonged and severe crisis.

Supporting nonbanks

The rising importance and criticality of nonbank financial institutions, such as insurance firms, pension funds and investment funds, present important challenges. Typically, central banks provide liquidity through the banking system, but this liquidity may not reach nonbanks. They are often less well capitalized and subject to weaker prudential regulation and supervision, so that central banks have less scope to reduce moral hazard risks in the first place. Yet, in periods of heightened or acute financial stress, central banks may need to provide liquidity to nonbanks, as they did during the global financial crisis and the COVID-19 pandemic. However, the bar on lending to nonbanks should be higher than for banks because of the greater risks to central banks' balance sheets and the risk of creating incentives that could increase future financial instability.

In sum

In practice, the boundaries between the different scenarios are fuzzy. Uncertainty about the health of the financial system and its resilience to monetary tightening will inevitably complicate central banks' decision processes. However, through the lens of our proposed taxonomy, the recent events in Switzerland, the United Kingdom and the United States suggest that the forceful responses by authorities to heightened financial stress helped reduce financial instability and allowed central banks to maintain their inflation fighting stance.

IMF

Among Member Banks

Bank of East Asia 2023 "Beyond Environmental Arts Festival" Coming in July

Exploring Hong Kong's natural environment is an unexpected delight. In spring, blossoming flowers cover the treetops; in the heat of summer, one can take a dip in the many beaches dotted along our coastline; in autumn, one is greeted by swathes of bushy Chinese silver grass and bright maple leaves; and in winter, the crisp mountain air sets the perfect stage for hiking.

"Beyond Environmental Arts Festival" ("BEA Festival") enters its second year. Through this year's theme of "Back to Nature", BEA Festival offers a series of fun and free activities for students and the general public at 7/F, BEA Tower, Millennium City 5, Kwun Tong from 4th to 9th July, 2023 (Tuesday to Sunday). The first four days are reserved for students, while the sessions on 8th and 9th July (Saturday and Sunday) are open to the public. The Festival includes a theatrical performance, creative arts workshops, installation art exhibitions, choir performance and dance video screening designed to promote environmental awareness and sustainable living through the arts, encouraging participants to appreciate the beauty of nature and take action in protecting planet Earth.

Organised by Hong Kong Youth Arts Foundation, sponsored by The Bank of East Asia Charitable Foundation and powered by The Bank of East Asia, Limited, this year's BEA Festival presents a theatrical performance titled A Guide to Be Wild, a choir performance by members of Earth Echoes, and five craft and experiential workshops, namely the Bamboo Weaving Workshop, Natural Painting Workshop, Bird Ornament Workshop, Mini Dried Floral Wreath Workshop, and Wild Notes: Making Music with Nature's Instruments Workshop. There will also be an exhibition featuring eight artworks, including a wooden sculpture of a buffalo Three-way Relationships, Eco Print: Solar Terms created with recycled plants, and a woven bamboo artwork Bamboo Staff and Straw Sandals, as well as the dance film Conversation with Nature filmed on site at Kadoorie Farm and Botanic Garden, and highlights from the Land Art Experience Day.

All BEA Festival activities are free-of-charge. Online registration for public sessions is now open. Participants can enjoy installation art exhibitions, theatrical performance, choir performance by Earth Echoes and join one of the arts workshops. Spaces are limited and allocated on a first-come, first-served basis. For more information and programme updates, please visit the official Festival page on the HKYAF website, and follow the HKYAF Facebook and Instagram pages **@hkyaf**.

The Festival will be held on July 8 – 9, 2023 at 10:30am – 5:00pm (5 sessions total) at 7/F, BEA Tower, Millennium City 5, Kwun Tong, Kowloon.

BEA News

Among Member Banks

SBI MD Swaminathan Janakiraman appointed as Reserve Bank of India deputy governor

Swaminathan Janakiraman, Managing Director of State Bank of India (SBI), has been appointed as a deputy governor of the Reserve Bank of India (RBI) for the next three years.

Janakiraman will succeed MK Jain, who retires on June 21.

The Union Government on June 1 interviewed candidates for the post of RBI deputy governor to replace Jain.

The candidates who were interviewed included Srinivasan Varadarajan, Union Bank of India's chairman; AS Rajeev, Bank of Maharashtra's managing director and chief executive officer; Soma Sankara Prasad, MD and CEO of UCO Bank; S L Jain, MD and CEO of Indian Bank, and Swaminathan Janakiraman of SBI.

A panel consisting of RBI Governor Shaktikanta Das, cabinet secretary, financial services secretary, and the chief economic advisor interviewed the candidates.

Janakiraman will likely handle the Department of Supervision and Financial Inclusion and Development Department, among others, that are currently under the purview of Jain.

The other deputy governors of the RBI are Michael Patra, M. Rajeshwar Rao, and T Rabi Sankar. Patra, who is in charge of the Monetary Policy Department and is also a member of the RBI's Monetary Policy Committee, was re-appointed as deputy governor for one year in January. As such, the government will soon have to start looking for his replacement by the time his term ends in mid-January 2024.

Meanwhile, Rajeshwar Rao was appointed as deputy governor for three years in October 2020. Rabi Sankar took charge in May 2021.

Moneycontrol

MUFG Deploying Bank-Backed Stablecoin Platform

Japan's largest lender, Mitsubishi UFJ Financial Group (MUFG) has revealed plans to introduce and distribute stablecoins backed by banks on various public blockchains.

MUFG reported that its "Progmat Coin" platform launched in Q1 2022 as a universal digital asset payment method for stablecoins, cryptocurrencies and central bank digital currencies (CBDCs) would be open to all Japanese banks seeking to float JPY-pegged stablecoins on a range of public blockchains. The bank's support for stablecoins brings much needed credibility and legitimacy to the market.

The announcement was hot on the heels of a significant change in Japanese law regarding stablecoins. On 1 June, a new bill came into effect setting a governing code around stablecoins (cryptocurrency backed by a reserve asset). Japan is the first major market to put a regulatory environment around stablecoins into law with the bill mandating stablecoins be pegged to the JPY or other legal tender with guaranteed redemption to the holder at face value. They can only be issued by banks and trust companies - non-banks are banned from issuing stablecoins.

The recent legal revision in Japan primarily introduces a registration system for stablecoins circulation and reinforces anti-money laundering measures. Additionally, it enables overseas businesses to issue stablecoins in the country through custodians of digital assets. MUFG plans to collaborate with blockchain infrastructure providers TOKI and Datachain to create a bridge to facilitate cross-chain transactions between distributed ledgers.

"TOKI is developing a "cross-chain bridge" that enables cross-chain transactions between public blockchains, and is scheduled to be launched in 2023. In addition to inter-blockchain communication technology with excellent security and scalability using IBC and LCP developed by Datachain, we have strengths in highly efficient liquidity mechanisms" the companies said in a joint media release statement.

"MUFG highlighted several use cases for the functionality, including cross-chain swap, payment, and lending across several public blockchains. A full-scale launch for the functionality is expected in Q2 2024 and will cover transactions involving governance tokens and non-fungible tokens (NFTs)."

East & Partners

Mizuho Commencement of partnership with Terrascope to provide decarbonization support to clients

Mizuho Bank, Ltd. (hereinafter, Mizuho Bank), has announced the commencement of a partnership with Terrascope Pte. Ltd. (hereinafter, Terrascope), an affiliated company of leading global food & agricultural company, Olam International Limited (hereinafter, Olam). This will be Mizuho Bank's first partnership to support decarbonization in the Asia-Pacific region, through provision of decarbonization support services to corporate clients. Together with Terrascope, Mizuho Bank aims to accelerate the transition to a more global decarbonized economy than ever before.

The decarbonization support services provided by Terrascope will not only provide data, data analysis and other digital tools for companies around the world to accurately and effectively measure and manage their greenhouse gas emissions, but will also leverage the Olam Group's extensive knowledge of the food industry to help companies achieve their sustainability and net-zero targets.

Terrascope announced its expansion into the Japanese market with the establishment of a Japanese subsidiary, and will form a strategic partnership with Mitsubishi Corporation and Nihon Tetra Pak K.K. to identify decarbonization needs in Japan.

In response to the accelerated international movement toward climate change and increasing needs for decarbonization solutions, Mizuho will leverage this strategic partnership to provide financing opportunities for clients to realize their net-zero transition strategies and sustainable management, drawing on the client network that Mizuho has in the Asia-Pacific region and the solutions of Terrascope.

Mizuho Bank News

SMBC Commencement of Joint Studies on Business Initiatives Towards the Development of Sustainable Finance

MS&AD Insurance Group Holdings, Inc. (Aioi Nissay Dowa Insurance Co., Ltd., Mitsui Sumitomo Insurance Company, Ltd.), Sompo Japan Insurance Inc., Tokio Marine & Nichido Fire Insurance Co., Ltd., Nippon Life Insurance Company, Hitachi, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. today announced that concluded a memorandum of understanding on joint studies of business initiatives towards the development of sustainable finance.

The Sustainable Finance Platform (tentative name), a digital platform that enables a seamless connection between an investment institution and an investment destination (a listed company) and facilitates mutual understanding and disclosure of ESG-related information, etc., will be formulated and its usefulness will be verified. We will seek a wide range of user companies, provide a beta version services of the platform in the fall of 2023 and work to verify its usefulness and to strengthen various functions. In this manner, we will conduct studies jointly towards formal launch of the services in the future.

Through the development of infrastructure that supports the smooth distribution of these ESG data, we will promote effective and efficient communication among institutional investors, issuers and other stakeholders in Japan and overseas, and will further expand ESG investment and the market, thereby contributing to the development of a sustainable society.

SMBC news

Maybank Launches Cross-border QR Payment Service

Maybank recently launched its cross-border QR payment service for Maybank customers travelling to Singapore, Indonesia, and Thailand as they can now make cashless and instant payment transactions via the MAE app. Similarly, incoming tourists from these countries will also be able to make cashless payments with Maybank QRPay merchants in Malaysia.

The new offering will enable Malaysians visiting the respective countries to enjoy a cheaper, faster and more convenient payment option through the MAE app. With borders reopening for quarantine-free travels, cross-border QR payments offer travellers the ease to skip trips to money changers and carry cash altogether.

Similarly, tourists visiting Malaysia whose banks are affiliated with the payment service providers can also benefit from cross-border QR using their local banking apps at Maybank QRPay merchants nationwide. This greatly benefits local participating merchants, as it allows them to receive payments from tourists in Malaysian Ringgit (MYR) into their accounts immediately.

Dato' John Chong, Group CEO, Community Financial Services said that Maybank's intent has always been to create products and services that will provide value and improve the lives of its customers, in line with its purpose of Humanising Financial Services. The cross-border QR payment service is an essential feature that will facilitate Malaysian travellers' abroad via the MAE app, as well as tourists coming to Malaysia to conduct cashless payments through their respective country's currency. It also serves as a key to improving efficiency while promoting the digital economy and financial inclusion in the ASEAN region.

Maybank's QR payment service will provide convenience for more than 8 million Maybank app users and benefit over 700,000 Maybank QRPay merchants in Malaysia. Approximately 3.5 million Malaysian tourists travel to Singapore, Indonesia and Thailand in 2022 alone and with the introduction of Maybank's cross-border QR payment service, the Group aims to provide them with a reliable service that is seamless and secure.

The Bank's cross-border QR payment service is made possible through the collaboration between Bank Negara Malaysia and Payments Network Malaysia Sdn Bhd (PayNet). Maybank is also in the works to roll out this payment feature across more countries soon.

Maybank News

Among Member Banks

Bank of Maldives introduces Kill Switch as part of online security enhancement

As part of the ongoing efforts to enhance security and protect its customers from scams, Bank of Maldives has introduced a self-service 'Kill Switch' to disable access to Internet Banking and cards in emergencies.

The 'Kill Switch' is a single which action allows customers to immediately log out of all active Internet and Mobile Banking sessions as well as freeze their cards in case of scams, preventing any further transactions from taking place. The feature, available on the Internet Banking login page, is a self-service function which can be activated by customers without contacting the Bank.

The Bank's CEO and Managing Director Karl Stumke commented "This feature has been launched as part of series of steps taken by the Bank to strengthen measures against scams. In the event a customer recognizes they have been scammed, they can now take the first step of freezing their cards and Internet Banking at any time."

Once the Kill Switch is enabled, customers will only be able reactivate their Internet Banking and cards following a stringent verification process through the Contact Centre or by visiting the nearest branch.

The Bank has taken several steps to protect customers from scams over the past months:

- In May, the Bank introduced Two Factor Authentication (2FA) for Internet and Mobile Banking logins. With the new update, an extra layer of security has been added to verify that the login is by the registered customer.
- In March, One Time Passwords (OTP) were enabled for all Scan-to-Pay payments in addition to alerts for all log-in attempts on Internet and Mobile Banking.
- In 2022, the Bank also introduced OTPs via authenticator apps, disabling email as a default OTP channel and began sending push notifications for all Internet and Mobile Banking transactions.

Bank of Maldives currently serves over 325,000 customers with the nationwide network of 38 branches across all 20 atolls, 87 Self Service Banking Centres, 143 ATMs, over 200 agents and a full suite of Digital Banking services, the Bank is committed to supporting individuals, businesses and communities across Maldives.

Bank of Maldives News

Maldives Islamic Bank to open Fully Online Digital Account

MIB upgrades ApplyNow Portal with efaas integration paving the way for a Fully Online Digital Onboarding Journey.

The need for visiting a branch, waiting in queue to submit applications, sign signature cards and get verified physically is now a practice of the past.

Customers can submit and open accounts, order and receive debit cards, get registered for internet banking and start their banking journey from the comfort of their homes.

For a truly digital journey simply headover to ApplyNow Portal login with your efaas and begin a brand new digital banking journey.

MIB remains committed to adding more value to help our customers truly Bank where they stand.

For customers who need to update their information using efaas will make your journey more convenient.

Maldives Islamic Bank News

PNB extends P600 million loan to complete Zamboanga hospitals

Lucio Tan's Philippine National Bank (PNB) has extended a P600 million loan to Metro Zamboanga Hospital and Medical Center Inc. (MetroZam) to finance the construction of an eight-story hospital with helipad.

PNB provincial commercial banking group head Aaron Astor said the signing of the 10-year loan agreement is in line with bank's thrust to help drive social and economic development in the countryside.

"PNB is ready to help our country – including the provinces – improve the quality of life for the communities through our financing projects. This is especially true for industries that thrive and are considered essential in the new normal such as the healthcare industry," Astor said.

MetroZam is expected to house various specialized clinical services. The hospital would also generate employment for at least 300 professional and sub-professional health workers in the region.

MetroZam president Anthony Chan said the company hopes the partnership with PNB would be the start of more productive efforts to benefit local communities.

"MetroZam will strive to build and operate a hospital that will remain true to the principle of sustainable delivery of innovative and inclusive health solutions," Chan said.

The hospital is owned by various Zamboanga doctors and businessmen whose aim is to provide excellent healthcare services not only in Zamboanga City, but also in the islands of Basilan, Sulu, and Tawi-Tawi and the provinces of Zamboanga del Sur, Zamboanga del Norte, and Zamboanga Sibugay.

The earnings of the listed bank jumped by 71 percent to P4.81 billion in the first quarter from P2.81 billion in the same quarter last year, boosted by the huge windfall from the disposal of investment properties.

Tan's LT Group Inc. has a 59.88 percent stake in PNB. The bank has 651 domestic branches as well as 72 overseas branches, representative offices, remittance centers and subsidiaries in 17 locations in Asia, North America and Europe.

Philstar

RCBC DiskarTech bags the Infosys Finacle Innovation Global Award 2023

RCBC DiskarTech, the pioneering and award-winning financial inclusion mobile application of Rizal Commercial Banking Corporation (RCBC), won the prestigious Gold Award for Ecosystem-Led Innovation in the Infosys Finacle Innovation Awards 2023.

With the theme "Inspiring Better Banking," this year's Infosys Finacle Innovation Awards had an impressive turnout of over 200 nominations from various banks worldwide spanning across ten distinct categories: Ecosystem-led Innovation, Product Innovation, Channel Innovation, Corporate Banking Innovation, Process Innovation, Maximizing Customer Engagement, Transformation Excellence, Modern Technologies-led Innovation, Business Model Innovation, and ESG-led Innovation.

Participants from leading banks worldwide underwent an intensive evaluation process, aimed at identifying the most transformative and impactful innovation initiatives within the industry. Financial institutions from across the world were recognized for actively pursuing innovative strategies to differentiate themselves and maintain a competitive edge in the banking industry.

RCBC DiskarTech's exceptional achievements and groundbreaking contributions have set a new benchmark for innovation in the financial sector. As a key component of RCBC's MoneyBela Barangayan or grassroots banking scaling physical-digital or phygital blended banking experience in geographically isolated, disadvantaged and conflict areas, RCBC DiskarTech boosted bank onboarding in Philippine rural areas by 210 percent, reached a total of 13,116 barangays or approximately 31 percent of the 42,000 total barangays nationwide, and enabled millions of unbanked and underserved Filipinos to open their first basic deposit accounts in just six months from its rollout in 2022.

RCBC leaped from eighth position in 2018 to fifth by end of 2022 among the Philippines' largest privately-owned universal banks in terms of assets. Just recently, RCBC was also hailed as Grand Champion for Digital Payments and Financial Inclusion by the Bankers Institute of the Philippines.

The Manila Times

Doha Bank Launches Sustainable Finance Framework, Earns Independent Evaluation from Sustainalytics

Doha Bank is pleased to announce the launch of its Sustainable Finance Framework, a step that showcases its strong commitment and alignment to the goals of the Qatar National Vision 2030. Commenting via its independent Second Party Opinion of the Framework, Morningstar Sustainalytics, a leading ESG research, ratings, and data firm, found the Framework to be ‘credible’, ‘impactful’, and positively aligned with industry standards.

With this launch, Doha Bank paves the way for the issuance of various ESG-aligned debt and capital instruments, including bonds and private placements, under its Euro Medium Term Note (EMTN) program. These issuances will be aligned to various internationally recognized guidelines and principles, including the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines of the International Capital Market Association (ICMA).

“Doha Bank is dedicated to fostering sustainable development and supporting the transition to a greener, more inclusive economy. The Sustainable Finance Framework signifies our unwavering commitment to this goal,” said Gudni Stiholt Adalsteinsson, Acting CEO of Doha Bank. “By promoting ESG-aligned bonds, we aim to attract more responsible investments and contribute to broader environmental and social objectives.”

From strategic decision-making to core business operations, Doha Bank has taken a holistic approach to ESG, allowing it to deliver continuous value to its stakeholders, including customers, shareholders, employees, and the broader community. The bank’s Commercial Banking Unit collaborates with small and medium enterprises (SMEs) and microenterprises, offering grassroots funding aimed at encouraging innovative, inclusive business practices within the local community. Through its Wholesale Banking, the Bank also funds various infrastructure projects developed in line with internationally recognized sustainability standards.

Doha Bank News

IBEC implements trade finance transactions in Chinese yuan

The International Bank for Economic Co-operation provided Transport and Development Bank (TransBank), a major Mongolian commercial bank, with a trade-related loan of CNY 9.5 million for one year.

The funds provided by IBEC are used to finance the supply of cars from Japan to Mongolia. The supply contract was financed with IBEC loan in Chinese yuan. IBEC continues to support foreign economic relations of its member states in various directions, including the Asian region, diversifies and deepens cooperation with Mongolian banks in the field of trade finance.

In the new external economic realities, the Bank pays special attention to changes in the needs of its counterparties, including the diversification of foreign exchange settlements, which in turn allows IBEC to remain a reliable partner for its member countries and provide assistance in the implementation of trade operations with other countries.

In 2021, IBEC and the Transport and Development Bank signed a General Agreement on the implementation of trade finance transactions in order to develop partnerships and jointly support the export-import operations of Mongolian companies. The parties have been actively cooperating within the framework of the agreement, which has led to the implementation of a number of trade finance transactions totaling approximately EUR 5 million in different industry sectors.

IBEC News

DBS' response to MAS' media release on breaches of AML requirements

The Monetary Authority of Singapore (MAS) announced penalties on several entities for breaches of anti-money laundering (AML) controls. Please see DBS' response below:

"DBS takes our AML obligations seriously and accepts MAS' decision. MAS' actions were for lapses occurring between July 2015 and February 2020 relating to a network of customers which is ultimately traceable to Wirecard. These transactions were part of an elaborately orchestrated scheme involving a network of complex corporate structures, nominee arrangements and financial products to conceal actual control and/or beneficial ownership. While we detected and acted upon some of these activities through transaction monitoring and customer due diligence – and ultimately exited all relevant entities – we were unable to unravel the scheme in its entirety. We acknowledge that we could have done better.

Today, DBS is in a materially better position to respond faster and more robustly if faced with similar circumstances. Between 2019 and 2022, we had worked closely with MAS to enhance the effectiveness of our anti-money laundering controls. This has materially improved our ability to detect and mitigate risks arising from complex networks. MAS has recognised the improvements made. Cognisant that AML is an industry-wide concern, we also continue to actively contribute to public-private industry collaborations such as AML/CFT Industry Partnership (ACIP) and Collaborative Sharing of Money Laundering/Terrorism Financing Information & Cases (COSMIC) to combat financial crime."

DBS Bank News

UOB opens 10th FDI Advisory Centre in Japan to empower Japanese companies to expand into Southeast Asia

UOB has launched its 10th Foreign Direct Investments (FDI) Advisory Centre in Tokyo, supported by a dedicated Japan desk in Singapore to help Japanese companies looking to expand into Southeast Asia.

The group of 10 countries under the Association of Southeast Asian Nations (ASEAN) has grown to become a strong investment destination for Japanese FDIs. The total Japanese FDI into Southeast Asia grew by 15 per cent in 2022, compared to 2020, amounting to 2.65 trillion yen, despite the global slowdown due to the pandemic.

In recent years, fast growing mid-sized enterprises have been a key driver of the growth of FDIs in Southeast Asia. As the appeal of Southeast Asia grows, the types of Japanese companies fuelling this surge include manufacturing and wholesale and retail sectors.

It is against this backdrop that UOB is setting up a FDI Advisory Centre in Japan. Since the Bank started its FDI business in 2011, it has helped more than 300 Japanese companies expand into Southeast Asia. This trend is set to grow due to various factors, including supply chain shifts, trade tensions, rising consumer demographic in a high-growth region and the digital economy.

To help Japanese corporates gain access to business opportunities in the region, UOB co-organised the Japan ASEAN Business Forum with Deloitte Private, alongside partners such as Singapore's Economic Development Board, Indonesia's Investment Coordinating Board, Vietnam's Foreign Investment Agency, Malaysian Investment Development Authority and the ASEAN-Japan Centre. The forum, held in Tokyo today, saw speakers from government agencies, professional service providers and companies share more about the emerging opportunities in the region with about 150 participants in attendance.

Since its start, UOB's FDI Advisory Unit has supported close to 4,000 companies expand beyond their shores to invest over S$43 billion into the region. Resulting from this, we have enabled the creation of about 124,000 job opportunities across

Southeast Asia since 2020 when the pandemic started.

The Tokyo FDI Advisory Centre will act as a conduit for the ASEAN investment promotion agencies, professional service providers and those on the value chain to help the Japanese companies navigate through this region.

UOB News

HNB honoured as the Best Retail Bank in Sri Lanka for the 13th year

HNB PLC was once again recognized as Sri Lanka's undisputed leader in retail banking, when it was awarded the Best Retail Bank in Sri Lanka Award for the 13th consecutive occasion at the Asian Banker Global Excellence in Retail Financial Services Awards 2023.

HNB Deputy General Manager – Retail Banking Group, Sanjay Wijemanne accepted the award on behalf of the bank at the ceremony held at Shangri-La Hotel, Bangkok Thailand

HNB prevailed through stiff competition to be crowned winners in an event renowned as one of the most rigorous, prestigious and transparent programmes for retail financial services anywhere in the world today. The Awarding programme showcases regional institutions that set new benchmarks in stability, innovation, digital enablement and process re-engineering which have led to unleashing rapid and sustainable growth.

Receiving the award, HNB DGM – Retail Banking Group, Sanjay Wijemanne said, "Being acknowledged as Sri Lanka's Best Retail Bank for the 13th year by the Asian Banker Magazine is a testament to the dedicated efforts of our team and our unwavering commitment to delivering exceptional banking experiences to our customers. As we look towards the future, we remain dedicated to leveraging our strengths and unique capabilities to drive growth and prosperity across Sri Lanka."

Notably, the bank consolidated its legacy of true leadership in sustainability, good governance and corporate excellence with a resounding victory at the prestigious Ceylon Chamber of Commerce Best Corporate Citizen Sustainability Awards 2022 (CCC BCCSA).

Having been declared the overall winner, HNB further secured additional four accolades including Governance category winner, Sustainability Champion for the Finance sector, Second runner-up for Demonstrated Resilient Practices for COVID-19 category, and ranked among the Top 10 Best Corporate Citizens, a position which HNB has achieved for 13 years.

Moreover, the bank was also crowned Sustainability Champion for The Finance Sector in recognition of its systemic national contributions in supporting Sri Lanka's transition towards renewable energy, grassroots-led economic development, and the multi-pronged environmental and social campaigns by the HNB Sustainability Foundation.

Furthermore, HNB was ranked among the Top 1,000 Banks in the world for the sixth consecutive year by the acclaimed UK based 'The Banker Magazine' while being adjudged the 'Best Service Bank' and the 'Market Leader' in the Euromoney Trade Finance Survey 2023.

HNB News

Mega Bank wins pre-tax profits bank competition

State-run Mega International Commercial Bank last quarter won a competition among the 40 lenders in Taiwan — all of which benefited from interest rate hikes — based on measuring profit contributions per employee, a recent report by the central bank found.

Individual staffers at Mega Bank generated NT$6.97 million (US$225,420) between January and March, overtaking Shanghai Commercial and Savings Bank, which finished in second place with NT$6.5 million per staffer, according to the report that ranked the lenders' pre-tax profitability divided by their number of employees.

It is relatively difficult for large banks to rank high since they hire more workers than their small and medium peers — excluding Export-Import Bank of the Republic of China and Agricultural Bank of Taiwan because of their special operations — the central bank said.

With a focus on international trade financing, Mega Bank reaped a windfall from interest rate hikes at home and abroad, it pointed out.

The central bank hiked interest rates five times between March last year and March this year, driving up borrowing costs by 0.75 percentage points. The US Federal Reserve made steeper tightening moves, and the interest rate gaps allowed domestic lenders to make generous gains in currency swap operations.

Taipei Times

Among Member Banks

Chang Hwa bank forecasts record earnings for 2023

State-run Chang Hwa Commercial Bank (CHB) expects to achieve record high earnings this year after net profit last quarter spiked 45.21 percent year-on-year to NT$3.45 billion (US$112.55 million), due to widening interest rate gaps between the New Taiwan dollar and the greenback.

The bank's first-quarter results translated into earnings per share of NT$0.33, with the bad loan ratio standing at 0.18 percent and the coverage ratio at 693.87 percent, company data showed.

"Profitability enhancement tops CHB's business development without compromising its asset quality," CHB president Chou Chao-chung told an online investors' conference.

The goal is achievable judging by profit and asset quality indicators, Chou said.

The lender would seek to raise profit contributions from overseas branches, diversify their sources of income and strengthen their competitiveness against local peers in foreign markets, he said.

CHB would also enhance its wealth management business and customer satisfaction by expanding staff numbers, building flagship wealth management branches, and introducing more financial and investment products and services, Chou said.

The bank would aim to make use of its investment funds, increase holdings in stocks with high dividends, and closely track their prices and movements, he said.

CHB attributed its impressive first-quarter performance to trading incomes that soared 285.78 percent year-on-year, double-digit growth in foreign currency deposits and a 30 percent gain in overseas lending.

Drastic advances in foreign-currency deposits and financing activity, especially in the US and Europe, lent support to CHB's core operations, officials said.

Profit momentum would be sustained for the rest of this year as interest rate differences between the greenback and NT dollar remain large, officials said.

At the same time, CHB would increase lending with borrowers involved in the development of green energy in line with government policy, they added.

Taipei Times

Mobile banking of First Commercial Bank Macau Branch has launched

Customers of Macau Branch can use the First Commercial Bank (FCB) eBanking APP starting from May 30, 2023.

FCB eBanking APP is available for customers of Phnom Penh Branch (including Sub-branch), Ho Chi Minh City Branch, Hanoi City Branch, London Branch, Brisbane Branch, Tokyo Branch, Vancouver Branch, Toronto Branch, Singapore Branch and Macau Branch, the functions are as follows:

- Quick login service: Login by using Fingerprint Identification / Face ID / Pattern Password / Digital Password, it can be bound to up to 5 devices.
- Manage your bank accounts: Saving account inquiry, time deposit account inquiry, loan details.
- Investment information: Exchange rate inquiry, interest rate inquiry.
- Notification services: App login, reset login password, eSecure device binding and successful transfer/ remittance notifications.
- Internationalization: Switching language across multiple languages (Traditional Chinese, English, Khmer, Vietnamese and Japanese) is supported.
- eSecure: A secure and convenient authentication by push notification of your registered mobile device (Except Vancouver Branch and Toronto Branch).
- Report loss of ATM card, accounts transfer/remittance services: Only available to customers of Phnom Penh branch (including Sub-branch).

First Commercial Bank News

Land Bank's Strong Backing: Subscribes to 15,000 Kilograms of Pineapples in Solidarity with Taiwanese Farmers

The Land Bank of Taiwan, in line with its corporate social responsibility, initiated the "Exquisite Flavor of Pineapples, Land Bank's Support" campaign in mid-May. Proactively subscribing to 15,000 kilograms of Golden Diamond Pineapples (Tainong 17), the bank takes action to assist local farmers, hoping to create a ripple effect and encourage all sectors to purchase domestically grown fruits and vegetables cultivated with great care by the farmers.

In recent years, Taiwan's agricultural products have experienced significant fluctuations in production and sales. To stabilize the market, alleviate the issue of oversupply, and help farmers overcome difficulties, the government has been promoting and encouraging businesses to make purchases. The bank has actively responded to government policies and provided unwavering support for local agricultural products over the years. Following the subscription of 6,600 kilograms of Sugar Apples (Atemoya) in March, the bank once again took the initiative in mid-May to order 15,000 kilograms of Golden Diamond Pineapples through the "Taiwan Excellent and Fresh Fruit Croup Purchase Platform." This not only helps increase farmers' income, but also allows the bank to share the produce with underprivileged groups, social welfare organizations, and customers, expressing its care and gratitude.

For many years, the bank has participated in the subscription of local agricultural products, and Initiatives such as "Land Bank's Support for Taiwan Pineapples," "Mango Delights, Confidence in Anti-Epidemic Efforts," "Sweet Pineapples and Sugar Apples, Land Bank Supports Our Homeland," and "Land Bank Spreads Love, Brings Happiness with Pomelos" have been launched consecutively since 2021. As a result, the bank was honored as an outstanding contributor to agricultural product marketing by the Agriculture and Food Agency of Council of Agriculture in 2022.

"Local Care" has always been considered an important part of the bank's commitment to fulfilling its corporate social responsibility. In addition to subscribing to agricultural products to support local farmers, the bank also responds to the diverse needs of society with financial expertise. Services such as the "Youth Homeownership Loan for a Secure Family," "Senior Happy Living Loan," and "Elderly Care Trust" are offered, upholding the business philosophy of "taking from society and giving back to society." The bank remains committed to its corporate social responsibility and will continue to support Taiwan's local industries from a perspective of sustainable finance and social engagement.

Land Bank of Taiwan

Fubon Financial Holdings Reports May 2023 Earnings Results

Fubon Financial reported unaudited consolidated pre-tax profit of NT$4.246bn and net profit of NT$3.752bn in May. Cumulative consolidated pre-tax profit and net profit was NT$27.525bn and NT$25.620bn, respectively, translating into EPS of NT$2.07 for the first five months of the year. Taipei Fubon Bank's cumulative net profit in the first five months hit a record high for the same period and exceeded NT$10.0bn for the first time. Fubon Securities' cumulative net profit in the first five months hit the second highest for the same period. Fubon Insurance has been profitable for two consecutive months since April.

Fubon Life's May net profit was NT$1,373mn and cumulative net profit was NT$13,780mn. TAIEX rose in May as US and tech stocks rebounded. Fubon Life continued to realize capital gains and collect dividends. The main sources of profit came from interest income and investment income of foreign and domestic equities and funds. For fixed income investment, bond market rates rebounded in May as the market was optimistic that a consensus would be reached in the US debt ceiling issue. Rising interest rates boost life companies' recurring return in the medium- and long-term. Fubon Life maintained liquidity to flexibly respond to the market movement. USD was supported by the Fed's interest rate hike path. Meanwhile, NTD was also resilient due to the inflow of foreign capital. USD/NTD appreciated slightly by 0.08% in May, showing a consolidation trend compared to the appreciation of 0.94% in April. The ending balance of Fubon Life's FX reserves was over NT$31bn, exceeding the upper limit of the FX reserve requirement, which helped mitigate FX risks. Fubon Life's standalone cumulative FYP and TP reached NT$38,835mn and NT$127,817mn, respectively, both estimated to rank the top 2 in the industry. FYP was NT$7,917mn in May, up 30.0% yoy. The growth was mainly from traditional and investment products. The traditional type increased 168.2% yoy, mainly due to the sale of participating policy, and the investment type increased 62.4% yoy. TP was NT$ 26,217mn, up 5.5% yoy. Both FYP and TP in May are estimated to rank the top 2 in the industry. Fubon Life's capital position remained decent, with RBC ratio and equity to asset ratio exceeding the legal minimum requirement of 200% and 3%, respectively.

Taipei Fubon Bank's May net profit was NT$1,901mn and cumulative net profit was NT$10,540mn, up 1.7% and 1.3% yoy, respectively. The growth of cumulative net profit would be around 29% yoy if the bargain purchase gain in 2022 was excluded. The increase in net profit was mainly from the double-digit growth in revenue yoy. Net interest income growth benefited from rate hikes, adjustments in deposit and loan structure, and the steady growth of overseas lending momentum. Meanwhile, net fee income grew by over 20% yoy, primarily due to the growth of customer base in wealth management and credit card business, as well as increase of wealth management AUM. Treasury related income maintained high growth year-to-May. In the credit card business, the number of active credit cards exceeded 4 million, up 30% yoy. Cumulative card spending, up 22% yoy, could accelerate in 2H23 due to higher travel demand in summer and Costco affinity card consumption. Asset quality remained benign. NPL ratio and coverage ratio were at 0.14% and 885%, respectively.

Fubon Insurance's May net profit was NT$312mn and cumulative net loss was NT$3,562mn. The profit in May indicated that the impact of Covid-related policy is coming to an end and the company adjusted its business mix. The capital injection of NT$16bn was completed in May, which enhanced its capital position and working capital. The capital adequacy ratio exceeded the statutory requirements.

In terms of business performance, TP in May was NT$4,585mn. Fubon Insurance continues to expand its business and prudently control risk appetite. Marine insurance growth reached 28.3% yoy and auto and new types of insurance climbed over 10% yoy. Accumulated premium in the first five months was NT$24,877mn, up 3.0% yoy. With a market share of 24.5%, Fubon Insurance continued to be the market leader.

Fubon Securities' May net profit was NT$401mn and cumulative net profit was NT$2,421mn, up NT$846mn or 54% yoy, mainly due the contribution from proprietary trading, as TAIEX surpassed 16,000, a record high year-to-May.

Fubon Financial News

Among Member Banks

Bangkok Bank increases deposit and loan interest rates

Bangkok Bank is raising both deposit and loan interest rates with Thai economy expected to continue expanding, effective from June 2, 2023.

Bangkok Bank Senior Executive Vice President Mr. Suvarn Thansathit said that Bangkok Bank has announced an increase in deposit and loan interest rates. The deposit interest rate is increasing by 0.05-0.25%, so the savings deposits interest rate has increased to 0.60% per annum, e-Savings deposits under 1 million baht interest rate 1.50% per annum and over 1 million baht increased to 0.60% per annum, 3-month fixed deposits to 0.95% per annum, 6-month fixed deposits to 1.05% per annum, and 12-month fixed deposits to 1.35% per annum, 24-month fixed deposits to 1.75% per annum, and 36-month fixed deposits to 1.90% per annum.

In terms of loan interest rates is increasing by 0.20%, the MLR (Minimum Loan Rate) to 6.85% per annum, the MOR (Minimum Overdraft Rate) to 7.30% per annum and the MRR (Minimum Retail Rate) to 7.05% per annum.

Bangkok Bank News

Vietcombank increases ATM and credit card service fees from July 1

Vietcombank has just announced the adjustment of fee schedule for some card products from July 1.

Specifically, this bank said that in the past, the bank applied all personal card products free of charge with 2 card activation services at the counter and direct card sending fee. However, from July 1, these 2 services will be charged VND 20,000/card, applicable to all personal card products.

Vietcombank also increased 2 types of fees for international credit cards. In which, the fee for terminating the use of physical international credit cards increases from VND 50,000 to VND 100,000/card. Applicable to all personal international credit card products (except Visa Signature card) and not applicable to non-physical cards.

With the fee of not paying in full the minimum payment amount on international credit cards, Vietcombank still applies a fee of 3% of the unpaid minimum payment value. However, the minimum fee is adjusted to increase from 50,000 VND to 100,000 VND. At the same time, this policy will apply to all cards for individual customers, institutional customers regardless of card class (including affiliate card products). Previously, hotels with Platinum or higher cards were exempt from this fee.

With debit card (ATM), Vietcombank adjusted 4 types of service fees from July 1. In particular, the fee to maintain domestic and international debit cards with technology that was previously not collected, from July 1, will be charged 10,000 VND/month/card. This policy will not cover customers who have converted Chips.

Vietcombank said that this fee will be refunded in case the customer converts the magnetic card to a chip card and/or locks the magnetic card within 3 months from the date of fee collection. In case the bank fails to collect the fee, the customer's magnetic card will be automatically locked.

Customers also have to pay 50,000 VND/card to terminate the use of physical international debit cards instead of being free as before. However, Vietcombank also noted that this regulation does not apply to non-physical cards.

In contrast, Vietcombank said that it will apply chargeback free of charge to domestic debit cards, instead of applying the rate of 45,454 VND/transaction as before.

For many years, Vietcombank has always been one of the banks that applies many preferential policies on card service fees to customers, especially digital banking services. This is a rare service fee increase of this bank.

Zing News

Banking and Finance Newsbriefs

Bhutan

Tiny Bhutan banks on Bitcoin to boost economy

The tiny Himalayan country of Bhutan, which in 1999 became one of the very last in the world to allow internet access, is now making what is perhaps Asia's boldest foray into the risky world of cryptocurrency.

For decades, Bhutan's development was limited by physical geography — almost 99 per cent of its territory is covered by mountains and hills. But since the 1970s, the isolated kingdom has used its geography to its advantage by constructing numerous hydroelectric power plants along its glacial rivers, giving it enough electricity for its own use and for export.

Now, Bhutan plans to use its cheap, abundant power to mine Bitcoin — an extremely energy-intensive process requiring special computers and technology to solve complicated mathematical problems — and invest the profits in the country's development.

Bhutan's sovereign wealth fund, Druk Holding and Investments (DHI), announced a $500 million partnership with a Singapore tech company, Bitdeer, to mine Bitcoin in the country for sale abroad early May.

"The partnership with Bitdeer to launch a carbon-free digital asset mining datacentre represents an investment in a more connected and sustainable domestic economy, helping ensure we are at the forefront of global innovation," DHI chief executive Ujjwal Deep Dahal said.

Bhutan is not known as a tech-savvy nation. While internet coverage is now at 85 per cent of the country's 795,000 citizens, its tech industry is nascent, according to Tshering Cigay Dorji, the former chief executive of Thimphu Tech Park, the country's only major IT hub, which hosts about 600 workers and a handful of companies servicing international clients.

More than half of Bhutan's population still work in agriculture and the country is one of nine Asian countries categorised by the United Nations as a Least Developed Country.

"The problem is that while Bhutan has this very romantic, Shangri-la type image in the west, the ground reality is that we are still one of the least developed countries and economic self-sufficiency has always been our ultimate aim," said Tenzing Lamsang, the editor of The Bhutanese, the country's largest private newspaper.

Under Bhutan's Wangchuk dynasty, the country's focus has been on boosting Gross Domestic Happiness rather than financial gain. But the royal family's decision to increasingly cede power to elected officials in recent years has led to better policy decisions regarding the economy.

The abundant power from hydroelectric plants was used to drive new domestic industry, including forestry and mining, as well as being exported to neighbouring India.

The poverty rate declined from 36 per cent in 2007 to 9 per cent in 2019, according to the World Bank.

"We don't have much land for large-scale industry and we can't compete with China and India when it comes to services. But, what we do have is extensive hydropower – the cheapest in the world," Lamsang said.

"Bitcoin is part of a fourth economic industrial revolution in Bhutan. Cryptocurrency is a low-hanging fruit for us and we can use the proceeds to get into AI, robotics and machine learning."

News of the state's Bitcoin venture has been greeted with a mixture of excitement and suspicion in Bhutan, given the unfamiliarity with the concept of cryptocurrency and the fact that $500 million is a huge investment for an economy the size of Bhutan's size – the International Monetary Fund puts GDP at $2.6 billion, which ranks the country 178th in the world.

The National

Hong Kong

Hong Kong and UAE central banks explore closer financial ties to promote investments

The central banks of Hong Kong and the United Arab Emirates (UAE) are working together to set up financial infrastructure and policies in five major areas to promote cross-border payments and investments between the two markets.

To that effect, the banking sector is being encouraged to promote the use of the yuan among Middle Eastern companies in Hong Kong, while also attracting more family offices and sovereign wealth funds to invest here, according to Hong Kong Monetary Authority (HKMA) CEO Eddie Yue Wai-man.

Yue, who led a delegation of bankers on a three-day trip to the UAE in May 2023, said the HKMA has set up a working group with the Central Bank of the UAE to study policies and infrastructure for promoting cross-border digital payments, trading of yuan products, regulations on virtual assets and ESG (environmental, social and governance) financing.

The Hong Kong Association of Banks, the industry body of local lenders, is working with its UAE counterpart on these developments.

One of the main purposes of the trip was for local lenders to introduce their services and products to encourage Middle Eastern investors to trade in yuan-denominated shares and dim sum bonds – debt denominated in yuan – via Hong Kong, he said.

Hong Kong is the world's largest offshore yuan trading centre with deposits of over 1 trillion yuan (US$140 billion), while the stock and bond connect schemes allow international traders to invest in mainland China's stocks and bonds via Hong Kong.

South China Morning Post

Banking and Finance Newsbriefs

India

India's Compromise settlement for wilful defaulters

The Reserve Bank of India (RBI), in a controversial move, has allowed wilful defaulters and loans accounts involved in frauds to go in for a compromise settlement with banks to settle their dues.

A section of bankers say the RBI decision may be detrimental to the banking system and depositors as the wrongful actions of such defaulters and fraudsters are being condoned, placing the burden of their misdeeds on the shoulders of ordinary citizens, especially depositors.

A compromise settlement refers to a negotiated settlement where a borrower offers to pay and the bank agrees to accept in full and final, settlement of its dues an amount less than the total amount due to them under the relative loan contract. This settlement invariably involves a certain sacrifice by way of write off and/or waiver of a portion of its dues on a one-time basis.

In the last two decades, banks have approved several compromise settlements, running into hundreds of crores with huge haircuts – or the reduction of outstanding payment or loans that will not be repaid by the borrowers – leading to huge losses for banks.

Banks can undertake compromise settlements or technical write-offs in respect of accounts categorised as wilful defaulters or fraud without prejudice to the criminal proceeding underway against such debtors, the RBI said in a circular on June 8, 2023.

The central bank has also directed banks to fix a minimum cooling period of at least 12 months before making fresh exposures to borrowers who had undergone compromise settlements. This means a wilful defaulter or a company involved in fraud can get fresh loans after 12 months of executing a compromise settlement.

The Indian Express

Iran

Iran FINEX 2023 Exhibition Inaugurated in Tehran

The 15th International Exhibition of Financial Industries (Exchange, Bank & Insurance) was opened at the venue of the Tehran Permanent International Fairgrounds on June 6.

At the inauguration ceremony, Chief Executive of Iran International Exhibitions Company (IIEC) Seyed Ahmad Reza Alaei pointed to the significance of introducing modern tools in the financial industries of the country and said, "Under an agreement made with the Russian Federation, a new financial tool will be unveiled for transferring money among economic activists of the two countries after one-year incessant efforts."

A tool of banking guarantee letter will be unveiled at the exhibition between Iran's Bank Pasargad and Russia's Sberbank and there will also be the opening of a domestic Letter of Credit (L/C), based on which, the economic activists of the two countries would be able to do bilateral trade using national currencies, he added.

A total of 136 leading companies active in the exchange, bank and insurance industries are participating in this edition of the exhibition, he continued.

Introducing the most modern technologies in the field of financial tools and also diversified creativities and new startups in the field of financing have been cited as the objectives of Iran FINEX 2023, Alaei concluded.

Tasnim News Agency

Japan

Japan's Ueda sticks to easing but hints at future tweaks

The Bank of Japan left its ultraloose monetary policy untouched on June 16, with new Gov. Kazuo Ueda sticking to his cautious stance on making tweaks or changing course.

The second two-day policy meeting under Ueda did not produce any unexpected moves. But in a news conference after the meeting, Ueda hinted there may be surprises going forward when it comes to its "yield curve control" (YCC) program, saying that in order to deal with the changing economic environment, "A certain degree of surprise may be unavoidable."

Ueda has stressed the importance of communication with markets, but it is difficult to give forewarning of tweaks to the YCC program to allow wider long-term rate swings or plans to terminate the program entirely. Such announcements would trigger a massive sell-off of Japanese government bonds (JGBs) by investors and could cause long-term rates to skyrocket, so YCC policy changes will likely need to be made without prior notice.

For now, the central bank maintained its monetary stimulus, which includes the YCC program, of purchasing unlimited amounts of 10-year JGBs to keep yields at around 0% while also setting the short-term interest rate at minus 0.1%. The BOJ also did not change the range of acceptable fluctuations of 10-year JGB yields – currently set a plus and minus 50 basis points.

Since he took the helm of the central bank in April, Ueda has said the BOJ will tenaciously continue its aggressive easing – which was initiated a decade ago by his predecessor, Haruhiko Kuroda – until the bank realizes its goal of 2% inflation occurring in a stable and sustainable manner.

Inflation has been at a historically high level, with consumer prices excluding volatile fresh food reaching over 2% for the past year or so. But the BOJ has said current inflation is mainly being driven by higher energy and commodities prices stemming from the Russia-Ukraine war.

A weaker yen due to the growing interest rate gap between the BOJ and the vast majority of its peers has fueled inflation as well, with the Japanese central bank trodding its current path virtually alone.

“In April, Ueda had warned that tightening the monetary stimulus prematurely and missing the 2% target poses a greater risk to the economy than delayed tightening.

The NLI Research Institute’s Ueno said the hurdle to achieve the BOJ’s stable and sustainable 2% inflation goal backed by a healthy cycle of wage hikes is actually very high, given that it is uncertain whether Japanese firms will maintain an average wage increase of over 2%.

“It’s not an easy task, so I think it could take quite a while to normalize the monetary policy,” he said.

In the meantime, Ueda may introduce policy tweaks to mitigate some side effects of the decadelong ultraloose easing, including changes to the YCC program within this year.

This is because the Fed will likely enter a rate cut phase in 2024, meaning the BOJ’s moves to tweak policies could “push up the yen’s value more than expected and push down stock prices,” Ueno said.

Japan Times

S. Korea

South Korea central bank sees low possibility of banking crisis in country

South Korea’s central bank said on June 21, it saw little possibility of the country encountering a banking crisis or any trouble similar to events in the US and Europe earlier this year.

Even another banking crisis on a global scale was unlikely to cause sudden capital flight out of the country, the Bank of Korea (BOK) said in its bi-annual financial stability report.

“Assessment of our financial system’s underlying risks shows there is low possibility of domestic financial institutions going through a similar circumstance to that of Silicon Valley Bank or Credit Suisse,” the BOK said.

“They are well-prepared to respond even if such events do occur,” it added, citing non-bank financial institutions’ ample liquidity, online lenders’ holdings of high liquidity assets and strict rules for writing off bonds.

Earlier this year, a series of bank troubles in the United States and Europe sparked worries about a financial crisis across global financial markets, triggering central banks’ prompt responses to contain them from developing into contagion.

The BOK said capital flows in the local market remained stable during the time of global banking uneasiness, unlike during past global financial crises, attributing it to improved external soundness and credibility.

On the domestic real estate market, the central bank said financial stability risks were overall at a manageable level, as they had caused a limited amount of defaults so far and financial institutions stayed resilient.

There is still a need to pre-emptively prepare for house prices dropping sharply over a short period of time as worries persist over high interest rates and slowing growth, it added.

The Business Times

Malaysia

Malaysia PM Anwar confident new Bank Negara governor can continue sustainable monetary policy

Prime Minister Datuk Seri Anwar Ibrahim is confident that newly-appointed Bank Negara Malaysia (BNM) governor Datuk Shaik Abdul Rasheed Abdul Ghaffour is capable of continuing a sustainable and stable monetary policy.

The prime minister has also placed his full faith in Shaik Abdul Rasheed to face the current challenges and create a new thrust for the country.

Shaik Abdul Rasheed will assume the position of governor from Tan Sri Nor Shamsiah Mohd Yunus, who completes her five-year term on June 30.

"Today, I met the new Bank Negara governor Datuk Shaik Abdul Rasheed Abdul Ghaffour.

"I expressed my highest level of confidence in him to continue a sustainable and stable monetary policy and that it will be improved so that the country’s financial position will become better, stronger and more stable,” Anwar posted on Facebook June 20.

Anwar also thanked Nor Shamsiah for her service in guiding BNM, especially when the country was going through difficult and bitter moments during the (Covid-19) pandemic.

Meanwhile, in a separate Facebook posting, the prime minister also said that Federal Territories Mufti Datuk Luqman Abdullah paid him a courtesy call at Perdana Putra this evening.

Anwar was given a briefing on religious matters relating to questions and management of fatwa to the community, in addition to the development and improvement of astronomy and observatory facilities in the country.

"He (Luqman) also briefed me on the planning for the programmes in conjunction with the golden jubilee celebration of the FT mufti’s office in 2023,” he said.

Malay Mail

Banking and Finance Newsbriefs

Nepal

Nepal's Recurring credit risks behind increasing NPLs

The slowdown in the economy both globally and locally over the past couple of years has affected the operation and monitoring standards of banking institutions, expanding the credit risk situation.

According to the Bank Supervision Report 2021-22 released by the Nepal Rastra Bank (NRB)'s Bank Supervision Department on Wednesday, excessive lending, especially to non-productive sectors, slowdown of economic activities post COVID- 19, the slowdown in the construction sector, over-financing and use of loans for other than the intended purpose, increment in interest rate have reduced the repayment capacity of the borrower, thereby resulting in rising non-performing loan (NPL) level.

Although loans disbursed were not found to be used for the intended purpose, they had been classified as pass category which is non-compliance of NRB Unified Directives. As per the report, new loans were disbursed to settle existing demand loans/term loans/forced loans, settlement of interest at quarter-end, transferred to the account of sister concern without business transaction, and used to settle loan of sister concern in another bank, adding to the credit risk situation.

As a high number of loans taken by the private sector are from banking institutions, there is a probability of increasing credit risks in the sector, NRB Spokesperson Gunakar Bhatta shared. "While the credit-to-GDP ratio in other countries in South Asia is around 60 percent, the ratio stands at around 90 percent in the country as per the data unveiled by the National Statistics Office in May. However, it is common to see the issues mentioned by the report in the banking sector. The operating standards of the banking sector have been affected as a result of the economic slowdown following the spread of COVID-19 and other global effects. During COVID-19, monitoring by the banks was affected, leading to loans being used for other purposes than intended. Following the slowdown in the economy over the past few years, NPLs have also increased which has added to the issues related to credit risks," Bhatta said, adding that the situation will improve alongside some progress seen in economic activities.

According to the third quarterly report published by the Nepal Bankers' Association (NBA) in May 2023, the number of NPLs increased by 3.03 percent in the first nine months of the current fiscal year (mid-July to mid-April) compared to 1.27 percent over the same period of the last fiscal year.

Meanwhile, Sunil KC, president of NBA, also reiterated that the increase in NPLs and the challenging economic environment at present has added to the risk factor.

"The economic situation has been very challenging in the last three years for the country as a whole. As a result, we witnessed fewer new investments in the private sector, low credit growth, and a rise in inflation. There was also additional pressure on the monetary as well as the fiscal and liquidity situation, which further impacted the situation and could have added to the existing risks," KC shared. "However some positive indications seen in the economy over the past six months in terms of increase in remittance flow, stabilising imports, the surplus situation of country's balance of payment, increase in foreign exchange reserves, positive liquidity situation, among other factors, are expected to ease the situation and gradually reduce the risks in the sector," KC said.

The Himalayan Times

Philippines

Philippines Not in Rush to Cut Rate, Finance Head Sees June Hold

Philippine Finance Secretary Benjamin Diokno, who's a member of the central bank's rate-setting panel, expects the key rate to stay at the current level for the rest of year as inflation remains elevated.

The Bangko Sentral ng Pilipinas will probably keep the benchmark rate at 6.25% on June 22 and possibly for the rest of 2023 even as inflation is slowing and authorities forecast price gains to ease to within the 2%-4% target by the fourth quarter, Diokno told Bloomberg Television's Haslinda Amin on June 16.

"I think it's just enough that we pause for a while," Diokno said when asked if he sees a rate cut on the horizon. "If there's a significant drop in inflation, then we will be encouraged to cut the policy rate. I think it's time to maybe consider a policy cut, maybe sometime towards first quarter of 2024."

The BSP raised borrowing costs by 425 basis points since May last year to rein in the fastest inflation in 14 years, in a series of actions that Diokno described as one of the region's most aggressive tightening cycle. Even as the rate hit a 16-year high, the economy likely managed to grow this quarter at a similar pace as the first three months this year, according to the finance chief.

Rate hikes continue in other countries as policymakers are concerned "with how embedded" price pressures have become, said Diokno. In the Philippines, price gains have cooled to an 11-month low in May, providing room for the BSP to pause its monetary tightening in May 2023.

BNN Bloomberg

Banking and Finance Newsbriefs

Qatar

Qatar's QNB Group selects IBM to transform digital banking experience

QNB Group, in collaboration with IBM (NYSE: IBM) and its ecosystem partner, Mannai InfoTech, an ICT Division under Mannai Trading Company WLL have delivered an innovative, pioneering and engaging Digital Banking experience to its customers. IBM Consulting's Business Transformation expertise, the IBM Garage methodology and innovative technology solutions played a key role in this success story.

The project aimed to deliver a seamless Digital Banking experience for QNB's customers by implementing a futuristic Omni Channel solution. The implementation of this architecture has resulted in unprecedented simplicity in version maintenance, dynamic scaling, service governance and service discovery.

These advancements from IBM, together with the support of the ecosystem partner Mannai InfoTech, has allowed QNB to offer a more sophisticated banking environment, which has increased efficiency, enriched resiliency, streamlined operations, and improved productivity, ultimately benefiting the end-user experience.

In addition, integration architects from IBM Consulting guided the installation and configuration of IBM App Connect Enterprise, assisting with the deployment and testing of the infrastructure and supporting QNB to easily govern their integrations to ensure the security and integrity of their data, applications and services.

Zawya

Russia

Russian banking sector back in profit

The banking sector recorded a net profit of RUB224bn in April, with an annual return on equity of 21%. While this figure represents a one-third decrease compared with the high result in March (RUB330bn), the sector has already accumulated profits of RUB1.1 trillion in the first four months of 2023.

The sector has recovered from the initial shock of the start of the war over a year ago and is on course to have a profitable year. In May the Bank of Russia upgraded its forecast for the profit of the banking sector in 2023 from RUB1.9 trillion ($23.75bn) predicted at present, department director Alexander Danilov told reporters.

NPLs ticked up due to the shock as well, but remain at comfortably low levels well within banks' ability to provision for them. As the economy stabilises, NPLs also fell somewhat in May.

In March, the share of NPLs slightly decreased across all major product categories: in corporate lending, from 6.5% to 6.3%; in retail, from 5.2% to 5.1%, including unsecured; consumer lending, from 8.9% to 8.7%; and in mortgages, from 0.7% to 0.6%.

Due to the uncertainties, in April, there was a significant increase in household funds (excluding escrow accounts), growing by RUB604bn, or 1.6%. This followed a moderate growth in March of 0.7%. The dynamics were partially supported by the advance social payments ahead of the May holidays and an increase in their size, including pension indexing.

The corporate loan portfolio in Russia has been experiencing steady growth for the third consecutive month, with April seeing a significant rise. Consumer lending also saw a growth of 1.2%, slightly lower than the previous month, as the CBR is being cautious and has increased the macroprudential requirements on retail loans to avoid a credit bubble.

Liquidity in the sector decreased slightly in April, but the CBR says it remains adequate to cover the needs of the sector. The total volume of liquid assets reached approximately RUB16.4 trillion, which is considered an adequate level. This amount is sufficient to cover 22% of customer funds in banks, or 48% of individual deposits. Additionally, banks have the option to attract RUB9.5 trillion in liquidity from the Central Bank against non-market assets as collateral, which would cover 13% of customer funds.

The balance sheet capital of the banking sector increased grew by RUB217bn, reaching RUB12.8 trillion, driven by the sector's profit of RUB224bn in April.

Information regarding the dynamics of regulatory capital in April will be available after the publication of this article. However, based on the results of March 2023, the indicator of aggregate capital adequacy (N1.0) decreased by 0.18 percentage points to 12.66%, primarily due to the faster growth of risk-weighted assets (+1.8%) compared to aggregate capital (+0.3%).

In March, regulatory capital increased by RUB51bn, predominantly driven by the financial result recognised in capital.

The bond market has also returned to some sort of normality. In the early months of the war state treasury bill issues were bought up by banks as a way of supporting spending, but increasingly banks are buying up corporate bond issues as they seek to diversify their portfolio and companies seek to raise investment capital.

The debt securities portfolio rose by RUB176bn (+0.9%), mainly due to the purchase of corporate bonds. Banks acquired new issuances of federal government bonds (OFZ) totalling only RUB44bn, which is less than a quarter of the total placements.

The Russian Ministry of Finance showed a slight increase in its issuance activity in April compared to March, with OFZ placements amounting to RUB196bn. Approximately 90% of the issued bonds were fixed-coupon securities (OFZ-PD) with regular coupon payments. Ministry of Finance plans to issue a total of some RUB3.5 trillion OFZ this year to supplement income and cover an expected RUB2.9 trillion, or 2% of GDP, federal budget deficit.

bne IntelliNews

Banking and Finance Newsbriefs

Singapore

Singapore to announce new incentives for family offices, launches trade finance registry to counter risks

Singapore can help to fight the global threat of climate change by incentivising and organising capital from the public, private and philanthropic sectors and channelling new models of blended finance into sustainable projects that promise longer-term returns, Senior Minister and Monetary Authority of Singapore (MAS) chairman Tharman Shanmugaratnam said on June 23.

"The (climate) challenges we face require significant amount of investment over a long period of time. And Singapore should look at this as a growth opportunity," he added.

"One important source of (growth capital) that we're now looking at are single family offices, which is a significant pool of capital that is growing faster than most other sources of wealth," he said.

MAS will announce in July improvements to its tax incentive scheme for single family offices in Singapore.

These include providing tax privileges, incentives or grants for contributions to charity, channelling capital towards blended finance and investing in the mitigation of climate change globally, Mr Tharman said.

The changes are also expected to encourage family offices to pay more attention to the social causes that require compassion, impact, investment and deep engagement in society.

Association of Banks Singapore (ABS) on June 23 also launched an information registry to securely maintain a centralised record of trade finance transactions here.

The new Trade Finance Registry will help to mitigate risks such as duplicate financing that are common in the business.

Participating banks will start by registering new trade financing transactions in the registry, and if any of the transactions are found to be duplicated, notifications will be triggered in near real time for further action.

Only information on corporate customers will be provided to the registry, with data encrypted to ensure privacy.

Trade finance refers to the financing provided to facilitate the commercial trading of goods between importers and exporters across international borders.

It is a business that typically involves several parties such as banks, insurers, freight forwarders and logistics service providers.

Duplicate financing is a common risk in trade finance as it involves multiple parties financing a single transaction or shipment.

This occurs when a trader obtains financing from different banks using the same invoice as collateral for each loan, and can result in over-financing and raise the risk of fraud.

The Straits Times

Sri Lanka

Central Bank of Sri Lanka reveals why Banks will be closed for 5 days

The Governor of the Central Bank of Sri Lanka (CBSL), Dr. Nandalal Weerasinghe states that an extended bank holiday was declared from June 29 to July 03, 2023, including June 30, in order to obtain necessary time required for the domestic debt optimization strategy of Sri Lanka.

Making a special statement regarding the matter, the CBSL chief also assured that no deposit in any bank in the country will be affected in the process of restructuring domestic debt and that interests will not be affected.

"The main reason for announcement of bank holiday on June 30th was to create a sufficient number of days for domestic debt optimization strategy that has been discussed with the Central Bank and the Ministry of Finance", he said.

Furthermore, Dr. Weerasinghe emphasized that the strategy has to be announced, implemented and obtain the proper approval process from the Cabinet of Ministers, committees in the parliament and also the parliament debates, adding that the process requires at least around 4 days.

"Continuously, during the dates the debt market and the economy market should not function because their information is very market sensitive… If those proposals are discussed in the public, those sensitive markets are not functioning", he added.

In addition, the CBSL Chief also mentioned that even though June 30th is a bank holiday, all the banking activities that can be done during the period, with banks physically opening or not, can be carried out as usual.

"If the banks have agreed to provide some interest rates, they will continue to be received by the deposit holders. They will not be affected adversely anyway with the domestic debt optimization strategy", he asserted.

On June 23, the government declared a special bank holiday on June 30, 2023.

NewsIn Asia

Banking and Finance Newsbriefs

Taiwan

Taiwan's major state-run banks' average lending rate rises

Interest rates on new loans gained 18 basis points last month to an average of 1.861 percent among the major state-run banks, lifted mainly by mortgage and working capital operations, the central bank said on June 22.

In particular, interest rates on new mortgages climbed to 2.101 percent, the highest since January 2009, it said, after compiling data from the Bank of Taiwan, the Land Bank of Taiwan, Taiwan Cooperative Bank, Hua Nan Commercial Bank and First Commercial Bank.

Together, the five lenders account for 40 percent of overall mortgage operations in Taiwan, and private banks tend to take cues from them when setting interest rates and risk premiums.

Mortgages in May totaled NT$62.48 billion (US$2.02 billion), growing NT$15.67 billion from one month earlier, as property transactions spiked 33.7 percent from April, but shrank 6.45 percent from a year earlier.

The central bank attributed the month-on-month advance to five more working days last month, whereas the Tomb Sweeping Day holiday shrank the number to 17 in April.

Interest rates on new mortgages ahead are expected to fluctuate within a tight range, depending on the credit profiles of individual borrowers and the business strategy of banks, after the central bank on Thursday last week kept interest rates unchanged, the monetary policymaker said.

Interest rates for fresh working capital picked up 25 basis points to 1.802 percent, as some companies borrowed money to file corporate income taxes, the central bank said.

Interest rates on new capital expenditures rallied 37 basis points to 2.382 percent, even though the volume declined by NT$5.61 billion, the central bank said, adding that weak exports prompted local firms to cut back on capital spending.

Taipei Times

Thailand

Bank of Thailand (BoT) increases key rate 25 basis points to 2%

The Bank of Thailand (BoT) has increased its benchmark interest rate by another 25 basis points to 2.00% on Wednesday, marking the sixth consecutive hike since August 2022.

The move was widely anticipated by analysts and economists, who cited the need to contain inflationary pressures and maintain financial stability amid a strong economic recovery and global uncertainties..

The central bank also revised down its headline inflation forecast for 2023 stating that inflation should continue to decline at a gradual pace. Headline inflation returned to the target range and is projected to be 2.5 and 2.4 percent in 2023 and 2024, respectively, due to easing electricity and oil prices. Moreover, core inflation is projected to stabilize at 2.0 percent in 2023 and 2024, an elevated level relative to the past.

The BoT also noted that the baht had depreciated against major currencies in the past month, reflecting increased volatility in global financial markets. The central bank said it would closely monitor exchange rate movements and capital flows, and use appropriate measures to ensure smooth functioning of the market.

The BoT's latest rate hike will help narrow the real interest rate gap with other countries in Southeast Asia, which could support capital inflows and reduce external imbalances. However, some analysts warned that further tightening could hurt economic growth and consumer confidence, especially for small and medium-sized enterprises (SMEs) and households with high debt burden.

The BoT said it would continue to monitor economic developments and assess the need for further adjustments in its monetary policy stance, taking into account domestic and external factors that could affect growth and inflation.

Thailand Business News

Banking and Finance Newsbriefs

Vietnam

Vietnam Banks find luxury cars and villas difficult to liquidate

HÀ NỘI Banks have been reportedly finding luxury cars and villas difficult to liquidate, even after significantly reducing their prices in an effort to attract buyers, according to industry insiders.

The Bank for Investment and Development of Vietnam (BIDV) has recently announced the auction of two high-end cars. The 2012 Audi A8L has a starting auction price of VND940 million, while the 2015 Land Rover Range starts from VND3 billion, both markedly lower price points (VND500-800 million lower) in comparison to similar used cars in the market.

The Vietnam Bank for Agriculture and Rural Development (Agribank) and the Vietnam International Bank (VIB) are also auctioning luxury cars, including Porsche, BMW, and Mercedes-Benz models. Agribank HCM City is auctioning a 2018 Porsche Panamera with a starting price of VND3.35 billion, for the seventh time. The bank's price has dropped by as much as VND2.2 billion from the initial asking price.

Meanwhile, BIDV is trying to sell a villa as collateral for the debt owed by one of its borrowers. The villa is situated in Hoài Đức District in Hà Nội with a total land area of 310 square metres and a floor area of 436.1 square metres. BIDV has dropped the price to VND22 billion, lower than its previous asking price of VND26.6 billion in August 2022.

According to economists and industry experts, difficulties in the liquidation of collateral assets held by the banks are mainly due to the current economic downturn, which significantly reduces demand for luxury assets.

In addition, legal quagmires, which typically further complicate such transactions, remain a major obstacle for potential buyers.

Dr Cấn Văn Lực, Chief Economist at BIDV, said there should be amendments to the draft Law on Credit Institutions to address such issues with an aim to provide clearer criteria for determining the value for bad debts and associated collateral assets.

According to recent data released by the State Bank of Vietnam (SBV), the non-performing loan ratio in the domestic banking system stood at 2.88 per cent as of the end of March 2023 with the gross non-performing loan ratio currently standing at around 5 per cent, up from 4.5 per cent at the end of 2022.

Vietnam News

Publications

Finance Against Slavery and Trafficking (FAST) is a multi-stakeholder initiative based at United Nations University Centre for Policy Research that works to mobilize the financial sector against modern slavery and human trafficking.

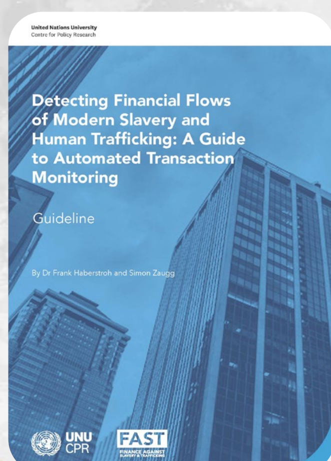
There are an estimated 40 million people in conditions of modern slavery globally. Despite a blanket ban on such practices, modern slavery remains a big business, generating an estimated USD 150 billion in illicit funds each year. Financial institutions may be connected to modern slavery and human trafficking through their own operations, or through their business relationships. Because the financial sector is so intertwined with the rest of the economy, financial sector action can help change the way the whole global economy works. The financial sector has a unique opportunity, at this critical juncture, to lead the transformation of our global economy to address modern slavery and human trafficking.

We share herewith the two reports as well as the self-assessment tool with you.

Detecting Financial Flows of Modern Slavery and Human Trafficking: A Guide to Automated Transaction Monitoring

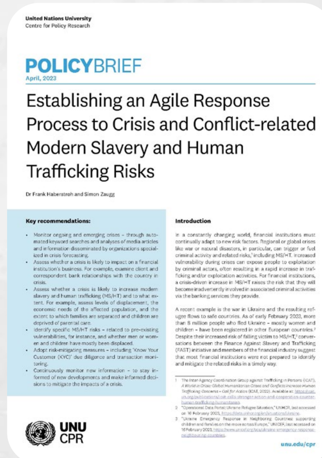
This guideline provides clear and comprehensive guidance to help financial institutions in the banking sector to detect and monitor illicit flows from modern slavery and human trafficking based on automated transaction monitoring. Financial institutions that have already tested the indicators detected suspicious activities, i.e., in the context of forced labour and online child sexual exploitation. It is an effective concept that every financial institution should seriously consider implementing.

Details: [Finance Against Slavery & Trafficking (FAST)]



Publications

Establishing an Agile Response Process to Crisis and Conflict-related Modern Slavery and Human Trafficking Risks



The brief identifies steps financial institutions can take to prepare for and address modern slavery and human trafficking risks in crisis and conflict situations, like war or natural disasters.

Details: [Finance Against Slavery & Trafficking (FAST)]

Self-Assessment Tool for financial institutions

This self-assessment tool is designed to help financial institutions to better assess whether and how their existing compliance framework and governance address and mitigate modern slavery and human trafficking risks and help prevent and detect this crime. The tool provides the financial institutions with an overall evaluation of their anti-modern slavery and human trafficking framework, as well as specific evaluations of four essential areas.

Details: [Finance Against Slavery & Trafficking (FAST)]

Women's Economic Empowerment in the Pacific Region: A Comprehensive Analysis of Existing Research and Data

This publication and accompanying summary materials highlight key messages from current research and data on women's economic empowerment in Pacific Island countries.

The analysis focuses on entrepreneurship and on micro, small, and medium-sized enterprises owned by women. Drawing on over 200 published papers and studies and 11 quantitative datasets, it looks at what fosters and what hinders women's economic empowerment in the Pacific. It considers business ownership, formalization, and expansion; violence against women and girls; and the effects of the COVID-19 pandemic. The materials include recommendations for research, policy, and programming.

Details: [Asian Development Bank]

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