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ABA
ASIAN BANKERS ASSOCIATION

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General Meeting and Conference

2020 ABA Conference to be Postponed

The 37th ABA General Meeting and Conference, which was originally scheduled to take place on November 12-13, 2020 in Negombo, Sri Lanka, has been indefinitely postponed.

The decision was recently made by the majority of the members of the ABA Board of Directors based on their assessment of the ongoing COVID-19 pandemic.

The views of the Board members were gathered through a mail survey conducted by the ABA Secretariat at the suggestion of ABA Chairman Mr. Jonathan Alles, Managing Director and CEO of Hatton National Bank, the host of the 2020 Conference.

In its survey letter to the ABA Board, the Secretariat noted that the ongoing Covid-19 crisis has brought about great difficulties globally, with many affected countries closing schools, businesses, and entire communities in an effort to slow the spread of the disease. "None of us could have foreseen these extraordinary circumstances brought on by the pandemic, and all of us are asking how long it will last and how soon we will bounce back," the Secretariat pointed out.

"With most of us unsure how the situation will play out over the next few months, concerns have been raised on the availability or willingness of members, invited speakers and other delegates to travel from their respective countries to participate in this year's Conference," the Secretariat added.

In view of these uncertainties, majority of the ABA Board members who responded to the survey agreed on postponing this year's 37th ABA General Meeting and Conference to a later date.

As to the new date for the Conference, ABA Chairman Mr. Alles – with the concurrence of several ABA Board members – suggested that an assessment of the status of the pandemic be made later this year – probably in the third quarter – to determine whether the situation is progressing in the right direction. Only then can a decision be made on the new schedule of the Conference. Members will be notified accordingly.

Training and Education

Short-term Visiting Program in Colombo Postponed

Due to the ongoing COVID-19 outbreak, the short-term visiting program hosted by Hatton National Bank (HNB) in Colombo, Sri Lanka and originally scheduled for May 21-22, 2020, has been postponed.

The primary objective of ABA's short-term visiting program had been to provide member banks the opportunity to study and undergo training on specific aspects of the operations of member banks. The idea is to enable the visitors to: (i) enhance and upgrade their technical skills and knowledge in specific banking areas in the distinct and peculiar social, economic and business environment of the host country, and (ii) gain first-hand knowledge of the operations, systems and work procedures of the host bank's various line departments.

The ABA Secretariat will announce the new dates and program once this information has been made available. In the meantime, any questions or concerns may be directed to aba@aba.org.tw.

Training and Education

Key Takeaways from the ABA-Fintelekt Webinar on Managing AML Risk During the COVID-19 Pandemic

The Asian Bankers Association (ABA)and its Knowledge Partner Fintelekt Advisory Services successfully hosted a webinar on "Managing AML Risk, Operations and Continuity During the COVID-19 Pandemic" on March 26, 2020.

Guy Sheppard, Head of Asia-Pacific Financial Crime, Intelligence and Cyber at SWIFT and Suveer Khanna, Partner at KPMG India were the speakers at this webinar, which was moderated by Fintelekt Managing Director Shirish Pathak. The panel discussed operational issues and risks arising from the COVID-19 pandemic as well as strategies to manage business continuity during the outbreak period.

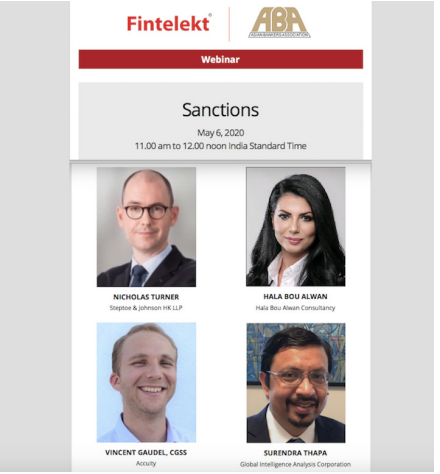
Some of the key takeaways from this session for AML compliance officers are summarized below:

- AML teams at most banks are working by rotation or working from home. Many of the teams are operating at reduced staff strength due to limitations with infrastructure.
- Most banks have a business continuity plan (BCP) in place, which is being invoked at this time. However, adequacy of these plans will be put to test in the current scenario. Further, it is likely that the true extent of challenges is not yet known.
- There is a sudden spurt in financial crime typologies especially in retail banking in areas such as cyber frauds and email phishing, and in capital markets in areas such as insider trading.
- There is likely to be an increase in money laundering risks in areas such as human trafficking, smuggling, and organized criminal activities.
- A holistic response to the COVID-19 situation is required, that involves internal and external training and awareness initiatives, control effectiveness management approaches, communications and operational resilience responses.
- Regulatory reporting will be more challenging for banks due to the disruptions. Many banks may be dealing with backlogs in transactions monitoring and regulatory reporting. Cost of reporting is also likely to be higher due to the disruptions, delays in querying, etc
- Regulators are showing more flexibility and are making themselves available for communication if financial institutions are facing any delays or other problems due to the pandemic situation. However, banks should not expect extensions on reporting obligations and timelines.
- The focus in many banks will shift to survival and on growing the topline. In the face of rising defaults and disruptions in most industries, credit risk is likely to get much more attention, leading to shifts in risk appetites of banks and in the profile of customers onboarded in future.
- There will be pressure on compliance to downplay risks or red flags in order to maintain customer relationships. Discretionary AML spending may also be impacted in the near future.
- AML compliance officers should ensure that financial crime risks are an integral part of the organizational risk strategy going forward. AML should maintain a hard line when it comes to sanctions risks or obvious money laundering red flags, as lapses in these areas could lead to heavy regulatory penalties.
- When business returns to normal, an audit and review of preparedness during the pandemic should be carried out and learnings should be applied to business continuity planning for the future.
- The impact of the pandemic may result in greater comfort with remote operations and employees working from out of office in future too. Reviews of access and privileges, managing sensitive data or systems may be carried out to accommodate this change.

Those interested in accessing a recording of the March 26 webinar, it is available at www.fintelekt.com

Training and Education

Fintelekt to Conduct AML/CFT Webinar on May 6



The Asian Bankers Association (ABA) and its Knowledge Partner Fintelekt Advisory Services will hold a webinar on "AML and Sanctions Compliance and Enforcement" on May 6, 2020 from 11:00 am to 12:00 noon (India time).

The one-hour seminar is the third of the seven webinars scheduled to take place this year as part of the AML/CFT Webinar Series 2020 jointly organized by the ABA and Fintelekt.

The first of this year's webinar series was held on February 5 and focused on "Trade Based Money Laundering Emerging Risks & Mitigating Responses", and the second took place on March 26 and addressed the topic "Managing AML Operations during the COVID-19 Pandemic."

To be moderated by Mr. Shirish Pathak, Managing Director of Fintelekt, the May 6 webinar will address key issues such as

- Evolution in sanctions over the last few years
- Recent sanctions enforcement trends
- Implications on banks' businesses
- Keeping track of frequent changes on global sanctions lists
- Key considerations for banks' sanctions compliance programmes

Participants who attend the webinar or listen to the recording will be invited to complete a multiple-choice assessment. Those who complete the assessment will be sent Fintelekt-ABA participation certificates in pdf by email.

The four other webinars to be held after May 6 are scheduled as follows:

- June 10 (Topic: Ultimate Beneficial Ownership Identification Challenges and Best Practices)
- July 8 (Topic: Correspondent Banking Risks))
- August 5 (Topic: Transactions Monitoring)
- Sept 9 (Topic: Screening)

Fintelekt Advisory Services (www.fintelekt.com) is a specialist in research, training and advisory on Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) in Asia. It produces industry research, fosters dialogue and creates opportunities for knowledge sharing between senior executives from banking, financial services and insurance.

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World Bank Adds US$2bn to Funds for Virus Response

The World Bank on March 17 said it had increased to US$14 billion the amount of fast-track financing available to members to respond to the COVID-19 pandemic, adding US$2 billion to an initial package announced on March 3.

The change would give the World Bank's International Financing Corp (IFC) a total of US$8 billion to support private companies and their employees hurt by the economic effects of the virus, the bank said.

The bulk of the funding would be used by client financial institutions so they could continue to offer trade financing, working capital and medium-term financing to private firms struggling with disruptions in supply chains.

IFC said the funding would also help existing clients in tourism, manufacturing and other heavily affected sectors pay their bills, while aiding the

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healthcare industry as it races to meet surging demand for services, equipment and drugs.

World Bank president David Malpass said the bank was committed to providing a fast and flexible response based on the needs of developing countries.

"It's essential that we shorten the time to recovery," Malpass said. "Support operations are already underway, and the expanded funding tools approved today will help sustain economies, companies and jobs."

U.S. Airfore

IFC chief executive officer Philippe Le Houerou said that the institution's goal was to help clients sustain their operations during the current health emergency phase so they could help economies recover more quickly later.

The Bank said that the boards of directors of the World Bank and the IFC responded to requests from clients and approved the addition of US$2 billion in new funding on top of US$6 billion made available through other IFC instruments.

The new component offers funding from the IFC's Global Trade Liquidity Program and its Critical Commodities Finance Program, both of which provide support to local banks so they can continue to finance companies in emerging markets.

IFC is the largest global development institution focused on the private sector in emerging markets and works with 2,000 businesses worldwide. Last year, it delivered more than US$19 billion in long-term financing for developing countries.

Reuters

World Bank Group Moves Quickly to Help Countries Respond to COVID-19

The World Bank Group is acting quickly to step up support as countries respond to the COVID-19 crisis and face a wide range of consequences, including the risk of global recession.

Following approval from its Board on April 2, the Bank Group immediately launched emergency support through operations around the world. And this urgent help to governments and companies is just the start of a broader effort. Given the unprecedented challenges that COVID-19 poses, the Bank Group expects to deploy up to $160 billion over the next 15 months to help countries protect the poor and vulnerable, support businesses, and bolster economic recovery.

Special provisions for fast-track financing are allowing an initial group of World Bank projects totaling $1.9 billion to get underway quickly in 25 countries. Bank teams are also working with clients to rapidly redeploy a further $1.7 billion from existing projects to urgent pandemic response and recovery. This includes restructuring and use of projects' emergency components as well as contingent financing instruments designed for catastrophes.

The focus of these first efforts is to help health systems tackle the immediate challenges of COVID-19. For example, in countries ranging from Afghanistan and Haiti to India, Mongolia, and Tajikistan, the financing will help bring more medical staff onboard and ensure that they are well trained and

equipped to deliver emergency care. In countries like Ecuador and the Kyrgyz Republic, it will help ensure that public outreach get strong prevention and protection messages to citizens in the short and medium term. And in Djibouti, Ethiopia, and Yemen, among other countries, the increase in resources to fight the pandemic will also support long-term efforts that strengthen and build the capacity of the national health system.

The Democratic Republic of Congo illustrates the range of help that the Bank's projects will provide, from early detection of the virus to contact tracing, a cordon sanitaire to limit the spread from the capital, and large-scale public information campaigns. The financing will also equip and rehabilitate key primary care facilities so that they can operate at the standards needed to combat the pandemic.

In Pakistan, the Bank's support will be crucial to making remote learning available for 50 million children whose

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schools have had to close. The emergency financing here will also enable basic food to reach 40,000 people whose movement will be restricted for up to 6 months, and it will train health workers to watch for and help prevent gender-based violence in households under quarantine.

In addition to the World Bank projects, the emergency financing includes $8 billion from the International Finance Corporation (IFC), where work is underway to help the private sector cope with the pandemic. Experience from previous shocks shows that keeping companies solvent is key to saving jobs and limiting the economic damage. On top of new investments, IFC is extending trade finance and working capital lines to clients. Many Bank Group efforts will also continue to focus on smaller businesses, so that they can resume their key contribution to growth and jobs in many client countries.

Supplementing the direct assistance to governments and private firms, the Bank Group is working to address disruptions in global supply chains, so that countries have access to critically needed medical supplies. The World Bank is reaching out to suppliers on behalf of governments to help ensure that suppliers can deliver throughout the global emergency.

The Bank Group's broader economic program is also quickly taking shape and could provide up to $160 billion in support to client countries over the next 15 months. One of its first components will be $6 billion for expedited loan guarantees from the Multilateral Investment Guarantee Agency (MIGA). This will enable the purchase of urgent medical equipment and provide working capital for companies, including smaller businesses, while also supporting governments' short-term funding needs.

Through financing and a wide range of technical support, the Bank Group will work to help countries shorten their time to recovery and lay the foundations for future growth. And across all the efforts to combat COVID-19, the focus will be on solutions that can help countries ensure protection and restore opportunities for their poorest and most vulnerable people.

IMF Calls for 'Substantial,' United Stimulus Measures

The IMF on March 9 called on governments worldwide to join forces and roll out aggressive financial supports for the virus-affected global economy, including direct payments to workers and businesses.

However, while several nations have taken steps to cushion the blow to their economies and boost confidence, including the US, there has been little visible coordination among policymakers like there was at the height of the 2008 global financial crisis.

The rising concern about the global economy has been reflected in the continued collapse of global stock markets, with trillions in value wiped out in the past few weeks, a rout that continued on Monday. Oil prices have also collapsed.

Given the "acute shocks" caused to economies, consumers and businesses, IMF chief economist Gita Gopinath said that "policymakers will need to implement substantial targeted fiscal, monetary and financial market measures to help affected households and businesses." That includes "cash transfers, wage subsidies and tax relief," as well as interest rate cuts and financial market support by central banks. Given the ties between global economies, "the argument for a coordinated, international response is clear," she said in a blogpost.

The IMF already warned that the effects of the COVID-19 outbreak would slow growth in the world economy to less than the 2.9 percent posted last year.

The virus has shuttered factories, disrupted travel, delayed conferences and sporting events and infected more than 110,000 people worldwide.

The impact effects are seen in production cuts hitting companies across the globe that depend on parts from China, where the outbreak originated, but would also hit consumption, as people are reluctant to go out and spend money.

Some nations have already taken steps, Gopinath said. Italy, the country hardest hit in Europe, has extended tax deadlines and is preparing a 7.5 billion-euro (US$8.53 billion) package aimed at helping out the devastated tourism industry and other sectors, while South Korea has introduced wage subsidies.

The US Federal Reserve last week announced an emergency interest rate cut and on Monday significantly increased its cash injections into money markets with US$150 billion per day in short-term loans to ensure ample liquidity amid the virus uncertainty.

That was just what Gopinath

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called for, saying that such moves "can lift confidence and support financial markets." She added that "actions by large central banks [are] also generating favorable spillovers for vulnerable countries."

However, government spending measures to support economic activity have been slow in coming and economists are warning that rapid action is crucial to have the biggest effect.

Germany announced a 3 billion euro per year investment package, but it does not go into effect until next year and is spread over three years.

US President Donald Trump has signed a bill with US$8 billion in emergency funding, but that largely goes to medical equipment, medication and testing supplies for state and local governments. White House advisers were reportedly preparing a menu of options for Trump that include paid sick leave and emergency help for small businesses.

French President Emmanuel Macron called for EU leaders to hold a videoconference yesterday aimed at coordinating their response to the coronavirus outbreak on the continent.

Gopinath said that governments can help workers who are laid off by business closures by extending and increasing unemployment insurance, as well as helping those that do not have paid sick leave.

The economic concerns can ripple into financial markets, causing borrowing costs to rise, which would in turn "expose financial vulnerabilities that have accumulated during years of low interest rates, leading to a heightened risk that debt cannot be rolled over," she said.

AFP

Central Banks Take Action to Fight COVID-19

The US Federal Reserve and other central banks moved aggressively with sweeping emergency rate cuts and offers of cheap funds to help combat the COVID-19 pandemic that has jolted markets and paralyzed large parts of the world economy.

The coordinated response from the Fed to the European Central Bank and the Bank of Japan (BOJ) came amid a meltdown in financial markets as investor anxiety deepened over the difficulty of tackling a pathogen that has left thousands dead and put many countries on virtual lockdowns.

The Fed moved first on Sunday, cutting its key rate to near zero and triggered emergency policy easings by central banks in New Zealand, Japan, and South Korea.

"The virus is having a profound effect on people across the United States and around the world," Fed Chairman Jerome Powell said at a news conference after cutting short-term rates to a target range of 0 percent to 0.2 percent, and announcing at least US$700 billion in US Treasuries and mortgage-backed securities purchases in the coming weeks.

The Reserve Bank of New Zealand slashed rates to a record low as markets in Asia opened for trading this week, while Australia's central bank pumped extra liquidity into a strained financial system and said it would announce more policy steps on Thursday.

Later, the BOJ too eased policy in an emergency meeting, ramping up purchases of exchange-traded funds and other risky assets to combat the widening economic fallout from the pandemic. South Korea stepped in as well, with a 50-basis point rate cut in a rare inter-meeting review yesterday.

"I don't think we have reached a limit on how deep we can cut interest rates," BOJ Governor Haruhiko Kuroda said. "If necessary, we can deepen negative rates further," he added. "We can continue to pump ample liquidity into the market."

The measures did little to calm market nerves, though, as Asian shares and US stock futures plummeted, underscoring the fears that the health crisis might prove much more damaging to the global economy than initially anticipated.

"Market reactions to each surprise monetary policy easing have been sell first and ask questions later," said Selena Ling, head of treasury research and strategy at OCBC Bank in Singapore.

"The more unprecedented measures by the Fed and other central banks, the more investors worry if [they] know something we don't ... fear remains the crux of the problem here as market players remain unconvinced that monetary policy easing and liquidity injections will solve an essentially

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healthcare crisis," she said.

Many analysts are predicting a marked downturn in the world economy. "A global recession has moved from a risk case to a base case," said Matt Sherwood, Sydney-based head of investment strategy at investment firm Perpetual Ltd.

"Financial conditions are tight and are likely to remain so until the coronavirus' growth rate slows, and stimulus is enhanced. This may take considerable time as oil prices are implying high stress in credit markets," he said.

Reuters

ADB Opens Office in Singapore to Expand Strategic Collaboration

ADB President Masatsugu Asakawa (left) with Singapore Deputy Prime Minister and Minister for Finance Heng Swee Keat (right) at the official opening of the ADB Singapore Office on March 5, 2020

Asian Development Bank (ADB) President Masatsugu Asakawa and Singapore Deputy Prime Minister and Minister for Finance Heng Swee Keat officially opened ADB's new office in Singapore on March 5, deepening efforts to collaborate on some of the most pressing development challenges facing Asia and the Pacific.

Mr. Asakawa and Mr. Heng agreed that the Singapore office will create even more avenues to enhance cooperation between ADB and Singapore across the region, including tackling climate change, financing and building quality infrastructure, pioneering innovation in development operations, and managing urbanization.

"Singapore's sophisticated private and public sector ecosystems will help us to mobilize investments and bring the latest technologies and management skills to development projects across the region," said Mr. Asakawa. "The new office allows us to work closer with Singapore, leveraging its strengths particularly in infrastructure and innovation to support our developing member countries."

Mr. Heng said: "Over more than 50 years, ADB has been contributing substantially and meaningfully to the development of the Asia-Pacific region. To maintain the region's growth momentum, ADB has estimated that developing Asia will need $1.7 trillion per year in infrastructure investments until 2030. Singapore shares ADB's assessment that infrastructure is critical to the future development of Asia—within countries and across countries for better connectivity. Hence, Singapore established Infrastructure Asia in 2018 to work with like-minded partners like ADB. I warmly welcome ADB's move to establish a presence in Singapore. By realizing synergies with our financial and services ecosystem, ADB can play an even more substantial role in meeting the region's immense demand for infrastructure. Singapore is committed to furthering our partnership with ADB, including through project development, sharing of best practices, and deal brokering, to promote strong, sustainable, and inclusive growth for the region."

The Singapore Office marks a new stage in the expansion of ADB's private sector operations. It will be a lean and focused office comprising 12 specialists from ADB's Private Sector Operations Department (PSOD) and Office of Public–Private Partnership, working in a range of sectors including infrastructure, financial institutions, agribusiness, health and education, trade finance, private equity, and cofinancing. The office is led by Sonali Tang, who has worked at ADB for 5 years in various senior roles.

ADB's private sector operations promote the investment of private capital for development purposes. Last year, PSOD completed 38 transactions, around one-fifth of ADB's total operations by number. ADB aims to increase this to one-third of total operations by 2024. The office will make it easier for ADB to efficiently engage with clients, project sponsors, contractors, advisors, financiers, other international finance institutions, and professional service providers.

Singapore was a founding member of ADB in 1966. It borrowed from ADB until 1980 and graduated formally from borrowing in 1998. Since 2001, Singapore has contributed to ADB's concessional fund, the Asian Development Fund, as well as the Technical Assistance Special Fund. In 2012, ADB and Singapore signed a memorandum of understanding to enhance knowledge sharing and cooperation in governance and public policy, private sector development, climate change, and infrastructure and urban development. Singapore is an active participant in the ASEAN Infrastructure Fund that is supported by ADB.

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region.

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ADB Annual Meeting Postponed to September 2020

Due to the ongoing COVID-19 pandemic and travel restrictions, the Asian Development Bank (ADB) has announced that the 53rd ADB Annual Meeting of the Board of Governors — which was originally scheduled to take place on May 2-5, 2020 in Incheon, South Korea — will now be held in two parts.

The first meeting on May 22, 2020 at ADB Headquarters in Manila will only be for Governors through

their designated representatives based in Manila. A full-scale Annual Meeting will be held from September 18 to 21 in Incheon, South Korea and will be open to participants.

All prior invitations to register and confirmation of registration issued are no longer valid. ADB will be sending out new invitations and registration details to participants for the Annual Meeting in Incheon.

ADB and the Government of South Korea will continue to monitor developments on COVID-19 and provide updates on any changes on the above. In the meantime, please email annualmeeting@adb.org for any queries.

Two in Three Singaporeans open to Digital-Only Banks

Singapore's competitive race for five digital banking licenses will likely yield gains from the nationwide openness to digital adoption, according to a recent Visa survey.

Nearly 65% of respondents were open to owning a digital-only bank account alongside another 84% who expressed interest in using the digital services of an existing bank. Residents in the city-state were also keen on unconventional players with 75% expressing interest in banking with reputable companies not from the financial sector and 63% expressing interest in banking with startups.

60% of respondents expressed willingness to shift some of their services from a current bank to a digital bank with no prior banking experience. 20% of respondents even claimed willingness to move all of their services to a digital-only bank with no hesitation.

The Visa Consumer Payment Attitudes Study was conducted in October last year by an independent provider with a sample of 511 Singaporeans aged 18-65 years. The study was part of a broader regional research project conducted on 5,000 consumers across seven markets in Southeast Asia.

Digital Usage

According to the survey, convenience (54%), faster services (52%) and the lack of need to wait in line (45%) were the top reasons to opt for digital banks. The most sought-after digital banking services include money transfers to family and friends (64%), payments of bills (63%) and payments at retail shops (56%).

According to Kunal Chatterjee, Visa country manager for Singapore and Brunei, "The digital banking space in Singapore and Southeast Asia is set for a year of unprecedented growth, setting the stage for the next revolution in banking."

He added, "When the region shifts to a millennial, digital-led demographic, more consumers will expect digital-first experiences, and want their banking and payments to match the speed and convenience of their user journeys."

Info Sharing

Despite the advantages of digital capabilities, new players have yet to achieve the same trustworthiness as traditional banks. Whilst survey respondents expressed willingness to share bank account history (62%) contact information (64%) and social media profiles (63%) for open banking purposes, digital players lagged in accessing personal information.

Banks topped the list when it came to trust in accessing such information as agreed by 62%. This was followed by government bodies and payment providers which tied at 58%.

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EFMA Holds Seminar On "How AI Can Create New Opportunities for Banks During Crisis"

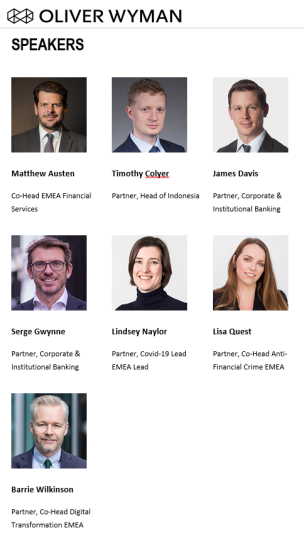
EFMA, a Knowledge Partner of the Asian Bankers Association (ABA), held a webinar last April 16, 2020 on how artificial intelligence (AI) can help the banking sector adapt fast and take advantage of new opportunities.

The two-hour webinar, led by AI and Machine Learning expert Rudradeb Mitra, talked about how with the power of AI, banks can make use of such opportunities as:

- Increasing customers by focusing on financial inclusion
- Increasing efficiency through more digital banking services and the use of data/analytics for customer engagement
- Reducing risk by identifying the riskiest customers and creating an incentive structure to support them
- Decreasing cost through automation of compliance
- Faster product launch through lean Product development and global collaboration
- Providing employee retraining into new technologies

After welcoming participants and giving a brief introduction, Mr. Mitra proceeded to present the key points outlined above and shared several use cases. An open discussion and Q&A with participants then followed. After giving the concluding remarks, Mr. Mitra wrapped up the webinar by giving a rundown of the key findings.

Oliver Wyman Conducts Webinar on Impact Of COVID-19 On Financial Services



Management consulting firm Oliver Wyman, a Knowledge Partner of the Asian Bankers Association (ABA), successfully conducted a webinar on the topic: "Impact of COVID-19 on Financial Services: Scenario Modelling, Wholesale Banking & Public Policy Response" last April 15, 2020.

The webinar was conducted as part of Oliver Wyman's COVID-19 response, and as a way to support clients during such a difficult time. It featured a panel of global experts who provided an overview of scenario modelling and the likely impact of the COVID-19 outbreak on wholesale banking. They also discussed the public policy response in different geographies and the associated challenges with delivering these policies.

Speakers included Matthew Austen, Co-Head of EMEA Financial Services; Timothy Colyer, Partner — Head of Indonesia; James Davis, Partner — Corporate & Institutional Banking; Serge Gwynne, Partner — Corporate & Institutional Banking; Lindsey Naylor, Partner — COVID-19 and EMEA Lead; Lisa Quest, Partner — Co-Head of Anti-Financial Crime EMEA; and Barrie Wilkinson, Partner — Co-Head of Digital Transformation EMEA.

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ABA Members Invited to Visit Oliver Wyman's New Covid Website

OLIVER WYMAN

Oliver Wyman, one of the Knowledge Partners of the Asian Bankers Association (ABA), is inviting ABA members to visit its new Covid website – referred to as the Coronavirus Hub at https://www.oliverwyman.com/our-expertise/hubs/coronavirus.html.

With the COVID-19 continuing to spread around the world with new information emerging daily, Oliver Wyman and its parent company Marsh & McLennan (MMC) have been monitoring the latest events and are putting forth their perspectives – through the Coronavirus Hub - to support their clients and the industries they serve around the world. The Coronavirus Hub is updated regularly as the situation evolves.

Asean+3 Macroeconomic Prospects and Challenges—2020 & Beyond

The ASEAN+3 Macroeconomic Research Office (AMRO) has released its annual flagship report, the ASEAN+3 Regional Economic Outlook (AREO 2020). According to the report, a sharp 2 percent reduction in growth is expected in 2020, followed by a strong 5.5 percent rebound in 2021 for ASEAN+3, which comprises the 10 ASEAN members plus China, Japan, and South Korea. ASEAN economies, meanwhile, are expected to weaken sharply and grow at an average of 1.1 percent in 2020, before recovering to 5.2 percent in 2021.

The report states that structural transformations are now more important than ever for the region to regain its former dynamism and to sustain rapid growth.

In line with this, it examines four key developments that will shape the region's growth prospects; 2) the Fourth Industrial Revolution; 3) the rise of "Factory Asia" and "Shopper Asia"; and 4) growing regional integration.

1. The increasing protectionist environment in Europe and the United States: Trade tensions and protectionist policies will continue to impinge on the expansion of cross-border movement of goods and services.
2. Fourth Industrial Revolution: The transition to the technology- and services-driven new economy calls for new growth approaches, a "technopreneurial" spirit, and closer regional collaboration. While regional economies can continue to leverage on the conventional manufacturing-for-export to advance up the technological ladder and become more competitive, it is equally important to develop the services sector in tandem, to boost competitiveness, innovation, and growth and employment.
3. The rise of "Factory Asia" and "Shopper Asia": While the region is entrenched in a wide range of manufacturing activities, it has also become a strong source of final demand for both goods and services, characterized by an expanding middle-class with greater spending power. This development provides the region with a strong base to continue embracing the global production network and global marketplace.
4. Growing regional integration: To position the region strongly, policymakers need to broaden and quicken their efforts in developing human capital, facilitating freer cross-border flow of skilled labor and professionals, and updating rules governing trade. A fresh interpretation of "social safety net" is also necessary, particularly in view of the growing importance of the gig economy. It is crucial for regional governments to put in place stronger social safety nets in conjunction with efforts to enhance the regional financial safety net.

AMRO's Regional GDP Growth Projections as of April 2020

Economy	2018	2019e	AREO 2020 (March 2020)		April 2020			
			2020p	2021p	2020p		2021p	
					Point	Range	Point	Range
ASEAN+3	**5.2**	**4.8**	**4.2**	**5.0**	**2.0**	**0.6 to 2.7**	**5.5**	**5.0 to 6.1**
Plus-3	**5.2**	**4.9**	**4.2**	**5.0**	**2.2**	**0.8 to 2.9**	**5.6**	**5.0 to 6.2**
China	6.6	6.1	5.3	6.1	3.5	2.0 to 4.0	6.5	6.0 to 7.0
Hong Kong, China	2.9	–1.2	–0.5	1.8	–4.0	–8.0 to 1.5	3.0	–1.5 to 4.2
Japan	0.3	0.7	0.1	0.6	–1.8	–3.0 to –1.0	2.5	1.5 to 3.5
Korea	2.7	2.0	2.0	2.6	–1.4	–2.1 to 0.0	3.2	3.1 to 3.5
ASEAN	**5.2**	**4.6**	**4.4**	**5.0**	**1.1**	**–0.1 to 1.8**	**5.2**	**4.8 to 5.6**
Brunei	0.1	3.9	3.5	2.9	3.0	2.2 to 3.2	2.9	2.7 to 3.2
Cambodia	7.5	7.1	6.2	6.9	2.7	2.2 to 3.2	6.8	6.3 to 7.3
Indonesia	5.2	5.0	4.9	5.2	2.3	1.2 to 3.3	5.3	5.1 to 5.5
Lao PDR	6.3	6.0	6.1	6.5	3.8	3.3 to 4.3	6.2	5.7 to 6.7
Malaysia	4.7	4.3	4.0	4.6	0.1	–2.3 to 0.5	4.6	4.4 to 4.8
Myanmar	6.8	6.8	6.0	6.9	4.5	4.0 to 4.9	6.9	6.4 to 7.5
The Philippines	6.2	5.9	6.2	6.6	4.5	4.0 to 5.0	6.7	6.4 to 7.0
Singapore	3.4	0.7	0.8	2.6	–1.0	–4.0 to 0.0	2.0	1.0 to 3.0
Thailand	4.1	2.4	1.5	3.2	–6.0	–7.0 to –5.5	4.0	3.5 to 5.0
Vietnam	7.1	7.0	6.6	6.8	4.5	4.0 to 5.0	7.0	6.5 to 7.5

Sources: National authorities; and AMRO staff estimates.
Note: "e" refers top AMRO staff estimates; "p" refers to AMRO staff projections.

It is important to note that the AREO 2020 is based on information available as of March 16, 2020 and was prepared prior to the publication of much of members' macroeconomic

data for February 2020, when the impact of the COVID-19 outbreak began to manifest. It therefore does not include substantial informed analysis on the impact of the global pandemic.

According to Dr. Hoe Ee Khor, AMRO's Chief Economist, the global tragedy of COVID-19 challenges the region to demonstrate its resilience and commitment to come up with solutions that safeguard and strengthen long-term interests. He concludes, "The capacity to rise to the challenge is not in doubt, and the will to shape our future together is strong."

The full AREO 2020 report can be accessed here: https://www.amro-asia.org/wp-content/uploads/2020/04/AMRO-AREO-2020_Full-Report.pdf.

Special Feature

Asia's Central Banks Must Rise to the Challenge of Climate Change

By Venkatachalam Anbumozhi,
Senior Economist at Economic Research Institute for ASEAN and East Asia

Climate change is already a reality. The deadly bushfires in Australia, ferocious flooding in Indonesia and extended droughts in Vietnam have led to the destruction of infrastructure, investments and livelihoods. Yet across Asia, acceptance of this reality has not yet changed consumer behaviors across the region.

After a temporary slowdown in the past five years, greenhouse gas emissions rose to a historical high of 33.1 billion tons in 2018. Globally, fossil fuel-related carbon emissions rose by 1.7% from the previous year. There is a sustained increase in coal, oil and gas consumption in China, India and ASEAN, pointing to a seeming neglect of climate change concerns as Asia chases faster economic growth.

The Role of Central Banks

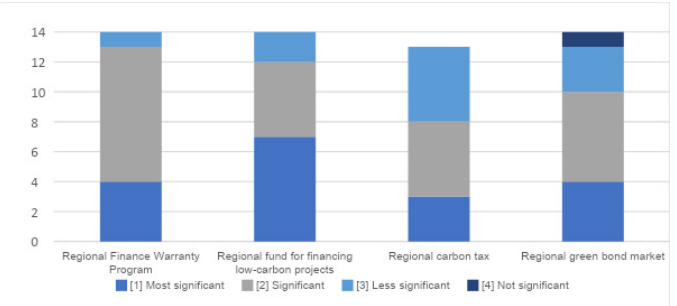
However, a new survey among 18 central banks from Asia shows that climate risks and low-carbon financing is a topic of increasing importance and relevance to the central banks and monetary authorities in the region, where many countries are experiencing hard impacts.

A clear majority of central banks — 16 out of 18 or 89% — agree that climate risk has become an important area of focus, particularly after the ratification of the Paris Agreement.

A third of the responding institutions have already issued policy statements on climate change and green finance. Three central banks stated that they have already issued guidelines or regulations on climate financing. Another two central banks referred to policy speeches in which their respective governors emphasized that both the physical impact of climate change and the transition to a low-carbon economy are likely to have first-order economic effects in the country and that climate risks are key challenges for the banking sector.

Almost all central banks (94%) think that they should play a role to help encourage low-carbon financing initiatives through activities such as green bonds.

Asian Central Bankers' Confidence on Regional Cooperation and Monetary Policy Coordination to Enhance Low-Carbon Finance



Source: Unlocking the Potentials of Private Financing for Low-carbon Energy Transition: Ideas and Solutions from ASEAN Markets, ERIA

The vast majority of central banks in the region believe that increased regional cooperation and policy coordination in the financial sector will promote low-carbon investment. Such cooperation channels include but are not limited to regional finance warranty programs, a regional fund for financing low-carbon projects and a regional carbon tax, as well as integrating green bond markets.

How Can Central Banks Help?

Policymakers and investors in Asia now face the challenging task of ensuring a structural shift to a low-carbon economy, while concurrently safeguarding economic prosperity and the stability of the financial system. Achieving this goal will require financial markets and institutions to start

considering climate-related risks in their financing decisions.

Central bank governors and monetary authorities in the region can contribute to this process in several ways.

First, they can support measures to improve financial markets' ability to consider climate-related risks, e.g., better disclosure of such risks.

Second, central banks and financial regulators should further deepen their activities in assessing the climate-related financial risk exposures of their regulated firms, including what data and methods they are using in assessing these risks, and take appropriate actions if prudential risks are found to be material.

Finally, central banks might wish to consider whether they should account for climate-related factors in determining eligibility of assets for asset purchase programs or as collateral in market operations.

Economic Growth Driving Up Emissions

Before the coronavirus outbreak, the ASEAN region, a group of 10 countries in Southeast Asia, was predicted to grow 5.7% this year. The main sectors that drive economic growth in these economies — like manufacturing, machinery and chemical and allied industries — are energy-intensive sectors, which result in increased emissions.

To combat this, each ASEAN country has its own national commitments to reduce its respective carbon footprint and rebalance the energy mix that is currently dominated by fossil fuels. Additionally, ASEAN member states are working toward realizing a common regional goal of intensifying renewable energy in the region's primary energy mix to 23% by 2025.

In Indonesia, Malaysia, the Philippines, Thailand and Vietnam, emissions rose by 4.8%, although the per-capita release remained low, only 40% of the global average.

Indonesia recorded a 4% rise in energy demand led by coal power generation and oil for transport, the two biggest contributors to climate change.

The Good News

There is good news, which has the potential to turn around the energy-use trajectory that currently jeopardizes our future.

In recent years, natural gas has been replacing coal for power generation, which has resulted in roughly 24% growth in the world's use of natural gas. Second, renewable energy — solar, wind, hydroelectricity and bioenergy or biofuel — are quickly becoming part of the energy balance sheets at national level.

Unfortunately, the growing demand for energy is likely to outpace decarbonization efforts, even if that includes clean energy supply and energy-efficiency improvements.

But Large Uncertainties Persist

Only four of 38 technologies and sectors are on track in the ASEAN region to meet the national targets set by the Paris Agreement. There is very little sign of progress on the rest. While some low-carbon technologies are cost competitive, innovation efforts will need to continue to ensure that more mature low-carbon technologies are fit for purpose in all segments of the markets and geographies.

By 2050, it is estimated that climate change could reduce annual GDP in some countries in South and Southeast Asia up to 5%, with the worst catastrophes yet to come.

Yet, in the recently concluded elections in India, Indonesia and Thailand, the issue of climate change and sustainability barely featured in the campaigns. It is becoming crystal clear that Asia is, so far, failing in its duty to steer a course consistent with the climate goals set out in the Paris Agreement in 2015.

A New Economic Framework Needed

Low-carbon, resilient infrastructure financing needs for ASEAN members is estimated at around $210 billion per year, when considering climate change mitigation and adaptation costs. Public budgets alone will not be able to bridge this need, hence the urgency to catalyze private capital sources.

We need a new economic framework and growth model that integrates climate and disaster risks in all aspects of finance, planning and budgeting. Second, we need effective economic policy and fiscal instruments. We need to put a meaningful price on carbon and end fossil fuel subsidies, which today amount to $373 billion a year.

According to a study from the Economic Research Institute for ASEAN and East Asia, carbon pricing and ending subsidies across the region could generate nearly $3 trillion in government revenues or savings by 2030.

From Millions to Trillions

We need to turn investments in climate action from millions to trillions. The private capital is there, but policies to liberate it are weak or nonexistent. Governments and central banks need to engage their commercial banks to support green financing and innovative financial instruments — such as green bonds and debt instruments — that can strengthen the resilience of vulnerable communities.

Asian economies are the most dynamic globally. However, they are also among the most vulnerable to natural

hazards such as storms, floods, droughts, tsunamis, earthquakes and the impacts of climate change such as sea-level rise, coastal erosion and extreme temperatures.

Central Bankers in emerging Asia, should acknowledge that climate change is a financial problem.

Make Climate Change a Systemic Risk

Treating climate change as a systemic risk would allow Asia's central banks to apply the climate risk stress tests and standards to their own bond purchases, as is being done increasingly in Europe.

The European Central Bank's (ECB) corporate bond purchase programs have decided to avoid all brown or climate-unfriendly assets. This will gradually shift investments from fossil fuel to renewables. The second, more radical, option is green Quantitative Easing (QE), as is being done by the German Central Bank. This would mean buying corporate bonds directly from renewable energy companies and would go beyond penalizing brown assets for their climate associated risks by effectively subsidizing green assets.

Asian banks should join the Network for Greening the Financial System (NGFS), a global network of central banks and supervisory authorities advocating a more sustainable financial system. All the countries in the region have ratified the 2016 Paris Accord. Asia's central bankers who oversee this world of uncertainty cannot stick their heads in the sand; their policies and actions must be climate-conscious.

Cyber Risk is a Growing Concern for Financial Professionals

By James A. Kaitz, President and CEO of Association for Financial Professionals

A decade ago, the U.S. economy was recovering from a severe recession, and financial leaders were struggling to get their businesses to return to normalcy. Managing the risks that arose as a consequence of that downturn was key for them. Those concerns have dissipated considerably, as the 2020 AFP Risk Survey, supported by Marsh & McLennan, found that currently only 30% consider financial risk difficult to manage, a significant drop from 51% in 2009.

In its place is cyber risk. A majority of this same group of treasury and financial professionals report that cyber risk is the most challenging risk to manage today, though a decade ago it wasn't creating much concern. This reflects how the risk landscape has shifted in the last 10 years.

The survey was conducted before the outbreak of COVID-19; were treasury and finance professionals to be

polled on their top risks today, the pandemic would surely top the list. However, black swans like the coronavirus are not the norm, whereas cyber risk is a constant threat that will continue to plague companies for years to come.

Cyber Risk Increases

Cyber risk is only getting worse, and treasury and finance professionals are aware. More than half of the respondents to the AFP Risk Survey view it as the most challenging risk to manage and believe it will continue to be for the foreseeable future.

These results aren't much of a surprise to anyone who is paying attention. According to the AFP Cyber risk Survey conducted in October 2019 at the AFP Annual Conference, 88% of corporate practitioners' organizations were targeted by attempted or actual cyberattacks in the 18 months prior to the survey.

The risk survey, which gathered nearly 365 responses, found that 53% of financial professionals view cybersecurity risk as the most challenging risk to manage. And nearly the same amount predict that three years from now, it will continue to be the most complex risk to manage. It may come as a shock to know that just a decade ago, only 12% of respondents to the AFP Risk Survey cited cyber risk as difficult to control.

The good news is that financial professionals recognize the threat and are taking action to meet it head on. The survey revealed that by 2022, practitioners expect to be making substantial efforts to control these risks. Furthermore, the survey found that responsibility for cyber risk has gone beyond IT and is now shared across the organization.

Financial professionals appear to believe that their organizations are prepared to manage risk; but as much as financial professionals prepare, the unexpected will always occur.

Impact on Earnings

The survey results looked at the risks that are believed to have the greatest impact on earnings in the next three years. These include strategic risk at 40%, followed by financial risks (35%), political and regulatory uncertainty within the U.S. (33%), and macroeconomic risks (31%).

There is a link between strategic risk and technology

disruption risks — early adopters or new entrants changing competition dynamics (e.g., the Amazon effect across industries and fintech providers' impact on banks' business models and profitability). Financial professionals can manage strategic risk through investment in key business areas, diversification of business prospects, mergers/divestitures, and building out the supply chain to better match the organization's footprint and strategic needs.

Uncertainty about the presidential election in the United States and potential regulatory changes thereafter are contributing to concerns about political and regulatory risk. And there is also concern that the U.S. economy may be headed for a shakeup; interest rate cuts by the Fed last year have done little to alleviate concerns that macroeconomic and financial risks could hurt corporate earnings. More than half of survey respondents are concerned about upcoming economic uncertainty in the U.S., with 19% indicating that they are very concerned. Fifty-eight percent are also nervous about the global economy.

At the time of the survey, factors like negative interest rates in Europe, Brexit and the U.S./China trade war likely factored into survey respondents' answers. Since that time, a clearer path forward toward Brexit and a "phase one" trade deal between the U.S. and China have alleviated some of those concerns. However, in the last couple of months, the coronavirus epidemic has emerged, creating tremendous uncertainty. In response, companies have been forced to alter their supply chains and discretionary spending and may need to revise their outlook.

Adapting to the Risk Landscape

The risk landscape has continued to evolve, and companies have been changing with it: 38% of respondents said their organizations have a function dedicated to actively assessing risk and reporting it regularly, and 29% said they have a process through which individual functions assess and report risk. Fully 23% said that their organization assesses risk only when the need arises, and 9% have no formal risk assessment process in place.

Financial professionals polled in the 2020 AFP Risk Survey appear to believe that their organizations are prepared to manage risk. But as much as financial professionals prepare, the unexpected will always occur. As previously noted, cybersecurity was a blip on the radar only a decade ago, but now it tops the list as organizations struggle to stay ahead of the cybercriminals. Ultimately, organizations need effective and comprehensive risk management if they want to stay ahead of the curve.

Cybersecurity: Time is Up for Inaction

By East & Partners

Throughout the past two decades corporates have swiftly transitioned from traditional linear business models to platform based as the demand for quality product outlay in record time escalates. With platform-based models, businesses are able to scale their supply distribution at a faster rate than what they would normally be able to do with a linear model. This capability allows them to meet the growing demands of consumers. As a result of this, businesses have had to heavily rely on digital devices and computer networking systems in order to operate in this 'new normal'. And this has been the cause for the emergence of new cyber-security threats as hostile criminal attackers seek to take advantage of vulnerable organizations.

These threats exist because businesses are not be taking necessary precautions to protect themselves against mounting fraud risk. As digital innovation evolves so does the degree of sophistication in these attacks, forcing key business decision makers to ensure their operations are protected and one step ahead given they could very well be the next victim.

Cyber-attacks can be conducted by individuals, groups and even governing bodies – all of which can adversely affect business. In Europe, the number of cyber-attacks against corporates has surged in recent years. According to a research conducted by Hiscox, approximately 61 percent of firms in Europe experienced a cyber incident in the past year – up 45 percent since 2018.

Globally, the average cost to a firm for a data breach violation is US$4 million according to IBM. This alarming figure evidences the costly implications that cyber-attacks can have, encompassing both financial and reputational costs, the latter of which can pose limitless loss to a business.

Banks also have to be on the lookout. According to Verizon statistics from 2017, banks were the target of 47 percent of financial data breaches, most of which were financially motivated. Three years on and banks still remain the most targeted financial institution. Consequently, banks have the responsibility not only to extend support and protection for their valuable institutional clients but to also safeguard themselves.

Private vs. public cloud

An area of growing interest within the cyberspace community is cloud based services. This has often been used for the day-to-day management and operations of a business to ensure the production flows are performing at their optimum. However, within cloud computing there lies a lot of sensitive data which needs to be safely processed and stored.

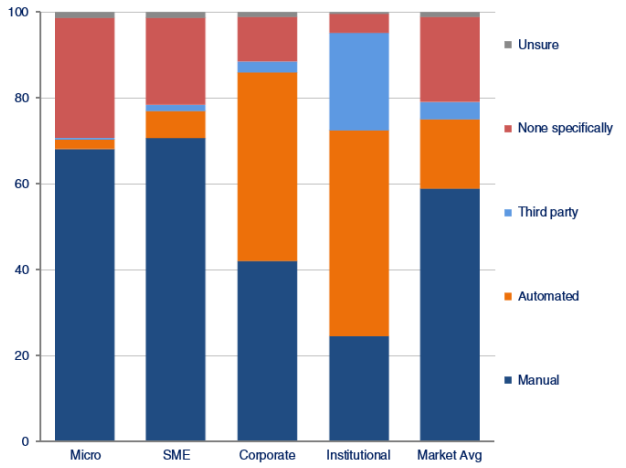
On one hand, there are a wide variety of corporates who are opting for private cloud-based solutions which allows corporates to enhance the privacy and security of their data through an isolated network. However, this type of cloud-based solution does not allow corporates to up-scale at a fast pace due to the limitations of no direct interconnectivity with suppliers and other third-party providers.

An overarching reluctance to implement appropriate risk management solutions is evident globally. Despite an increasing concern towards payments security, fraud detection and digital protection in Australia, how many businesses are actively implementing protection against the growing number of threats facing them?

East & Partners asked businesses with merchant payments facilities in place, "What processes do you currently have in place to manage transactions for fraud?" The results revealed one in five merchants have no processes in place to manage transaction for fraud whatsoever (19.7 percent), noting Microbusinesses were five times more ambivalent than institutional enterprises at 27.8 percent and 4.6 percent respectively. While large corporates exhibit a higher usage of manual or automated processes, a surprisingly low level of third-party integration is sought out. One in five institutional merchants use third party systems to protect against payments fraud (22.5 percent), falling to only one in ten corporates (10.4 percent) and sub two percent for small businesses.

This is an emotive area for banks and card schemes alike, evidenced by Visa splitting away from the Australian bank majors and merchants on a traditionally unified position towards electronic and digital payments security. The group asserts that regulators' growing push to reduce card fees could divert investment away from fraud detection. The Reserve Bank of Australia (RBA) continues to force banks to offer the option for lowest cost contactless payments (least cost routing) to maintain competition, particularly as receivables volumes are increasingly routed away from plastic towards phones and wearables.

MasterCard finds that three in five consumers will even use their body parts to identify themselves when making payments by 2025. MasterCard's data also found that 56 percent of customers would use their fingerprint, 45 percent would use facial, retinal or iris scanning, and 38 percent would use voice recognition. A clear opportunity is present for banks to support highly exposed small businesses and under-protected corporates by highlighting the damaging risk of inaction.



Source: East & Partners Merchant Payments Program – 2020 (N = 2,242)

In Asia the SWIFT Asia Pacific Corporate Risk and Compliance Index highlighted the nascent level of corporate risk and compliance functionality given a majority of corporates did not have a dedicated Chief Risk Officer (CRO). Key risk and compliance governance gaps identified included the low, although growing, level of cyber awareness at management level and a relative lack of standardised internal procedures to manage newly identified risks. Nearly half of all Asia Pacific corporates experienced a cybersecurity threat in a 12 month period with a mere 15 percent of corporates claiming with certainty that they had not experienced a cybersecurity threat based on direct interview with 915 of Asia's Top 1,000 revenue ranked corporates across 10 major economies in Asia Pacific.

As large upstream requirements increase, firms will have to meet the need of customers by scaling their physical infrastructure which can be costly and inappropriate for certain industry verticals.

On the other hand, there are a wide variety of corporates who are choosing public cloud-based solutions which enables corporates to build virtual networks facilitating vast scalability in their production and operational needs. It also allows corporates to scale down rapidly in the event of lower levels of consumer demand. Nonetheless, this type of solution is more susceptible to cyberattacks and data breaches as sensitive data becomes more accessible on a public cloud network. With this being true, it is safe to say that there exists a positive correlation between scalability and vulnerability, leaving small businesses as key targets for cyber-criminals.

Government-backed security measures

Within Europe, there have been government measures

in place to prevent cyber-attacks on businesses and the wider economy. In May 2019, the European Council established a framework which allows the European Union (EU) to impose sanctions on persons or entities who are responsible for cybers-attacks or have attempted to conduct cyber-attacks.

European regulators are not alone, with the US also summoning their revised cybersecurity strategy which provides US government agencies greater power to combat cybercrime. The US government have noted that this new strategic plan will only be effective if there is support from the private sector and importantly extends to the sharing of sensitive information and data.

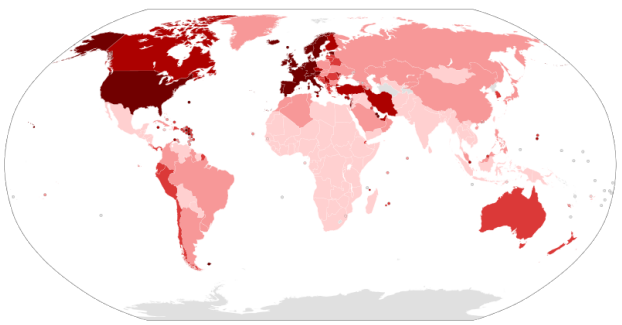
As governments, central banks and regulators do their part in attempting to keep the economy safe, it's now up to corporates as well as banks to have an appropriate degree of preparedness for potential threats on the horizon.

A final thought

Cyber threats are an ongoing and complex issue with no single-fix solution. Given the data it is clear that businesses are not readily prepared to protect themselves against potential threats – especially among Micro and SME businesses. This raises the following questions: should businesses be doing more to ensure the security of their data? What role do banks play in ensuring theirs and their client's data are securely kept? Has government managed to find a bulletproof solution to an evolving problem?

Why Are Some Stock Markets in Asia Less Affected by Coronavirus?

By Gary Ng, Economist for Natixis, and Alicia Garcia-Herrero, Senior Fellow for Bruegel and Chief Economist for Asia-Pacific at Natixis



Asian equities are in a sea of red. Thrashed by one fear after another, most markets have either entered the bear market or are getting close to the line. A widely spreading coronavirus pandemic, an unsolved oil dilemma and lower interest rates are intensifying fears not only for a recession but for a depression. Still, differences exist, with mainland China, New Zealand, Hong Kong and Taiwan all defying the gravity.

Under the current trilemma (coronavirus pandemic, weak oil and ultra low rates), the sectors facing the biggest headwinds are energy, financials, consumer discretionary, industrial and materials. Instead, consumer staple, real estate and information technology should be less affected, given the inelasticity on essential sales and the medium-term market outlook on 5G-related demand. Health care, utilities and communication services are more resilient.

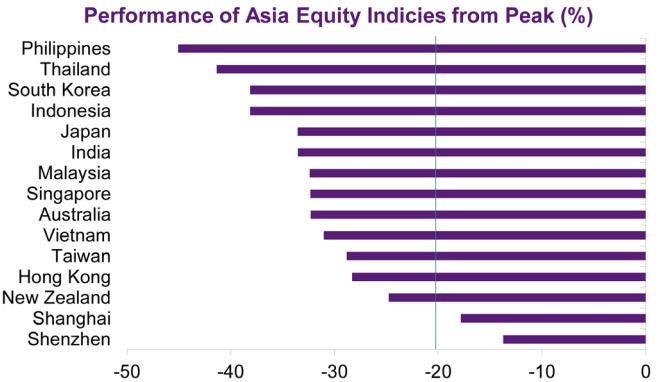
Taiwan and New Zealand Less Impacted So Far

Among Asian markets, Taiwan and New Zealand are less negatively affected by the coronavirus directly due to sound and proactive policies and low exposure to oil in benchmark indices. The sectoral composition of the indices is also a factor. Although the recent turbulence has dragged performance, information technology has proven to be relatively stable in this round of market rout and constitutes 51% of market capitalization in Taiwan.

New Zealand's index is dominated by resilient sectors, such as communication services, health care and utilities — and, to a lesser extent, consumer staples. The limited exposure to financials also imply that New Zealand is less sensitive to ultra-low rates.

The Rest of Asia Has Entered the Bear Market

Thailand is the worst off, given its exposure in oil and tourism. While Australia and Indonesia are also affected by energy, the impact is amplified through financials and materials. Singapore is impacted negatively with a large share in financials under a low-rate environment. Japan and Korea could have performed better, based on their sectoral composition and the nature of being oil importers, but the larger coronavirus



N.B Data as of 20 Mar 2020. Calculated from the peak per index.
Source: Natixis, Bloonberg

transmission is threatening growth.

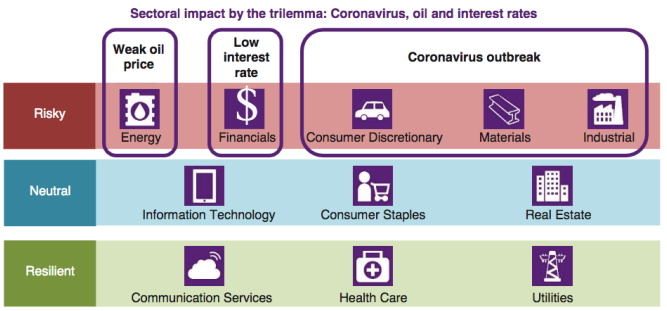
Although no market can hide from the global sell-off, Asian economies with higher infections tend to perform worse for reasons ranging from weaker consumption and services to disruption in manufacturing production. The uncertainties of being in a dark tunnel without a glimpse of the light have pushed markets with historically low volatility toward high fluctuations.

We classify various sectors into three types: risky, neutral and resilient. The trilemma in coronavirus, oil and interest rates is going to hurt some sectors more than others. Neutral sectors mean the condition is generally stable under large shocks, but it doesn't mean they are without risks. Good sectors are relatively shielded from uncertainties.

High-Risk Sectors

Under the current trilemma, sectors facing the highest risks are energy, financials, consumer discretionary, industrial and material. Already hit by the coronavirus on lower demand, energy is further exposed to geopolitical dilemmas in oil prices with no clear solution in the short run. The headwind will be more challenging for financials due to lower interest rates and potentially worsening asset quality.

As for the coronavirus-related sectors, demand on consumer discretionary has shrunk not only in luxury goods and hospitality but also in the automobile industry, both in demand and supply. With tougher restrictions in passenger movement and lower demand in capital goods, industries are taking the brunt, ranging from aviation to machineries. As such, materials will suffer further with lower demand dragged by weaker global growth.



The impact on basic goods is generally neutral, but the present globalization in larger cross-border trade and supply chain integration will mean consumer staples may not be the oasis it was in the past. Unless there is a contagion effect in the financial system, real estate should be relatively shielded, given the lower interest rate environment.

For the specific case of China, the high return has attracted capital, but risks remain on liquidity. As for information technology, the current uncertainties have brought short-term volatility but do not seem to alter the market perception on the medium-term outlook on 5G-related manufacturers and service providers, such as semiconductor, cloud services etc.

Amid the negative shocks, health care, utilities and communication services will be more resilient. Against the background of an escalating coronavirus outbreak, health care is a clear shelter from the turmoil. Although weaker production is posed to reduce demand on electricity, Asian utilities are supported by basic demand and good corporate health. Although disruption may still exist for communication services, the basic demand should remain solid.

Why Is There Variance Between Countries?

Equities in mainland China seem to be rather insulated from the world. Beyond the positive official news on the control of coronavirus spread, recent data has been disappointing, so it is hard to understand the reason for such resilience. While health care and information technology have supported Shenzhen, an explanation for Shanghai's performance is unclear.

However, foreign investors have accelerated the sell-off, as illustrated by the Southbound Stock Connect, but the low share of foreign ownership means the shock is limited. Hong Kong has also benefited due to its stronger correlation with Chinese equities as a whole.

Challenges on containing coronavirus spread will persist in China when production resumes. The pushback of mobile shipment may also eventually revert the sentiment in information technology. Risks are clearly still on the downside, unless there is a breakthrough in coronavirus containment. Lower global rates may help on liquidity but cannot serve as a vaccine for coronavirus.

All in all, different sectoral compositions of Asian equity indices do offer some guidance as to the future evolution for investors, especially when the "risk on, risk off" behavior changes, in response to evolving uncertainties.

AML Risks in the Covid-19 World

By Arpita Bedekar, Director — Strategy and Planning at Fintelekt Advisory Services

The Covid-19 pandemic has already spread to more than 200 countries and a million people impacting the global economy and businesses in unprecedented ways.

Not unlike scores of industries worldwide, banks and financial institutions are grappling with this crisis on multiple fronts – they have to safeguard their workforce while keeping up with provision of banking services which have been deemed as essential. Lockdowns, working restrictions and connectivity problems have added to operational burdens. Toplines and bottom lines are significantly affected due to an economic slowdown. Credit risk is high with several businesses likely to default, yet due diligence is difficult due to lack of direct contact with customers. And amidst these challenges, heightened cyber security concerns are keeping everyone from IT to financial crime compliance staff on their toes.

EMERGING RISKS

Cyber-crime and fraud have seen a particularly large spurt and have become a significant area of concern currently, with advisories and awareness campaigns from regulators, third party watchdogs and banks alike becoming commonplace. The incidence of cyber-attacks, hacking, email phishing, malware, fraudulent investment schemes and scams have seen a manifold increase as criminals are preying on uncertainty and fear.

A recent Europol Report suggests that cybercriminals will continue to innovate in the deployment of various malware and ransomware packages themed around the COVID-19 pandemic. They may expand their activities to include other types of online attacks.

Apart from cyber security, there are other AML risks that are likely to evolve in scope and/or nature as the pandemic continues to strengthen its grip. The list below is by no means comprehensive and continues to evolve rapidly:

Online gaming as a typology for money laundering has come to the fore over the last few years, with a prominent one being that involving the game Fortnite in early 2019.

Revenue from the online gaming industry was estimated at USD 16.9 billion in 2019. With students and youngsters stuck at home due to lockdowns, these numbers are likely to see a major rise. Money laundering through online gaming is closely connected with the dark web and cryptocurrencies, two other fuzzy areas of risk due to the anonymity involved.

Cash – The uncertainty surrounding lockdowns and availability of essentials has reportedly led to a spurt in cash withdrawals across the world. The volume of such transactions may be large and very different from customers' usual patterns of cash usage. If transactions monitoring systems trigger alerts based on this behaviour, it may result into an increased workload for AML teams who may find it difficult to differentiate suspicious activity from unusual patterns.

Trade volumes and cargo traffic worldwide have seen a huge dip due to the virus outbreak that has paralyzed supply chains. As opportunities for **trade-based money laundering (TBML)** decrease due to a fall in trade volumes, s**ervices-based money laundering** may still see a rise and may become the new area of concern. Detection of services-based money laundering is even more complex than TBML and little understood.

Further, several vessels are stuck at various seas and near ports due to restrictions placed on trading and due to inadequate availability of staff at ports. There will be continued risk from vessels violating sanctions, engaging in ship-to-ship transfers, switching off IMO numbers, etc.

Organised Crime - London-based Think Tank RUSI has cited cases of organized crime groups raising the prices for their 'services' and resorting to activities such as counterfeiting of chemicals and medical equipment used for Covid-19 patients.

Foreign investments – Stock markets around the world have seen major dips in the last few weeks and stock prices of several companies are trading significantly lower. Foreign investment flowing into struggling markets have triggered countries like Spain and Italy to change their investment rules. Spain introduced a 10 per cent investment threshold for strategic industries. Similarly, Australia has put in a host of investment restrictions. While the larger investments may still be subjected to review and scrutiny, the smaller value investments carry the risk of dirty money flowing into economies.

NPOs/ NGOs – In the midst of the humanitarian crisis that the pandemic has brought on, there are several volunteer organisations that are working on the ground to provide food and necessities for poorer sections or elderly people. This may offer a convenient front for money laundering transactions to be co-mingled with genuine ones, and for grey organisations to operate without being closely monitored.

Bribery and Corruption – Several governments have declared stimulus packages for individuals and companies that include grants, tax advantages, loans and other measures. This may create avenues for corrupt activities and bribery. In the private sector too, vulnerabilities caused due to revenue

losses, job losses, remote working, etc. may lead to a spike in corruption and bribery.

Trafficking – with borders being closed, trafficking and smuggling is likely to take on more innovative ways. Record job losses and dips in income may increase the vulnerability of populations to human trafficking and modern-day slavery.

Terrorism Financing - The terrorist's objective is usually to cause maximum damage and while crowds and public gatherings are missing, we may see this threat going down in places under lockdown or subject to border controls. Terrorism financing, on the other hand, may continue, even grow, as cyber-crime is on the rise and may be used to build finances for use in future.

AML MONITORING & REPORTING

Under the circumstances, maintaining the required rigour and accuracy with respect to core compliance functions may be extremely challenging for most banks and financial organisations that are already operating at sub-optimal capacities and under challenging infrastructure limitations. Many institutions may be dealing with backlogs in transaction monitoring, potential delays in regulatory reporting and an increase in cost.

In a webinar recently hosted by Fintelekt on 'Managing AML Risk, Operations and Continuity During the COVID-19 Pandemic', Guy Sheppard, Head of Asia-Pacific Financial Crime, Intelligence and Cyber, SWIFT shared that

> *Criminals and terrorists may seek to exploit gaps and weaknesses in national AML/CFT systems while they assume resources are focused elsewhere, making risk-based supervision and enforcement activity more critical than ever.*
>
> **- FATF Statement on April 01, 2020.**

AML regulators are reportedly more flexible than before but are unlikely to allow banks to delay regulatory reporting.

Regulators especially in the heightened risk environment, may not like to be seen taking a lenient approach towards reporting entities. The Financial Action Task Force highlights the role of supervisors, financial intelligence units and law enforcement agencies. In a statement published recently, the FATF emphasizes that "criminals and terrorists may seek to exploit gaps and weaknesses in national AML/CFT systems while they assume resources are focused elsewhere, making risk-based supervision and enforcement activity more critical than ever".

The regulatory expectation from AML compliance professionals will be to continue to track new and emerging typologies and keep up the monitoring and reporting rigour. While doing this, AML compliance professionals can also play their part in maintaining business continuity and protecting the institution from the threats posed by the dynamic Covid-19 environment.

Among Member Banks

Cyberbeat is Newest ABA Member - The Asian Bankers Association welcomes banking and payment services firm Cyberbeat as its newest member.

Cyberbeat is based out of Singapore, but has clients across the Asia Pacific region. It was formed to provide cutting-edge payment technology solutions through product companies and service partners, bringing extensive knowledge, experience and expertise in the banking and payment domains. The company boasts a team with an in-depth knowledge on transaction switching, cards management, payment processing, enterprise fraud prevention, digital ID/token solutions, and digital transformation of retail banking businesses, which works closely with global banking and financial institutions to address their needs with proven technology and services.

Cyberbeat is headed by its CEO Rajan S. Narayan, who has over 20 years' experience in the IT financial services industry, specializing in the cards and payments domain. Hana Dinh serves as the Director of Sales and Marketing.

Among Member Banks

Bank of East Asia Foundation Increases Relief Effort Donation to HK$3 Million - The Bank of East Asia (BEA) announced on March 9 that its charitable arm, the Bank of East Asia Foundation (BEA Foundation), has increased its coronavirus relief donation from HK$2 million to HK$3 million.

BEA has partnered with several additional non-governmental organizations (NGOs). This is on top of the 10 NGOs the Bank partnered with in the first stage of its initiative. The NGOs will buy and distribute packs of sanitary and daily necessities to Hong Kong's underprivileged citizens, worth HK$100 each.

Adrian Li and Brian Li, both Directors of BEA Foundation and Co-Chief Executives at BEA, also participated in the relief effort in person by assisting some of the participating NGOs in preparing the sanitary packs along with other members of BEA Volunteer Team.

The Bank of East Asia has taken measures to protect the health of its staff and customers, and prevent the spread of the virus, including closing some branches temporarily, promoting digital channels and permitting staff to work from home. The Bank has also introduced supportive measures to both personal and corporate customers hit by the novel coronavirus situation, easing their stress and financial burden in a time of need.

Bank of East Asia

State Bank of India Commits 0.25% of FY20 Annual Profit to Help Fight Coronavirus Outbreak - The State Bank of India on March 23 said it will provide 0.25 percent of its annual profit for 2019-20 to fight the coronavirus outbreak in India.

The fund used to fight the coronavirus pandemic will be spent from corporate social responsibility (CSR) funds, following an announcement from the Ministry of Corporate Affairs that companies' expenditure to deal with the coronavirus outbreak will be considered as CSR activities.

Under the law, certain classes of profitable entities have to shell out at least 2 percent of their three-year annual net profit towards CSR activities in a particular financial year. CSR funds could be utilized for various activities related to coronavirus, including those related to preventive healthcare and sanitation.

The bank said it will use this fund for various activities related to COVID-19 mainly to support health care for underprivileged people in cooperation with healthcare professionals and industry.

Some of the initiatives will center around the promotion of healthcare, including preventive health care, sanitation and disaster management.

"This is a time for the nation to be united. We at SBI will continue our support towards the people and communities of India amidst this critical period in the best possible way," SBI Chairman Rajnish Kumar said.

"I also urge all the responsible corporate citizens to come forward and not only take all precautionary preventive measures for the entire staff, their families and people around but also contribute generously to support fellow countrymen who need financial help in these unprecedented difficult times," he added.

First Post

Among Member Banks

MUFG Bank Hires New Asia Transaction Banking Head from Deutsche - MUFG Bank has hired Vikas Arora as managing director and head of sales, transaction banking for Asia.

Arora moved from a 25-year stint at Deutsche Bank, where he most recently held the position of head of global transaction banking and institutional cash management for South Asia at the bank's Singapore arm. During his time at Deutsche he worked in various roles, including head of corporate banking for its Bangalore branch in India, before moving to Singapore in 2007 to take up the position of managing director and head of trade finance for financial institutions, APAC.

A spokesperson for MUFG Bank told Global Trade Review (GTR) that Arora has not replaced anyone and that his role was previously performed by Vivek Batra, regional head of transaction banking for Asia and Oceania, and to whom Arora will report.

Based in Singapore, Arora will be responsible for developing and implementing transaction banking sales plans and strategies to build the bank's existing business with its corporate clients across key locations in Asia.

The hire follows the appointment of former HSBC executive Colin Richmond-Wells to the role of managing director and head of transaction banking for Oceania, as MUFG scales up its transaction banking business.

"Asia is a market of utmost importance to MUFG, and transaction banking is an integral component of not just the bank's regional growth strategy but our suite of client-centric business solutions," Batra old GTR. "The appointment of senior bankers such as Vikas and Colin to the regional TB team therefore reflects our commitment to significantly enhance our business through increasing cross-sell and product capability for our local, global and Japanese corporate customers."

Global Trade Review

Mizuho Concludes Sustainability–Linked Cross–Border Syndicated Loan Agreement with IVL Group - Japan's Mizuho Bank has arranged a syndicated sustainability-linked loan with Thailand-based Indorama Ventures Public Company Limited (IVL), and signed a Facility Agreement with IVL CFO Sanjay Ahuja on March 13, 2020.

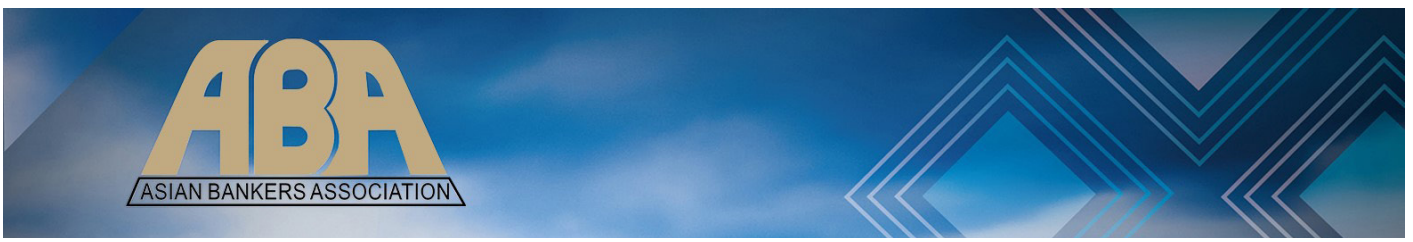
IVL is a leading global chemical company with headquarters in Thailand and has manufacturing operations in 33 countries on six continents. IVL is the world's largest supplier of polyethylene terephthalate (PET), a material used for manufacturing PET bottles. IVL has three business segments, namely Combined PET, Integrated Oxides & Derivatives, and Fibers. IVL is a member of the Dow Jones Sustainability World Indices.

The syndicated loan, which amounts to $255 million with a five-year maturity, will be from 16 Japan-based banks and financial institutions.

This is a landmark transaction where for the first time Japanese banks are extending cross–border syndicated loans to a Thai company as well as incorporating a company's environmental, social, and governance (ESG) rating into considerations when arranging cross–border syndicated loans in another Asian country. The rating is based on ESG scores provided by a globally accepted rating agency, and if they exceed a certain benchmark agreed upon among IVL and the participating banks, then IVL will benefit from lower interest rates.

Given the increasing calls for companies to address ESG needs, Mizuho has arranged this syndicated loan structure to gather together financial institutions that would like to financially support the ESG efforts of IVL.

Mizuho



Among Member Banks

SMBC Awarded 'Best Green Trade Partner Bank' by IFC - Sumitomo Mitsui Banking Corporation (SMBC) has been named "Best Green Trade Partner Bank", one of 2019's Global Trade Finance Awards given by the International Finance Corporation (IFC), a member of the World Bank Group.

The award recognizes SMBC's dedicated efforts to promote environmental, social and governance (ESG) initiatives. This is the second consecutive time the IFC has honored SMBC with a Global Trade Finance Award. SMBC was selected the "Best Trade Finance Portfolio Partner" in 2017, such award being a first for a Japanese bank.

SMBC, in partnership with the IFC, offers trade finance in emerging markets to enhance business with exporters in Japan and other countries. This award reflects SMBC's strong commitment to addressing environmental challenges and promoting sustainable development, its substantial support to emerging markets through increasing energy efficiency, alternative fuels, clean energy, and environmentally-conscious agricultural machinery, as well as introducing a sustainable approach to agricultural and fishery industries.

SMBC Group designated "Environment", "Next Generation" and "Community" as three priority issues and has been working together with stakeholders to resolve social and environmental challenges. The award acknowledges the Group's excellence in these areas and dedication both to a better environment and sustainable development.

SMBC will continue to support the sustainable development of society and maximize its impact by collaborating with IFC and offering innovative financial services. *SMBC*

Maybank Assures Ability to Weather Covid-19 Situation - Malayan Banking Bhd (Maybank) said it will be able to weather any stress due to changes in the operating environment such as the ongoing Covid-19 situation, given its robust liquidity and capital positions built over the years.

In a statement, Maybank group president and chief executive officer Datuk Abdul Farid Alias said the board and management of the bank had always ensured the group remains ahead of the capital and liquidity requirements set by bank regulators, particularly in Malaysia, Indonesia and Singapore.

He added that these levels have been consistently higher than the full requirements for the past five years, despite them being under gradual implementation by the regulators.

"Maybank's liquidity capital ratio as at December 2019 stood at 141%, while its total capital ratio was 18.23% and its fully loaded CET1 capital ratio 14.58%, all well above the current regulatory requirements of 100%, 10.5% and 7% respectively.

"Given these levels, it is clear that Maybank group's capital and liquidity ratios have been kept at the higher quartile, compared to the other banks in Southeast Asia," he said.

Farid noted Fitch Ratings' downgrade revision of the bank's long-term issuer default rating (IDR) by one notch, although maintaining its outlook as stable.

The move by the ratings agency was made based primarily on the weakened operating environment and not a reflection of Maybank's strong fundamentals, he said.

"I was disappointed when I first saw this report but was also aware that Fitch had recently downgraded the credit rating of many banks, especially in the Asia Pacific, Middle East and South African regions," Farid said.

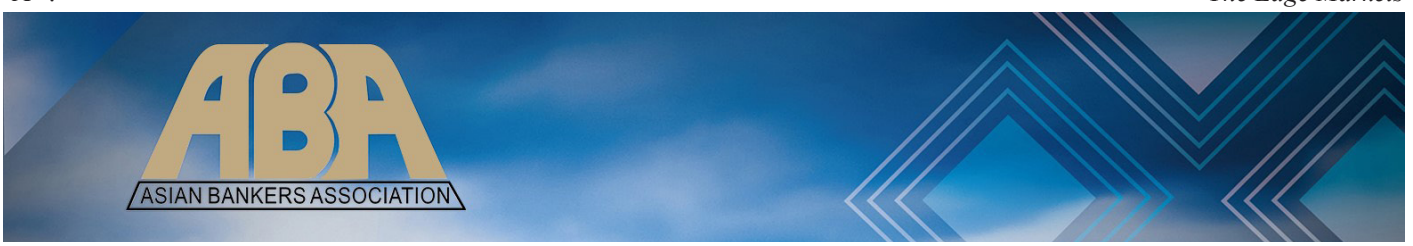
"While this is the prerogative of the rating agencies, our view is that all effort including by the banking sector should be focused primarily on helping the people survive the crisis, and then eventually help reverse this pandemic-induced economic slowdown, given that the cause of this slowdown is peculiar and its impact significant.

"This downgrade will likely increase the bank's funding costs, but we will do our best to absorb it without passing the majority of it on to our customers," he added.

Meanwhile, he said Maybank is reassured by the Fitch report which stressed that the bank remains better capitalized than its peers, and is in a firm position to weather potential strains on earnings and asset quality arising from the weaker operating environment.

Fitch also stated that the bank's liquidity is well supported by its superior domestic deposit franchise and the central bank's highly accommodative liquidity management actions, Farid noted.

On April 13, the ratings agency said that it had downgraded Maybank's long-term IDR to 'BBB+' from 'A-' and its viability rating to 'BBB+' from 'A-'. The bank's senior debt ratings and medium-term note program were also downgraded to 'BBB+' from 'A-'. *The Edge Markets*



Among Member Banks

Bank of Maldives to Offer Short Term Financing in Face of Covid-19 Outbreak - During the uncertainty facing the coronavirus (COVID-19) outbreak globally, and to mitigate the risks to the country's largest industry, the Bank of Maldives together with the Ministry of Tourism and the Maldives Association of Tourism Industry (MATI) has announced a short-term financing solution to support the tourism sector.

The financing solution allows operational resorts and guesthouses to finance up to US$2 million to manage their working capital requirements, with a repayment period of 3 years.

Bank of Maldives CEO and MD Tim Sawyer stated "Although any impact will depend on the extent and duration of the outbreak, our tourism industry and local businesses are already facing an unprecedented set of challenges. As the national bank, it is our responsibility to support these businesses through this period. Together with our partners, the short-term financing solution announced today will help manage working capital requirements, to cushion the impact."

The Bank also recently announced its new unsecured Working Capital financing to support short-term funding needs to Small-to-Medium businesses. *Bank of Maldives*

PNB Waives Remittance Charges - The Philippines' fifth largest lender, Philippine National Bank (PSE: PNB), is waiving the remittance fees for various channels until May 8, 2020. The waiver applies to cash transfers that will be credited to PNB deposit accounts in the Philippines.

PNB President and CEO Wick Veloso said the bank is committed to make remittance convenient and hassle-free for customers. "Waiving the remittance fees is a big help to our [countrymen] who send cash to their loved ones in our country," Veloso said. "So starting April 9 until May 8, we would like to do our own simple part in helping them. They are our selfless heroes."

He adds, "This is especially needed now that the entire world is coping with the economic impact of the COVID-19 pandemic."

The waiver covers over-the-counter transactions done at the following PNB overseas branches: Los Angeles, Guam, Singapore, Japan, Global Hong Kong, Canada (through PNB-Remittance Company Canada) and Europe. For PNB Europe, remittance fees are also waived for the Web Remit and Phone Remit channels.

Mail-in remittance is covered by the waiver in the areas of New York and Japan. For Japan, remittance fees are also waived when done via ATMs of Mizuho Bank and Japan Postal Bank.

Remittances done through PNB Global Remit (Remittance Centers, Inc.) branches are also free of charge when done over-the-counter and via Web Remit and Phone Remit.

Meanwhile, users of Xchanged remittance app in USA and Guam can avail of free remittance for their first two transactions. XChanged clients can use the following codes: XCHFREE for USA and BEATCOVID for Guam.

Earlier last month, PNB also waived the transactions fees for local money transfer done via Instapay and PESONet.

Clients are encouraged to regularly visit PNB's official Facebook page (@PNBph) for updates on the latest news and promos. *PNB*

PNB Revives 'Bank on Wheels' After Five Decades - Almost 50 summers later, the Philippine National Bank revived its "Bank on Wheels" (BOW) as the Luzon-wide lockdown entered its fourth week.

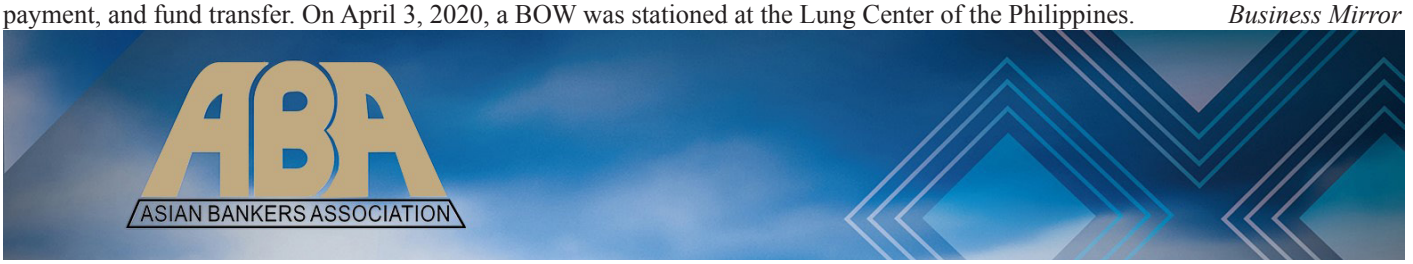
"We hear the plight of our kababayans [compatriots]," PNB President and CEO Wick Veloso was quoted in a statement as saying. "Our 'Bank On Wheels' (BOW) is ready to serve them especially in these most difficult times."

Veloso said the bank deploys BOWs in areas where accessibility to cash is limited. "Since the start of the Enhanced Community Quarantine, we have been servicing many communities in Metro Manila," Veloso said, adding that each day, PNB's BOW is sent to a different location to serve those who have difficulty in getting to an automated teller machine.

PNB first introduced its BOW in the summer of 1973. In the form of a jeep, banking is brought to farmers from the rice-producing provinces in the Philippines.

Through gravel roads and amid rice fields, transactions are done on the nearest place of convenience: a big shady tree, a barber shop and even inside a chapel, the bank said.

The bank said its BOW allows Filipinos to conveniently perform transactions such as cash withdrawal, cash deposit, bills payment, and fund transfer. On April 3, 2020, a BOW was stationed at the Lung Center of the Philippines. *Business Mirror*



Among Member Banks

PNB Supports Employees, Clients Amid COVID-19 Health Emergency - Philippine National Bank (PNB) has released the 13th month pay to all its employees in all its offices around the country as it supports the well-being of its employees amid the emergency health crisis caused by COVID-19.

President and CEO Wick A. Veloso said, "We fully support the enhanced community quarantine. We hope that by releasing the 13th Month pay early, our employees will be encouraged to stay home during the entirety of the quarantine."

Veloso also said the Bank triggered its business continuity plan (BCP) early. "We took immediate measures to limit the exposure of our employees to the virus. Our Information Technology Group has been busy enabling work-from-home arrangements for our employees. Many employees were able to bring home their devices, allowing them to work securely and support customers of various business units of the Bank."

As part of the BCP, a skeletal workforce was stationed at the PNB head office in Macapagal in Pasay City. Veloso says, "The dedication of Philnabankers is priceless. We understand the risks of having to work in this time of enhanced community quarantine and this is why we are giving a special daily allowance to each employee who reports to the office," he says. "We have shortened their work hours so they can comply to the curfew. Our bank vehicles and transport providers are available to bring them to designated pick-up and drop-off points."

The Bank recognizes that finances is a major concern during times of crisis. For employees' physical health and peace of mind, PNB has agreed with its accredited health care provider to include COVID-19-related hospitalization expenses in employee's health care coverage.

Veloso says "malasakit" or genuine concern for one another is one of PNB's core values. "Our people are our most-valued resource and they are our partner in our success. Taking care of them goes beyond providing them with the skills, knowledge and productivity tools. For us in PNB, it also means protecting their welfare and that of their families."

The veteran banker proudly shares how his fellow Philnabankers have demonstrated this concern amidst the challenge. "Since public transportation is scarce during this time, some of our employees offer car rides to their officemates. There are also employees who volunteer their services at the PNB COVID-19 Command Center in Pasay. Some employees whose branches are temporarily closed offer help to PNB branches that are open." He emphasizes, "Employees are enjoined to practice social distancing and proper hygiene at all times."

Meanwhile, select PNB branches in key locations nationwide remain open. Veloso says, "In support of the enhanced community quarantine, we encourage our clients to use our online banking channels so that they stay home.

PNB

RCBC Braves Bond Market - Rizal Commercial Banking Corp. (RCBC), led by the Philippines' Yuchengo Group of Companies (YGC), has braved the local bond market despite the financial market turbulence arising from the COVID-19 pandemic.

RCBC disclosed to the Philippine Stock Exchange on March 23 the offering of new two-year bonds priced to yield 4.848 percent per annum.

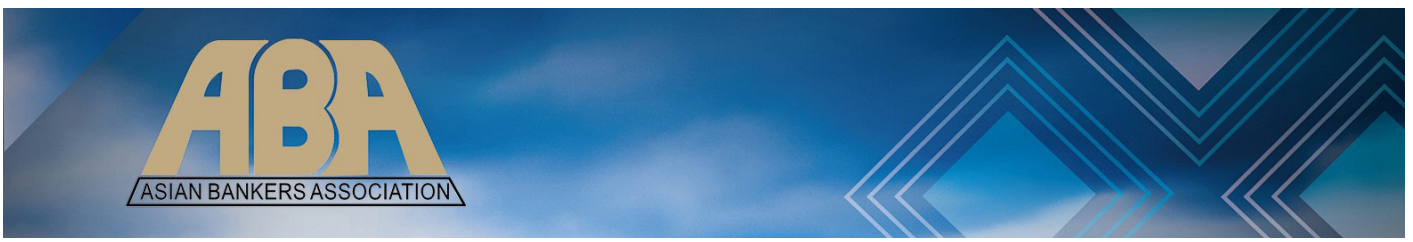
The bonds will form part of its P100-billion bond and commercial program, which has an unissued balance of P69.5 billion. RCBC has mandated HSBC and RCBC Capital to arrange the new bond offer.

The offering will run from March 23 to March 27. The bonds will be listed on the Philippine Dealing & Exchange Corp. on April 7, subject to market and other conditions.

"The bank acknowledges the logistical and execution challenges given current conditions around COVID-19," the bank said, adding that it's grateful to the parties involved in being able to set up its program documentation last March 17.

"By proceeding with the program documentation set up and with the bonds issuance, the bank works toward conveying to the public that capital markets remain open to support business activity," RCBC said.

Philippine Daily Inquirer



Among Member Banks

Small Banks and Microfinance Tap RCBC's ATM Go - Rural banks, cooperatives and microfinance institutions have banded together for a faster disbursement of the Philippine government's ₱200 billion emergency subsidy to 18 million Filipinos affected by the COVID-19 lockdown.

The Rural Bankers Association of the Philippines (RBAP), MASS-SPECC Cooperative Development Center (MASS-SPECC), the National Confederation of Cooperatives (NATCCO), CIS Bayad Center Inc., and Rizal Commercial Banking Corp. (RCBC) have agreed to use its combined network and customer touchpoints as an alternative option.

The group, calling their collaboration "Damayang Sam¬bayanihan: Hatid-Ayuda sa Kababayan" will use RCBC's pocket and mobile ATM Go.

"We heed the call of President Duterte for the private sector to complement government's effort in containing the pandemic and providing relief to those severely affected," said RCBC President and CEO Eugene Acevedo.

The recently signed Republic Act No. 11469 or the Bayanihan to Heal as One Act empowered the government to release welfare funding of ₱5,000 to ₱8,000 to low income households. Delivering this subsidy to 18 million Filipinos is however a logistic challenge.

RBAP President Roberto Abello said they are ready to utilize their branch network of 2,700 to send the cash to its beneficiaries and to also assist in the "countryside pump priming needed to address this global pandemic and local quarantine."

"This is our collective action in solidarity with the nation in crisis," said RCBC Executive Vice President Lito Villanueva.

In the meantime, NATCCO CEO Sylvia Paraguya said it will be beneficial and useful for rural-based cooperatives to "join (the) bigger community in the use of digital channels to reach out to more people in these trying times."

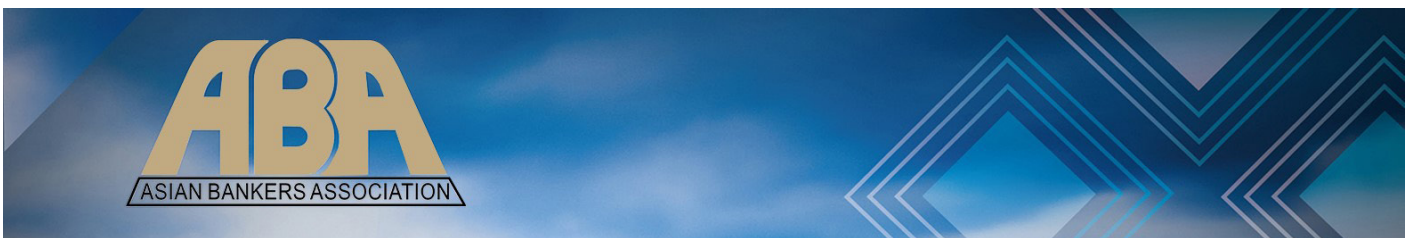
MASS SPEC CEO Bernadette Toledo said the cooperation is also aiming to reach Southern Philippines, especially in hard-to-reach areas within the Bangsamoro Autonomous Region in Muslim Mindanao.

"We are extending our assistance through our network in making payout facility available to our people especially during this critical time. And, this collaboration will make it more effective and expansive," said Bayad Center president and CEO Manny Tuazon.

The whole of Luzon, starting with Metro Manila, and later all of the Philippines were placed under a month-long enhanced community quarantine (ECQ) to contain the spread of COVID-19.

"With the limited mobility of Filipinos due to the enforcement of the ECQ and partial operation of banks and other financial intermediaries, the use of digital channels and other electronic means such as ATM Go will bridge the gap towards access to government aide," said Acevedo.

Manila Bulletin



Among Member Banks

DBS to Offer Third Round Of COVID-19 Liquidity Relief Packages for Individuals and SMEs - DBS has introduced a third round of liquidity relief measures to help individuals and SMEs impacted by the COVID-19 pandemic. These measures closely follow the guidelines as set out in the relief package for borrowers announced by the Monetary Authority of Singapore on March 31.

For individuals: Deferred mortgage repayment and lower interest on unsecured credit

Retail customers will be able to defer their home loan principal and interest payments till December 2020 and at the same time, avoid late payment interest with no impact to their Credit Bureau records. Those with outstanding balances accrued on credit cards and/or DBS Cashline can also apply to convert their balances into a term loan of up to five years, with effective interest rate capped at 7.96%, and no penalty for early repayment.

These latest relief measures are in addition to earlier ones rolled out by the bank to individuals in February 2020, to a strong response:

- Free 30-day COVID-19 relief insurance coverage in partnership with Chubb Insurance Singapore Limited: some one million customers and their family members have since signed up
- Six-month principal repayment moratorium for mortgage loans: applications have been received from more than 900 customers
- Contact tracing for customers who use their cards for street hail fares with ComfortDelGro via the 'TRACE' promo code which offers an SGD 2 discount: around 20,000 redemptions have been made to date
- Free online supplementary classes in partnership with 88Tuition, for primary and secondary school students: more than 460 students have benefitted

Going above and beyond government measures to help SMEs alleviate cashflow woes

DBS has amped up its cash flow support for SMEs through its Digital Business Loan, which has seen healthy interest since its launch on February 26. From April 6, SMEs can apply online for a collateral-free loan of up to SGD 100,000, double the previous quantum of SGD 50,000. This will grant SMEs hassle-free access to additional working capital to weather the economic storm. Further, SME clients will only need to service interest for the first 12 months, up from the original three-month interest servicing period announced on February 26. DBS will go one step further to support SMEs and waive all processing fees, usually pegged at 1% of the loan quantum associated with this loan.

Additionally, SMEs refinancing their commercial property loans with the bank from mid-April 2020 will enjoy a nine-month principal repayment moratorium, subject to meeting certain eligibility criteria. This means that customers will only need to service interest during these nine months, affording SMEs greater cash flow flexibility.

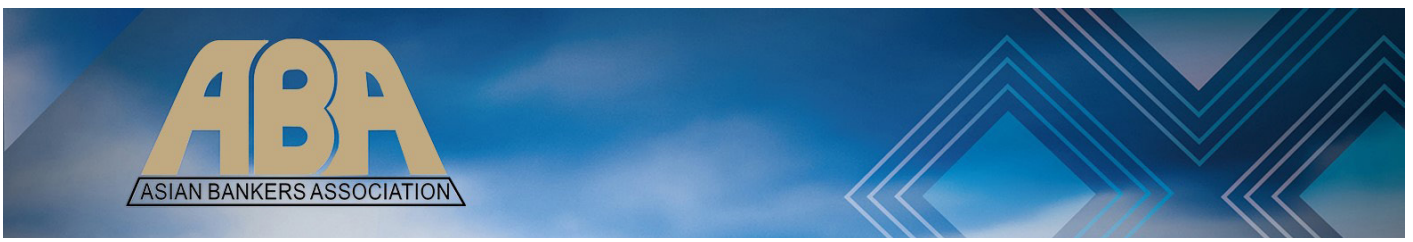
The processing fee waiver for the upsized Digital Business Loan and nine-month principal repayment moratorium for refinanced commercial property loans are above and beyond government relief measures that were announced on March 31 which DBS will be introducing on April 6. These include allowing SMEs banking with DBS to choose to defer principal payments on all secured term loans up to December 31, subject to eligibility. SMEs will also be able to extend the tenure of their loans by up to the corresponding principal deferment period if they wish. This relief will be available to SMEs that are not more than 90 days past due as of April 6.

These are in addition to earlier announced DBS relief measures for SMEs:

- Six-month principal repayment moratorium for SME property loans
- Extension of import facilities of up to 60 days to act as immediate cash flow support
- F&B Digital Relief Package supported by the Infocomm Media Development Authority and Enterprise Singapore that features e-commerce and digital marketing solutions to help SMEs tap new income streams by building their online presence in just three days

Said DBS Singapore Country Head Shee Tse Koon: "We remain steadfast in our commitment to standing by our customers and believe that our new round of liquidity relief measures will help alleviate some of the challenges individuals may face in managing their cash flows. We are also providing SMEs with swift, hassle-free access to additional working capital. Amid the uncertainty engendered by the COVID-19 pandemic, we hope these measures will help ease some of the financial concerns on our customers' minds."

DBS



Among Member Banks

DBS Further Boosts Cash Flow Support for SMEs, Upsizes Collateral-Free Digital Business Loan - DBS announced on April 7 that it will further bolster its liquidity relief support for SMEs impacted by COVID-19 by increasing the quantum of its Digital Business Loan to SGD 200,000. This is double the upsized SGD 100,000 quantum announced on April 3, and four times the original quantum of SGD 50,000 when the relief measure was first introduced on February 26.

Joyce Tee, Group Head of SME Banking, DBS, said, "DBS is fully supportive of the newly announced measures in the Solidarity Budget to protect lives and livelihoods amidst this COVID-19 crisis. DBS stands shoulder to shoulder with our customers, and today, we will be further ramping up our support for the SME community. We hope that by significantly beefing up the Digital Business Loan, SMEs can now access even more substantial working capital support to weather the economic fallout from COVID-19."

The Digital Business Loan will continue to be collateral-free, with SME clients needing to service only interest for the first 12 months, up from the original three-month interest servicing period announced on February 26. DBS will continue to waive all processing fees, usually pegged at 1% of the loan quantum associated with this loan.

The Digital Business Loan adds to the raft of relief measures that DBS has made available to SMEs, including a six-month principal repayment moratorium for existing SME property loans, and an extension of import facilities of up to 60 days to act as immediate cash flow support.

The DBS F&B Digital Relief Package had been launched weeks prior to help F&B establishments tap new income streams by building their online presence in just three days. DBS is in the process of onboarding more than 70 F&B businesses from household chains to hotels, standalone cafes and restaurants which combined, number more than 100 F&B outlets.

Tee added that the bank will continue engaging its SMEs and industry partners to address the specific needs of different sectors during this period. It aims to introduce more of such targeted relief packages in the coming weeks to support different SME segments.

DBS

DBS rolls out Digital Solutions to give Businesses Contact-free Banking Options - DBS on February 26 announced its second round of relief measures to help businesses in Singapore cope better with the COVID-19 situation. These measures are a mix of financial relief packages and a slew of digital initiatives to enable companies to fast track their digital adoption and transaction fulfilment needs in the face of business continuity measures currently adopted by most companies.

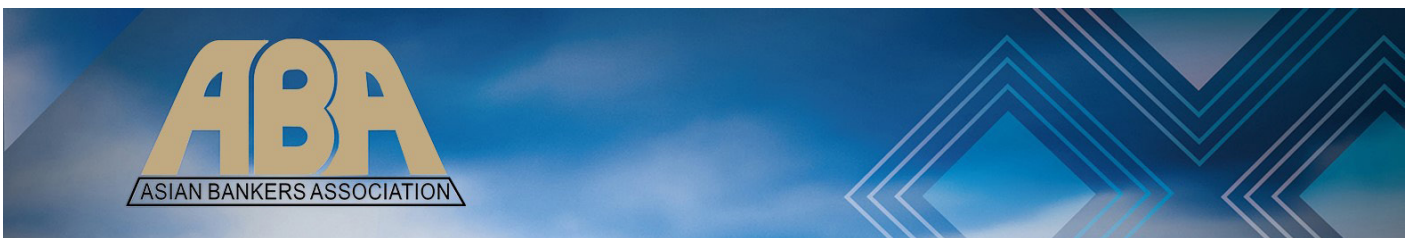
The latest relief measures are:

- Collateral-free Digital Business Loan of up to SGD50,000, disbursed within 24 hours of loan acceptance
- Digitalization of 11 common trade financing processes to reduce the need to be reliant on physical over-the-counter trade processing
- 50 free FAST transactions a month to promote reduced physical handling of cheques (up from 30 free FAST transactions a month)
- Webinars and customized teach-ins to train customers on how to use and benefit from the convenience that our new digital capabilities afford
- Digitalization of the bank's popular DBS SME Academy's training courses so that upskilling and learning can still continue in the safety of customers' homes and offices

Tan Su Shan, Group Head of Institutional Banking, DBS said that the latest measures are aimed at helping SMEs and corporates facing the challenging reality of the COVID-19 situation. This includes disrupted supply chains, falling customer demand, cash flow issues and difficulties in fulfilling transactions with physical documents. "Both the short-term financing relief packages and the longer-term digital adoption plans that are being made available to clients now will help businesses with their immediate cash flow needs and their longer-term digital transformation efforts which should continue even in the face of economic headwinds," Tan added.

Collateral-free Digital Business Loan of up to SGD50,000 in 24 hours

From today onwards, existing SME customers can apply for a short-term collateral-free loan of up to SGD50,000 and



Among Member Banks

upon approval of the loan, can look forward to receiving their funds in 24 hours.

The collateral-free loan will also come with an automatic processing fee waiver.

This comes on the back of a dipstick poll of about 100 SME clients in Singapore to ascertain their top financial concerns and challenges while navigating the COVID-19 situation. The poll which was conducted in early February revealed that seven in 10 SMEs' top concern during this period was ensuring consistent cashflow for ongoing operational costs.

DBS – first Singapore bank to introduce comprehensive digital "contact-free" trade financing digital capabilities

To minimize the need for couriers and clients' employees to physically submit paper-based applications at trade counters, DBS will be the first Singapore bank to introduce a comprehensive suite of "contact-free" trade financing digital solutions, eliminating the need for the manual processing of trade financing solutions.

Customers can now access a one-stop portal through DBS' Corporate Banking platform IDEAL to upload all their trade financing applications and supporting documents.

This will apply immediately to 11 everyday trade financing solutions such as letters of credit, import bills, trust receipts, banker's guarantees and shipping guarantees. This means that customers will be able to submit trade financing applications online, as well as digitally upload and reload any required documents such as trade contracts, invoices, customs declarations and purchase orders. These applications were previously mainly done physically at trade counters or at bank branches.

They will also be able to get instant notifications of their application status through email and SMS.

With trade financing solutions digitalized, clients will also be able to retrieve their historical supporting documents online and submit their documentation and applications round the clock instead of relying on the DBS trade counters and branch banking operating hours.

To help clients get familiarized with these and other new digital features, from 2 March onwards, the bank will also be progressively rolling out webinars and customized "teach-in" sessions for them.

These digital solutions were already part of DBS' roadmap to partner clients in their drive for digital transformation, but were accelerated and made available in Singapore and DBS' key markets of Mainland China and Hong Kong to support clients with their continued business operations during the COVID-19 situation.

Promoting lifelong learning and upskilling

Even as businesses hunker down during this period of uncertainty, DBS is ensuring that the government's SkillsFuture movement to promote lifelong learning and upskilling continues. It will do this by moving its popular SME Academy training courses online, enabling SME owners and employees to continue to upskill themselves in the safety of their homes and offices. In addition, DBS BusinessClass[3] will continue to roll out relevant bite-sized business content through its online and social medial channels.

Businesses can access a range of training courses from cash management to accounting to brand management and marketing at www.dbs.com.sg/sme/businessclass/sme-online-academy.page

"In these difficult times, technology plays a key role in empowering contact-free banking and also ensuring that life goes on with as little disruption as possible. As the world's best digital bank, we believe it is important to harness our digital capabilities and technological know-how to deliver enhanced digital banking services to our clients. This way, they can continue to run their business smoothly while safeguarding their health and well-being at the same time," Tan said.

The latest round of COVID-19 relief measures are on the back of DBS' first set of relief measures for corporate clients announced on 13 February which included a six-month principal repayment moratorium for SME property loans.

DBS

Among Member Banks

CTBC Bank, Taiwan Life Insurance rank among Asia-Pacific's 20 best - Two subsidiaries of Taiwan-based CTBC Financial Holding Co. have recently been named by International Data Corp. (IDC) as one of the 20 best banks and 20 best insurers, respectively, in the Asia-Pacific region for this year, with three major artificial intelligence (AI) development projects.

CTBC Bank won the recognition from the world-renowned science and technology consulting and research institute for developing a facial recognition service for cash withdrawals and an AI-powered chatbot, a conversational agent in which a computer program is designed to simulate intelligent conversation.

Taiwan Life Insurance, meanwhile was recognized because of its "eClaim Blockchain," which applies blockchain technology to the insurance claims process, allowing customers to transmit documents required for related claims.

CTBC Bank is the only financial institution to have been recognized by IDC for six consecutive years. It is also the only bank in Taiwan's financial sector selected as the best bank in the Asia-Pacific region, according to James Chen, president and CEO of CTBC Bank.

"As the largest commercial bank in Taiwan, CTBC Bank has been keeping up with the growing popularity of AI. In recent years, it has focused on the development of three major AI areas -- computer vision, NLP and conversation, and machine learning," Chen said.

"It has also established six platform systems and has been applying them to a number of financial products and services, receiving high recognition from IDC as a result," he added.

One of its award-winning projects, the chatbot, is a concrete example of CTBC Bank's application of AI technology to prevent global money laundering, Chen noted.

Meanwhile, Taiwan Life Insurance's "eClaim Blockchain," will allow customers to make claims by filling in application forms at its official website and authorizing hospitals to return medical information using the blockchain technology, avoiding the hassle of having to go to and from the hospital to obtain proof of medical treatment, the company said.

With the current spread of COVID-19, the use of such technology can reduce the risk of customers being infected with the coronavirus disease by reducing their trips to the hospital.

The insured can also view their personal medical information online at any time, making it a portable and handy medical record for easy self-management, as they can take it with them when they transfer to different doctors or hospitals, and use it for reference during medical consultations, according to the company.

CNA

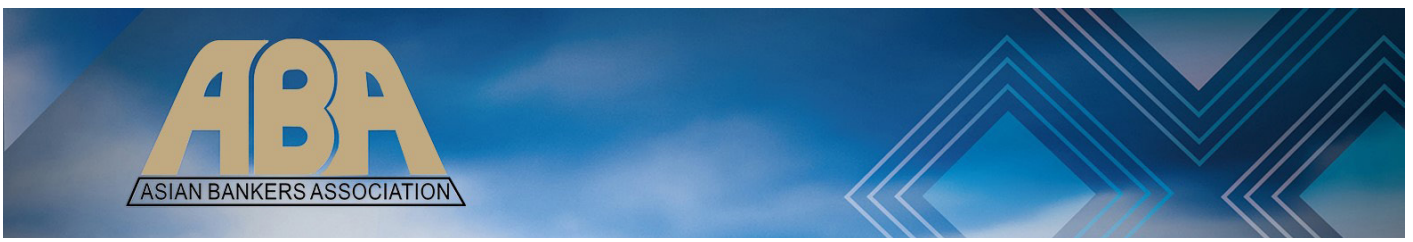
Vietcombank Commits to Business Continuity - In line with directions from the Government, the Ministry of Health, and the State Bank of Vietnam on COVID-19 pandemic control measures, Vietcombank has implemented a comprehensive action plan which aims to protect the health and safety of customers and staff, and secure customers' best interest and the Bank's business continuity.

Vietcombank says it will maintain undisrupted financial and banking services to customers at all branches and transaction offices nationwide during normal business hours from Monday through Friday, excluding public holidays and weekends.

To follow Covid-19 pandemic control, Vietcombank is requesting customers to keep a safe distance from one another at the Bank's offices. Customers are also encouraged to use online banking services to optimize financial efficiency and reduce the risk of infection in the community.

Vietcombank has said it will notify customers of new directions from relevant authorities related to banking operations via their official website and clients' registered contact preferences.

Vietcombank News



Banking and Finance Newsbriefs

Asia-Pacific

Coronavirus will hit profitability of Asia Pacific banks through 2021

Asia Pacific banks will find it increasingly challenging to maintain their financial performance as economies around the world get hit by the coronavirus pandemic, according to Fitch Ratings.

The ratings agency earlier this month downgraded the outlook for 10 banking systems in the region to "negative." All 17 banking systems in Asia Pacific that Fitch assesses now have a "negative" outlook.

But the outlook assessment doesn't necessarily indicate that economies in the region face higher risk of financial instability, Fitch's Head of Asia-Pacific Bank Ratings Jonathan Cornish said on Tuesday.

"We wouldn't say that it's a risk. Definitely in terms of the performances of the banks, we expect them to weaken over the course of (2020) and (2021). But still the banks are generally coming off a pretty sound starting point, with the exception, of course, with a few banking systems mainly in emerging markets," he told CNBC's "Squawk Box Asia."

"But by and large, because of the global financial crisis and the fact that regulators have required banks to build up additional amounts of capital and also improve their liquidity, the starting point is a lot better than what we would have seen otherwise," he added.

Fitch in a statement earlier this month outlined how the coronavirus pandemic will affect the profitability of banks:

- Weaker economic growth will dampen demand for credit
- Capital market volatility could deter issuance and listing activity
- Lockdowns and movement restrictions will affect the ability of businesses to repay debt, thus weaken asset quality of banks
- Interest rate cuts in many economies will weaken profitability

Cornish said many banks have over the years taken on more risky business activity as interest rates have remained low. For banks in emerging markets such as Malaysia, lower oil prices would add pressure to their profitability, he said.

"We're talking about a hit that's going to last for a couple of years and weaken some of the credit profiles, but there's definitely going to be challenges ahead and they're going to come in many shapes and forms," he added.

CNBC

Philippines

Philippine Banks Urged to Keep Interest Rates Low

The Bankers Association of the Philippines (BAP) on March 30 told the country's largest financial institutions to keep their lending rates as low as possible to help keep the economy running amid the coronavirus pandemic.

In a statement, BAP president Cezar Consing said the impact of the global public health emergency was becoming more apparent on the economy as the Philippines enters the third week of the Luzon-wide enhanced community quarantine (ECQ).

"Thus, in this ECQ period, we ask our member banks to do their utmost to maintain reasonable lending rates, with the objective of trying to keep such rates as close as possible to pre-ECQ levels," said Consing, who is also the president of Bank of the Philippine Islands, the country's fourth largest lender.

The head of the BAP—the umbrella organization of the country's largest banks with 42 member-financial institutions — noted that banks "have taken extraordinary steps to continue to serve banking customers" since the lockdown began.

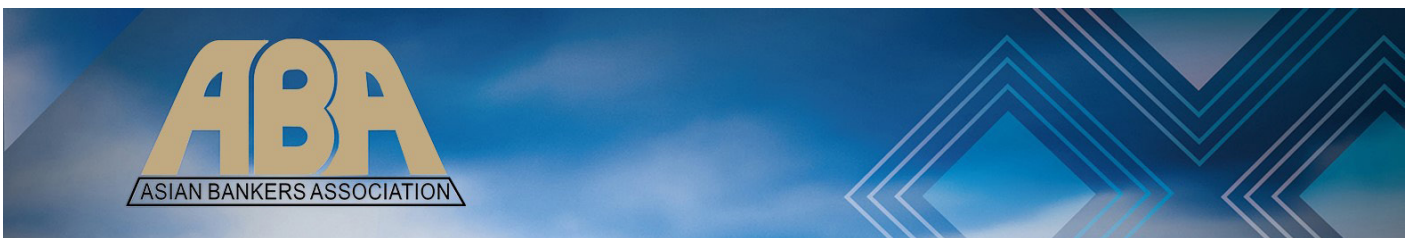
Alongside this, the Bangko Sentral ng Pilipinas (BSP), the country's central bank, also reduced both the policy rate and reserve requirements of financial institutions and took steps to ease the regulatory burden borne by banks.

The BSP has opened rediscounting facilities, which can be tapped by banks for its liquidity needs, and has urged these banks, in turn, to extend leniency to their borrowers who may have difficulty settling their loan obligations over the near term.

In his letter, Consing said BAP members must maintain a level of branch presence that allows for the execution of transactions that cannot be performed digitally as well as keep their online banking facilities open. Banks should also ensure availability of cash in their open branches and the majority of their ATMs, he added.

Finally, Consing urged banks to "contribute to stable and liquid financial markets" by helping cash circulate in the economy and serving the needs of their clients. "Our country needs our very best efforts in these difficult times," he said.

Philippine Daily Inquirer



Banking and Finance Newsbriefs

Australia

Australia's Central Bank Warns of 'Very Large' GDP Slump, Keeps Record Low Rates

Australia's central bank kept rates at record lows and pledged to keep three-year government bond yields at its 0.25 percent target as it predicted the COVID-19 pandemic would trigger a massive economic decline.

The Reserve Bank of Australia (RBA) on March 19 announced an out-of-cycle rate cut to 0.25 percent and an unprecedented stimulus package, which included an unlimited quantitative easing program.

The board on April 7 confirmed all of the elements of that package, saying that it would not raise interest rates until it made progress in achieving its employment and inflation goals.

The decision comes as some economists predict the worst recession in Australia's history, which would see the unemployment rate almost doubling to near 10 percent.

Economic indicators offered a foretaste of the pain to come with March job vacancies posting their largest drop in more than a decade. "There is considerable uncertainty about the near-term outlook for the Australian economy," RBA Governor Philip Lowe said in a short post-meeting statement.

"Much will depend on the success of the efforts to contain the virus and how long the social distancing measures need to remain in place," Lowe added. "A very large economic contraction is, however, expected to be recorded in the June quarter and the unemployment rate is expected to increase to its highest level for many years."

Restrictions on people movement and gatherings have forced many businesses in hospitality, retail, transport, education and even community services to shut down. Businesses that remain open face falling sales and increasing operational restrictions.

A survey released on April 7 by the Australia and New Zealand Banking Group (ANZ) showed that total job advertisements last month fell 10.3 percent from February, the steepest decline since January 2009, when the global financial crisis was raging.

Separately, a service sector index showed that activity last month shrank for a fourth straight month, as it fell to the lowest in 11 years.

It was not all gloom, with another survey released the same day by ANZ and Roy Morgan showing that consumer sentiment bounced last week after two months of drastic declines, as a government "JobKeeper" plan to subsidize some workers somewhat lightened the mood.

In anticipation of a steep contraction in GDP, the central bank has so far bought A$38 billion (US$23.46 billion) of Australian government bonds — or nearly 7 percent of outstanding stock — to help keep borrowing costs low.

The functioning of the bond market has improved since it launched its quantitative easing program on March 20, the bank said, adding that "smaller and less frequent purchases" would likely be required.

That remark led to a sell-off in long-term bonds, sending 10 year yields to a 10 day high of 0.951 percent. The Australian dollar also spiked to a one-week high of A$0.6168 against the greenback.

"That extremely aggressive pace of [bond] purchases can't be sustained for long," Marcel Thieliant of Capital Economics Ltd said. "A case could still be made for corporate bond purchases, as spreads have continued.

Taipei Times

Banking and Finance Newsbriefs

Hong Kong

Hong Kong Central Bank Cuts Rates, Bank Capital Buffer Requirements

Hong Kong's central bank cut rates and the level of capital buffers it requires financial institutions to hold to 1% from 2% of their risk-weighted assets on March 16, to help companies and lenders weather the impact of the coronavirus outbreak.

The authority said it could cut the buffer requirement to zero if needed. The countercyclical capital buffer is part of the Basel III regulatory capital framework and aims to build up additional capital during periods of excessive credit growth.

This capital can then be released when the credit cycle turns to absorb losses and enable the banking system to continue lending in the subsequent downturn.

The central bank's chief executive Eddie Yue told reporters the move was expected to release HK$500 billion ($64.3 billion) into the market and hoped this would support small and medium-sized firms.

He said local markets were functioning smoothly despite a large correction in stocks. The Hang Seng Index .HSI was down 4% on the day.

"The financial system in Hong Kong is highly resilient with strong buffers. The banking system is robust and well capitalized with ample liquidity," Yue said. "We expect that the financial market will remain highly volatile."

Retailers and tourism firms are battling for survival as economic activity and visitor arrivals have come to a virtual standstill in recent weeks as the coronavirus outbreak hits an economy already struggling with its worst recession in a decade.

Earlier on the same day, the Hong Kong Monetary Authority cut its base rate charged through the overnight discount window to 0.86%, after the U.S. Federal Reserve delivered a rate cut. Hong Kong's monetary policy moves in lock-step with the United States as the city's currency HKD=D3 is pegged to the greenback at a tight range of 7.75-7.85 per dollar.

Rules stipulate that the base rate is set at either 50 basis points above the Fed's or the average of the five-day moving averages of the overnight and one-month Hong Kong Interbank Offered Rates (HIBOR), whichever is higher.

Yue said domestic money market rates were elevated because of recent bourse listing activity.

"When this funding demand eases, we expect the Hong Kong dollar interest rate will likely follow the downward trend of the U.S. interest rate."

Reuters

Iran

Iran Seeks Help from Int'l Banks to Fight Coronavirus

The Ministry of Economy of Iran has sent requests to multilateral development banks, in which the country is a member, for financial and non-financial assistance for controlling, combating and treating the COVID-19 outbreak.

According to a press release on the ministry's websites, the requests along with a list of goods needed to fight the infectious disease were communicated to the World Bank, Islamic Development Bank, Asian Infrastructure Development Bank and OPEC Fund for International Development, on March 11.

Fears over the infectious disease have shuttered businesses, forced others to work below capacity, order staff to work from home or send workers home on unpaid leave.

Referring to development banks' emergency plans to help prevent the spread of the virus and the fact that Iran has been hit the hardest by the disease in the Middle East, the ministry said it expects the lenders to respond urgently.

Tehran's move is a part of its comprehensive plan of action to provide its medical community with necessary equipment and resources to fight rapidly spreading virus.

On March 13, the Central Bank of Iran (CBI) said it asked the International Monetary Fund (IMF) for $5 billion in emergency loans to help contain the deadly virus and mitigate its effects on the already struggling economy.

IMF spokesman Gerry Rice confirmed it had received a loan request from Iran. He said the IMF is "proceeding expeditiously with all requests and in line with our policies".

The fund announced earlier that it had made available about $50 billion through its rapid-disbursing emergency financing facilities for low income and emerging market countries that could potentially seek support.

The CBI expressed the hope that the IMF will uphold its responsibility, noting that the "international community and the IMF's response to the request could be a good benchmark for weighing their claims about offering assistance for controlling the virus and alleviating the people's suffering."

Financial Tribune

Banking and Finance Newsbriefs

Mongolia

Mongolia's Economic Growth Is Expected to Fall Sharply In 2020 Due To Covid-19

Mongolia's economic growth is expected to fall sharply in 2020 because of the novel coronavirus (COVID-19) pandemic but rebound in 2021 as the outbreak subsides, says a new report by the Asian Development Bank (ADB) released April 2.

In its Asian Development Outlook (ADO) 2020, ADB projects Mongolia's economic growth to drop to 2.1% in 2020 compared to the 5.1% growth rate recorded in 2019 before rebounding to 4.6% in 2021. ADO is ADB's flagship annual economic publication.

"Mongolia enjoyed a solid economic recovery in the past three years, but the COVID-19 outbreak presents a significant challenge due to the impact on global and regional economic conditions," said ADB's Country Director for Mongolia Pavit Ramachandran. "As Mongolia moves forward, it will need to do its best to ensure that vulnerable people affected by the economic situation are supported while retaining a close eye on macroeconomic fundamentals and financial stability."

Reduced demand for raw materials and lower commodity prices caused by the slowdown in the People's Republic of China (PRC), and now the COVID-19 outbreak, will reduce exports of coal, copper, iron ore, zinc, and crude oil, pushing growth down further. Growth will recover as growth rebounds in the PRC and trade tensions and COVID-19 concerns ease, allowing recovery in exports and domestic demand.

The COVID-19 outbreak likely means that record expenditure planned under the 2020 budget will not be realized, so contributions from government consumption and investment to growth are expected to decline. Private consumption will be lower in 2020 because of COVID-19 and the lagged effect of consumer credit restrictions imposed in 2019. Net exports will continue to drag on growth as exports fall.

In 2020, the current account deficit is projected to widen, mainly on an expected decline in merchandise trade surplus as exports fall, the terms of trade deteriorate, the economic slowdown continues in the PRC, and negative spillover materializes from COVID-19. The deficit will narrow somewhat in 2021 as these effects wane.

Average inflation rose to 7.3% in 2019 but will moderate to 6.6% in 2020 as the economy slows. However, it is forecast to reaccelerate in 2021 and approach the central bank target on rising demand and economic activity as the effect of COVID-19 on growth fades and the delayed impact of togrog depreciation is realized.

Several downside risks loom on the horizon. Deeper and more prolonged consequences from COVID-19 may cause even lower growth in 2020 than projected, raise unemployment, and impose major pressures on the balance of payments and the fiscal position, making investors less willing to take on Mongolia's debt and engendering a liquidity problem for the banking system. In addition, household indebtedness could worsen the risk exposure of nonbank financial institutions. Asset quality in the banking system could be jeopardized, causing a credit crunch with adverse effects on economic activity.

AKIpress News Agency

Banking and Finance Newsbriefs

Sri Lanka

Sri Lanka Central Bank implements measures to facilitate Banks giving support COVID-19 affected Businesses and Individuals

The Monetary Board of the Central Bank of Sri Lanka (CBSL) has decided to introduce several extraordinary regulatory measures to provide flexibility to Licensed Commercial Banks and Licensed Specialized Banks to provide some relief to businesses and individuals affected by the COVID-19 crisis.

In deciding these measures, the Monetary Board took note of the overall resilience of the banking sector especially due to the already built-up capital buffers, the current and future liquidity levels, potential upsurge in the rising trend in non-performing loans due to the inability of majority of borrowers to service their loans as usual and extraordinary disruptions to the functioning of the economy.

Accordingly, the Monetary Board has decided to introduce the following extraordinary measures to provide further space for banks to assist COVID-19 affected businesses and individuals on an urgent basis.

1. Allow Domestic Systemically Important Banks (D-SIBs) and non D-SIBs to draw-down their Capital Conservation Buffers by 100 bps and 50 bps, respectively, to facilitate smooth credit flows to the economy and COVID-19 affected borrowers to sustain their businesses in the immediate future.
2. Withdraw the requirement to classify all credit facilities extended to a borrower as non-performing when the aggregate amount of all outstanding non-performing loans granted to such borrower exceed 30% of total credit facilities.
3. Allow banks to recover loans in Rupees, as the last resort, in circumstances where recovery of loans in foreign currency is remote, subject to banks ensuring certain conditions are met.
4. Permit banks to give an extension of 60 days, to borrowers who are not entitled to any other concessions, to settle loans and advances which are becoming past due during March 2020 and not to consider such facilities as past due until the end of this 60 day period.
5. Allow banks to consider all changes made to payment terms and loan contracts from 16.03.2020 to 30.06.2020, due to challenges faced by customers amidst the COVID-19 outbreak as 'modifications' instead of 'restructuring' for the purpose of classification of loans & advances and computing impairment.
6. Defer the requirement to enhance capital by banks which are yet to meet the requirement by end 2020, till end 2022.
7. Reset the timelines for addressing supervisory concerns, if necessary, by prioritizing on the severity/importance of the concerns raised. Banks which are required to meet timelines to address supervisory concerns/findings during the period up to 30 May 2020, are granted a further period of 3 months for addressing such supervisory concerns.
8. Extend the deadline for submission of statutory returns to the Bank Supervision Department by two weeks and the publication of quarterly financial statements by one month, until further notice.

CBSL requests banks to avail of these relaxations in the best interest of supporting their customers and the economy at large, the benefits of which would, in return, accrue to the banking sector to remain resilient.

Colombo Page

Banking and Finance Newsbriefs

Taiwan

Taiwan Has Maneuvering Room Says Central Bank Governor

Taiwan will not use negative interest rates or quantitative easing to mitigate the impact of the COVID-19 pandemic, as there is still room for interest rate cuts if necessary, central bank Governor Yang Chin-long told lawmakers in Taipei on March 30.

Lawmakers across party lines voiced concern at a meeting of the Finance Committee on the impact of COVID-19 that the central bank's actions to reduce the potential economic fallout of the pandemic appear modest compared with its peers around the world.

There is still room for rate cuts if the coronavirus crisis wreaks a heavier havoc, but there will not be zero or negative interest rates," Yang said.

Consumer prices, financial stability and the nation's economic showing would guide the bank's decisions, he said.

The central bank on March 19 cut interest rates by 0.25 percentage points to a record low of 1.125 percent, and announced an injection of NT$200 billion (US$6.61 billion) into the system to ease the financial burden on households and companies from the pandemic.

Lawmakers said that other central banks are taking more aggressive measures to stave off a credit crunch, citing the US Federal Reserve's 125 basis point rate cut, and unlimited purchases of government and corporate debt as one example.

Yang said the situation in Taiwan is different from that of the US and requires different measures in response.

Quantitative easing is helpful in boosting market confidence and averting a liquidity squeeze, as seen during the global financial crisis of 2008, but large Taiwanese corporations have ample liquidity, making debt purchases unwarranted. However, travel and quarantine restrictions due to the pandemic have hit service industries hard, while electronics firms are in danger of supply chain disruptions. According to Yang, this is why the central bank is seeking to channel relief money to small and medium-sized enterprises that are under strain.

He said that he had personally pleaded with local banks to provide loans at preferential interest rates to affected companies. Not having to face a cash crunch means companies would be less inclined to lay off employees, thereby putting them in financial difficulties.

The central bank would continue to closely monitor the situation and would expand the size of funding, if necessary. Yang said that he is confident the pandemic would not create a financial crisis in Taiwan even if it persists beyond the first half of the year, but added that he is less confident about other countries' financial health.

Taipei Times

Thailand

Thailand Plans up to 100 Billion Baht Liquidity Support Fund Amid Pandemic

Thailand introduced measures on March 22 that include a liquidity support fund worth 70 to 100 billion baht to reduce risk in the debt market amid the spread of the coronavirus outbreak.

The Thai Bankers' Association, the Government Savings Bank, insurance providers and the Government Pension Fund set up the fund between 70 billion and 100 baht to invest in quality and newly issued corporate bonds that cannot fully roll over maturing corporate bonds, according to a joint statement issued by the Bank of Thailand, Finance Ministry and Securities and Exchange Commission.

"The BoT will continue to provide liquidity to the government bond market through bond purchasing to ensure that the government bond market continues to function normally, it added.

"These measures are expected to provide liquidity and help the normal functioning of the financial market and help build investors' confidence," it said.

The fresh measures followed the decision of the Monetary Policy Committee to slash its key interest rate by 25 basis points to 0.75% in a special meeting on Friday.

Central bank governor Veerathai Santiprabhob told a news conference on March 22 that financial institutions are still strong with high liquidity and authorities will ensure sufficient liquidity and the functioning of the debt market.

Bangkok Post

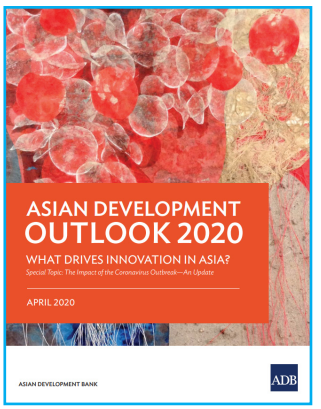
Publications

Developing Asia's Economic Outlook: Asian Development Outlook (ADO) 2020

This book released by the Asian Development Bank (ADB) shows that growth in the region is expected to slow sharply to 2.2% in 2020 under the effects of the current health emergency and then rebound to 6.2% in 2021.

Excluding Asia's high-income newly industrialized economies, growth will drop from 5.7% to 2.4% this year before recovering to 6.7% next year. Headline inflation accelerated in 2019 as food prices edged up but remained low by historical standards. Inflation will climb further to 3.2% in 2020, but declining food prices in the latter half of the year will set the stage for easing inflation in 2021. Downside risks to the outlook are severe, most notably from coronavirus disease 2019 (COVID-19). In these difficult times, when challenges to growth abound, innovation is critical to inclusive and environmentally sustainable growth. While some economies in developing Asia are near or at the global innovation frontier, many others lag behind.

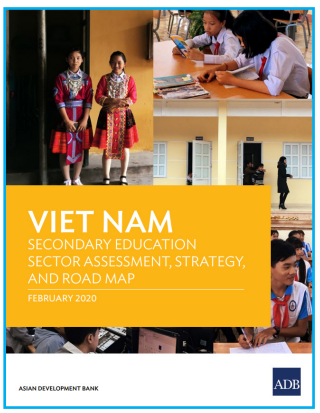
This issue of the Asian Development Outlook includes



a Special Topic: The Impact of the Coronavirus Outbreak—An Update.

Contact for Details: ADB Publishing

Viet Nam: Secondary Education Sector Assessment, Strategy and Road Map



This report prepared by the Asian Development Bank (ADB) provides an assessment of Viet Nam's secondary education sector, including technical and vocational education training programs.

The report reviews sector achievements and challenges as well as the Government of Viet Nam's strategy and policies. It also outlines how the Asian Development Bank and other development partners have contributed to the sector. The report provides recommendations on measures to boost access to secondary education and to improve its overall quality and management.

Contact Details: ADB Publishing
Website: https://www.adb.org/documents/viet-nam-secondary-education-sector-assessment

Publications

Public Commercial Assets: The Hidden Goldmine

This governance brief from the Asian Development Bank (ADB) explains how professionally-managed public assets can help optimize services for society as well as increase revenues and strengthen balance sheets, without using taxes or fees.

Public wealth is a well-proven tool to increase fiscal space, reduce risks, and improve the cost of capital for governments and government-owned enterprises around the world. The brief is intended for use by government administrations and government-owned enterprise interested in funding infrastructure and other investments that benefit society as a whole.

Contact Details: ADB Publishing
Website: https://www.adb.org/publications/public-commercial-assets


ADB

THE GOVERNANCE BRIEF

ISSUE 40 • 2020

Public Commercial Assets

The Hidden Goldmine

by Dag Detter[1]

This governance brief is intended for use by any government administration at the national, regional and local levels, as well as any government-owned enterprise (e.g., state-owned enterprises) interested in a funding tool to pay for infrastructure and other investments for the benefit of society as a whole. Professionally-managed public assets can help optimize services for society as well as increase revenues and strengthen balance sheets, without using taxes or fees. Public wealth is a well-proven tool to increase fiscal space, reduce risks, and improve the cost of capital for governments and government-owned enterprises around the world.

I. Why Governments are Like IKEA and McDonald's

IKEA, Tesco, Walmart, and McDonald's are often seen only from the operational perspective—as suppliers of flat-pack furniture, groceries, and hamburgers. However, from a financial perspective, their value is to a large part derived from the fact that they have substantial real estate portfolios. If publicly listed, investors often attribute the lion's share of market capitalization to the real estate portfolio. The same could perhaps be claimed for governments, be it at the local or national level.

Effective use of a government balance sheet, especially public commercial assets (i.e., any government-owned asset that can generate an income, if professionally managed), has been a critical part of Singapore's strategy to move the economy from "barely managing to survive" to one of the richest in a single generation. At a time when Asia was one of the world's poorest regions, the small island nation had few basic institutions, infrastructure, or resources when it gained independence from the British Empire some 50 years ago. Against all odds, it has thrived, thanks to innovative thinking, not the least with regard to the creation of successful economic institutions and productive use of public assets.

Singapore's founders recognized that a government has a balance sheet, just like a corporation, with both assets and liabilities that require active management. They introduced a separation of economic policy from the management of public commercial assets. Most other governments around the world kept managing their economies based on revenue and

✓ A government has a balance sheet, just like a corporation, with both assets and liabilities that require active management

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Unlocking Innovation for Development


UNLOCKING INNOVATION FOR DEVELOPMENT

ACTION UPDATE: WHAT WORKED AND WHAT DIDN'T FOR ADB'S FIRST INNOVATION REGIONAL TECHNICAL ASSISTANCE PROJECT

FEBRUARY 2020

ASIAN DEVELOPMENT BANK

ADB

This report examines the Asian Development Bank's (ADB) Unlocking Innovation for Development technical assistance project and highlights lessons learned from activities and pilot projects it has funded.

Under the project, ADB aims to strengthen the capacity of its developing member countries to solve development problems using innovative solutions—both existing and crowdsourced ideas. The project's progress and cross-sector development achievements in 5 years since its implementation are presented in this report.

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