

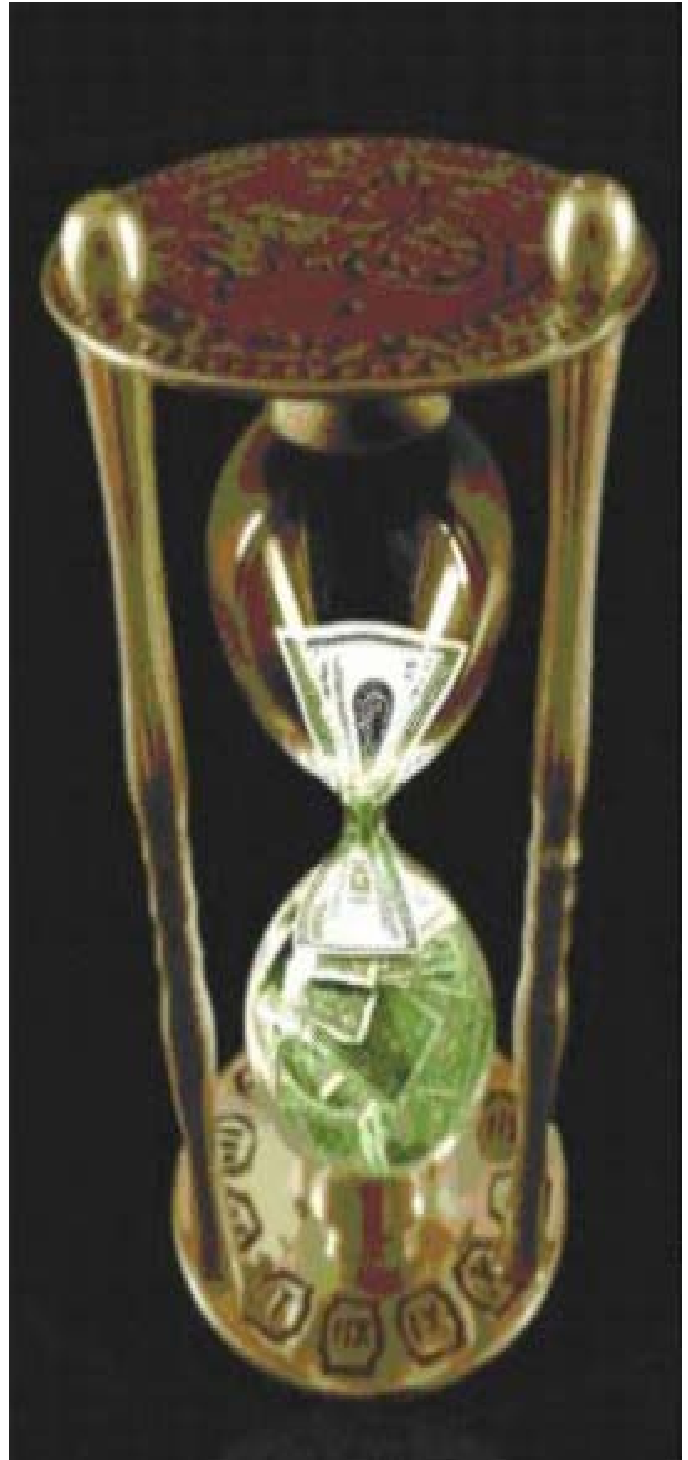
IN FOCUS -

JANUARY 2007

IRAN GOVERNMENT TO SWITCH REVENUE CALCULATIONS TO EUROS

The Iran government's decision to shift its hard currency budget from U.S. dollars to euros is a bid to continue doing business with the international community, Iranian political and industry sources said recently. The move is the latest in a number of steps taken by Iran to reduce its dollar dependency after the U.S. renewed banking and monetary restrictions on Iran. The new budget bill has been drawn up and will be sent to the parliament for debate and ratification, sources said. But there were early questions as to whether Iran has the exchange mechanisms to fully detach from the dollar, which would be a radical shakeup of the country's financial structures. Iranian oil sources say that although Iran will be paid in euros for its oil sales, it will continue to price its crude in dollars. Iranian business sources say the move is a long time in coming. They say for at least the past six months, the U.S. has banned foreign companies from carrying out U.S. dollar transactions with Iran. Iran simply has no choice but to try and make this move. At present the country's overseas trade is really suffering. It is a major problem that the Central Bank has been unable to accept letters of credit in dollars said one Iranian source. Sources familiar with Iran's foreign business dealings say the ban on U.S. dollar related trade has intensified over the past two months. Iranian sources also say it is an important step that the country's oil revenues will also be based in euros. Oil sales are the backbone of Iran's economy. A government spokesman said the decision by the Supreme Economy Council requires all government agencies and organizations will have to conduct their transactions in euros. Iran derives more than 80% of its hard currency from the export of crude oil, which traditionally has been paid for in dollars. Therefore, all government transactions were carried out and calculated in dollars. Some Iranian businesses might find it disorientating. In Brussels, the European Commission downplayed the significance of Iran's announcement that it intends to replace the dollar with the euro in its budget.

Dow Jones International News: December 18, 2006



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1. CORPORATE NEWS

1.1 GREATER CHINA: HONG KONG, CHINA AND TAIWAN

▶ CHINA: FOREIGN BANKS SET TO MOVE INTO CHINA

More than 10 foreign banks have expressed their wish to incorporate in China, a senior official with the China Banking Regulatory Commission (CBRC) said recently. Under the regulations, the Chinese government encourages foreign banks to incorporate locally and set up subsidiaries to minimize risks for Chinese customers. If a foreign bank continued to run its Chinese operation as branches operated from overseas, the range of services it could offer customers would be limited.

Asia Times Online: December 08, 2006

▶ CHINA: ATM DYNASTY DAWNS FOR CHINESE BANKS - CASH MACHINES ARE REPLACING PEOPLE AS COST CUTTING PARES BLOATED PAYROLLS

Chinese banks are quickly shedding employees from their bloated ranks, but they are eager to deploy one type of worker: the ATM. The fast adoption of bank automated-teller machines is one facet of the Chinese financial industry's efforts to increase efficiency by relying more on technology, particularly from overseas. Three companies supply most of China's ATMs: Two American companies from Ohio - Diebold Inc. and NCR Corp. - and Germany's Wincor Nixdorf AG. Manufacturers are expected to sell 128,000 ATMs in China from 2005 through 2011, when the number of ATMs in use world-wide will total about two million, according to Retail Banking Research Ltd. The British market-research firm says China still will have fewer ATMs than do the U.S. and Japan, but China is expanding its network more quickly, while growth in developed markets such as the U.S. is predominantly driven by machine upgrades.

The Wall Street Journal: December 28, 2006

▶ TAIWAN: TAIWAN CENTRAL BANK OFFERS 1.69/1.76/1.84 PCT NCDS AFTER DISCOUNT RATE HIKE

The central bank said it is offering 30-day negotiable certificates of deposit (NCDs) at a fixed rate of 1.69 pct, 91-day NCDs at 1.76 pct and 182-day NCDs at 1.84 pct. The new rates top the previous rates of 1.66 pct, 1.73 pct and 1.81 pct, respectively, after the bank raised the discount rate and other key rates by 12.50 basis points, effective soon.

AfxAsia: December 29, 2006

1.2 KOREA & JAPAN

▶ JAPAN: JAPAN INC. TO CITI: FINANCIAL TITAN LEADS DEAL MAKERS WITH ITS ONE-STOP-SHOPPING PITCH

Two years after Citigroup Inc. stumbled badly in Japan; it is forging deals again by importing some of its business strategies from the U.S. However, the financial giant faces increased competition as local rival banks catch on -- and fight aggressively for a piece of Japan's lucrative merger-and-acquisition business that Citigroup reclaimed this year. All

of this is a far cry from 2004, when Citigroup was hit with serious setbacks in Japan. Regulators had pulled its private-banking license after finding that the financial conglomerate had misled customers about investment risks, tied customer loans to specific investments and allowed transactions possibly linked to money laundering. Citi has publicly acknowledged that there were problems with the unit.

The Wall Street Journal: December 28, 2006

▶ **JAPAN: JAPAN'S MAJOR BANKS FIGHT FOR JAPANESE CLIENTS IN CHINA**

Japan's major banking groups - Mitsubishi UFJ Financial Group Inc., Mizuho Financial Group Inc. and Sumitomo Mitsui Financial Group Inc. - are hurrying to expand operations in China. The banks, which have finished repaying government loans, are striving to increase lending and cultivate new sources of earnings, primarily in Shanghai and Guangzhou, where Japanese companies tend to be concentrated. Because the company was planning to expand its facility to get into autoparts production, the banks were so eager to get its business that they even brought analysts of the Chinese market with them from Tokyo. Takei is a bit embarrassed that the banks would be so anxious to help even a company like his, which does just 15 billion yen in annual sales.

Nikkei Report: December 22, 2006

1.3 SOUTHEAST ASIA: SINGAPORE, MALAYSIA, THAILAND, INDONESIA, VIETNAM, PHILIPPINES

▶ **MALAYSIA: BANK OFFERS ENHANCED ID-THEFT PROTECTION FOR INTERNET BANKING USERS**

Bank Islam Malaysia Bhd has further enhanced its Internet banking service with the addition of an identity theft protection feature, i-Access Code (IAC). In a statement, Bank Islam said the IAC would function as a second authentication in addition to the password currently used to identify the customers.

Bernama Newswire: December 21, 2006

▶ **MALAYSIA: CITIBANK SEES SLOWER BUT STABLE GROWTH IN 2007**

Growth of the global economy is likely to slow down to 3.5% next year, which is seen as mid-cycle moderation and not the end of the economic cycle, said Citibank Bhd vice-president and head of investment business (wealth management products). Despite Citigroup analysts' forecast of a slower but stable economic growth in 2007, Chang said investors should not overlook the US and European markets. Indications are that the global economy is on course for a soft landing, especially in the US, whereby a major concern has been a gradual slowdown since early 2005.

Star Business: December 29, 2006

▶ **MALAYSIA: BANK RAKYAT SEES ANOTHER YEAR OF DOUBLE-DIGIT GROWTH**

Bank Kerjasama Rakyat Malaysia Bhd (Bank Rakyat) expects to close the year with another strong double-digit growth in profit and lending. Managing director is optimistic profit will grow about 15 per cent this year. About RM8.5 billion of

retail loans would have been disbursed this year before increasing to some RM10 billion in 2007. Eleven more branches will open next year, including three by January, to bolster the current network of 108, sources said. Each branch will cost around RM600,000.

Business Times: December 28, 2006

▶ **MALAYSIA: MBSB TEAMS UP WITH MAYBANK2U TO OFFER NEW PAYMENT SERVICES**

Malaysia Building Society Bhd (MBSB) has teamed up with Malayan Banking Bhd's Maybank2u.com online service, to offer its customers a new payment services which offer greater financial flexibility and convenience. In a statement, MBSB said approximately 25 percent of its customers would opt for this service and about RM6.4 million would be transacted through MBSB-Maybank2u.com within the next one year. MBSB said another 3,000 new customers were expected to sign up for the service by end-2007 based on loan applications which are projected at 1,000 applicants per month.

Bernama Newswire: December 28, 2006

▶ **SINGAPORE: FOREIGN BANKS IN HIGH GEAR AS LOCAL ONES STAY LOW-KEY**

While DBS, UOB and OCBC quietly made their moves overseas, foreign rivals charged into the local market with eye-catching tactics, Grace Ng reports IN A year where Singapore's three local banks stayed largely out of the limelight, it was their foreign counterparts that created waves. For instance, United States banking giant Citibank charged into the heartland with eye-catching tactics such as a tie-up with transport operator SMRT. And foreign private banks like UBS and Merrill Lynch became embroiled in a staff-poaching war as they rushed to expand - decimating some local banks' teams.

Straits Times: December 28, 2006

▶ **SINGAPORE: CITIBANK ANNOUNCES EXPANSION PLANS TO REACH SINGAPORE'S HEARTLANDERS**

Citibank is set to become a major player in the Singapore consumer banking scene. The US financial giant announced that it will double the number of branches and triple its automated teller machines in the country, in a bid to reach out to the heartland market. Working with partner SMRT, Citibank plans to open ten new branches at high-traffic MRT stations. This is in addition to its nine existing branches. Citibank will also set up self-service kiosks outfitted with ATMs and AXS machines at all 51 MRT stations. The bank says the first two branches at Bugis and Tiong Bahru MRT stations will be opened within the next three months, while the other eight will be opened over the next year. Under MAS guidelines, Qualifying Full Banks like Citibank can have up to 25 branches. This move will immediately give the US financial giant an islandwide presence.

Media Corp News: December 07, 2006

▶ **PHILIPPINES: BANCO DE ORO-EQUITABLE PCI BANK MERGER**

The BDO merger with Equitable-PCI Bank increases the assets and capital as well as earnings and loan portfolio of the surviving entity, Banco de Oro Universal Bank, and portends the demise of PCI Bank, the oldest of the three banks. The

merger is seen to encourage more banks to consolidate their assets in order to become more competitive in the domestic and international markets. The merged entity would wound up being among the top 3 banks in the Philippines with combined total assets of P613 billion.

CIBI News: December 29, 2006

► **PHILIPPINES: BANK MULLS ADDING BRANCHES IN CEBU**

Recognizing Cebu's upbeat economy, Security Bank Corp. (SBC) is looking at adding more branches in two key cities of the province. President and chief executive officer of SBC said Cebu is becoming a lucrative market for the banking industry with a projected growth in household disposable income brought by the growing economy of the province.

Credit Info. Bureau News: December 13, 2006

► **PHILIPPINES: PSBANK HIKES STAKE IN TOYOTA FINANCIAL SERVICES PHILIPPINES**

Philippine Savings Bank (PSBank), the thrift bank arm of the Metrobank Group, has raised its stake in Toyota Financial Services Philippines, Inc. to 25% as it clamors for better access to the financing market for Toyota vehicles. Prior to the purchase, PSBank controlled only 5%, consisting of 250,000 shares, of Toyota Financial Services, which is licensed to engage in all forms of financing and facilitate the sale of Toyota vehicles, products and services to dealers and customers.

Business World: December 20, 2006

► **THAILAND: THAILAND'S SIAM COMMERCIAL BANK (SCB): 2007 SOLID GROWTH PRETTY MUCH IN THE PRICE**

A rating is downgraded on SCB to SELL as the share price recently reached our target price. The counter has surged some 35% over the past six months on the back of the bank's solid performance since the beginning of the year. A target price of Bt69.5 represents 13x our 2007 EPS forecast of Bt5.33/share and 2.1x our 2007F book value of Bt33.2/share.

Thai News Service: December 11, 2006

► **THAILAND: CENTRAL BANK ELIMINATES CEILING ON FOREIGN RESIDENT ACCOUNTS**

The central bank allowed foreigners to keep more baht in the non-resident baht account in order to provide room for them to keep their baht liquidity after the new anti-speculation measure has made them shifting capital from the stock market, The Nation reports. The BOT in late afternoon cancelled the ceiling of outstanding baht liquidity in non-resident baht account per person earlier set at Bt300 million at the end of the day. The ceiling was set because the BOT would like to reduce baht liquidity in foreigners' hand. However, the central bank announced to cancel the ceiling to allow foreigner to park their baht liquidity after they left the stock market.

Thai News Service: December 22, 2006

▶ **THAILAND: CITIBANK LAUNCHES NEW BILLS OF EXCHANGE**

Citibank has launched a new series of bills of exchange offering annualised interest rates of up to 5.1%. The three-month notes pay an interest rate of 5%, with the six-month term paying 5.1%. The minimum investment is two million baht.

Thai News Service: December 22, 2006

▶ **THAILAND: BIG BANKS STILL THE BEST CHOICES**

The Bank of Thailand (BOT) last week announced new measures requiring commercial banks to set aside more provisioning expenses for NPLs and manage distressed assets to reflect their market values. Starting from the end of 2006, banks will need to make 100% provisioning for NPLs involved in litigation disputes. In mid-2007 banks will need to make 100% provisioning for NPLs of 6 months or more or loans classified as doubtful. At the end of next year, provisioning rules will be tightened again, forcing banks to make 100% provisioning for NPLs of 3 months or more or sub-standard loans. The new measures are in preparation for new international accounting standards (IAS 39) which will be fully adopted in Thailand in 2008. In addition, the BOT has revised provisioning regulations on leasing and vehicle hire purchase loans. As a result, banks will be required to value their loans based on their net present value of collateral value instead of their accounting value.

Thai News Service: December 27, 2006

▶ **VIETNAM: BAO VIET BANK TO BE SET UP IN 2007**

Bao Viet Group, the biggest national insurer, is planning to set up a bank, starting in 2007, according to, Director General of Bao Viet. The establishment of the bank is a part of the restructuring process of the group. Also in 2007, Bao Viet will set up Bao Viet Financial Leasing Company and Bao Viet Real Estate Company. Bao Viet has announced satisfactory business result for 2006. The total turnover of the group is VND7tril (\$437.5mil), up by 11.4% over 2005. The group's profit is \$580bil, up by 89% over 2005. The year 2006 is considered a difficult year for life insurers, however, Bao Viet still gains a satisfactory result with the total premiums of VND3,100bil (\$193.75mil), witnessing a growth rate of 1.5%.

VietNam Net Business News: December 29, 2006

▶ **VIETNAM: HCM CITY ATM THROUGHPUT REACHES 17 TRILLION DONG**

In the first eleven months of this year, commercial banks in HCM City recorded 17.057 trillion dong (US\$1.06 billion) in total revenue of automatic teller machine card payments, reported the State Bank of Vietnam (SBV)'s HCM City Branch. Banks issued 680,477 ATM cards, 1.4 times over last year and installed 543 ATMs, up by 114 machines against last year. HCM City banks set up 8,306 points of sale. According to the SBV's HCM City Branch, the ATM card services have brought many utilities for customers and at the same time, banks had better opportunities to raise idle capital of the public through deposit accounts more efficiently.

Thoi Bao Ngan Hang: December 15, 2006

▶ VIETNAM: THE TOP TEN EVENTS IN VIETNAM'S BANKING SECTOR IN 2006

There are many possibilities that 2006 will see the end of the prosperous period of record profits, but will be instead a year of transition to a period quality development for commercial banks. 2006 has had record levels in profits and has also been a period of incredible development for banks.

1. Interest rates broke record highs
2. Joint stock banks boosted their chartered capital a great deal
3. Non-performing loans (NPLs) improved positively
4. Boosting foreign investment capital in the banking system
5. Banks broke profit records
6. Price of bank shares escalated highly
7. Banks made initial public offering (IPO) on the stock market
8. Boom in services and development of technology
9. Banks prepared for international integration
10. Vietcombank equitisation failed in 2006

Thoi Bao Kinh Te Vietnam: December 27, 2006

▶ VIETNAM: FOREIGN BANKS POST SOLID 2006 GROWTH

The State Bank of Vietnam (SBV) reports that to date there have been 35 branches of foreign banks, five joint venture banks, four foreign-invested financial lease companies and one 100% foreign-owned financial company of 14 nations and territories operational in Vietnam. Bankers said that this is a bridging part for foreign investors who come to Vietnam. The SBV assessed that in the foreign-invested credit institution hub of the Vietnamese financial system, branches of foreign banks are seen as the most dynamic and best performer group in 2006. By the end of 2006, total outstanding loans of foreign bank branches have grown over 20% against last year to hit 60 trillion dong. This group has occupied about over 14% of total outstanding loan market share, up nearly 5% against 2005. However, its non-performing loan rate has increased from 0.06% in October 2005 to 0.38% by the end of October this year.

Thoi Bao Ngan Hang: December 15, 2006

1.4 SOUTH ASIA: INDIA, SRI LANKA, BANGLADESH, AND NEPAL**▶ INDIA: STATE BANK OF INDIA TO OPEN 300 BRANCHES AND 3,000 NEW AUTOMATED TELLER MACHINES**

State Bank of India (SBI) proposes to add 300 branches and 3,000 automated teller machines (ATMs) to its network in 18 months. The Bank had over 9,000 branches and more than 5,000 ATMs as of 31 Mar 2006. SBI, along with its associate banks, has over 8,000 ATMs and about 14,000 branches.

Financial Express: December 27, 2006

▶ **INDIA: SYNDICATE BANK TO GET \$100-MILLION CREDIT LINE FROM WACHOVIA**

Syndicate Bank has secured a line of credit of \$100 million from Wachovia Bank N A on a bilateral basis. The bank plans to use the line of credit to fund the expansion of its London branch. The line of credit is for one year.

Business Line: December 23, 2006

1.5 PACIFIC: AUSTRALIA & NEW ZEALAND

▶ **AUSTRALIA: DREAM RUN FOR BIG BANKS MAY BE OVER**

Analysts say 2006 probably represented the peak of the banking cycle in Australia. Bad and doubtful debts are seen as a risk to bank earnings over 2007-2009. Bankruptcies, delinquent mortgages and distressed companies are all on the increase. Some analysts, such as from JP Morgan, have downgraded the sector due to valuation extremes which they believes will be pressured by regulations, competition, political interests and predatory pricing among the banks themselves. Banks are also under pressure to improve customer service in their neglected branch networks

The Australian: December 31, 2006

▶ **AUSTRALIA: AMAZING LOANS TO OPEN OVER 30 NEW BRANCHES IN AUSTRALIA**

Unsecured personal loans provider Amazing Loans is preparing to open more than 30 branches in the next 18 months after selling its master franchise for \$A4.4 million (\$US3.47 million). The Sydney-based company announced it had sold its master franchise to Amazing Loans Franchises Pty Ltd.

Asia Pulse: December 29, 2006

▶ **AUSTRALIA: WESTPAC PIPS NAB IN HOME LENDING**

It was confirmed that the Westpac Bank has surpassed the Melbourne-based National Australia Bank (NAB) to become Australia's second-largest home loans provider. NAB's market share declined more than 50 basis points to 18.01 per cent in October, which is substantially lower than its market share of 18.87 per cent in April 2006. Commonwealth Bank remains Australia's leading home lender at 22.91 per cent, from 22.87 per cent previously. The other banks gained ground in credit cards, with Westpac rising to 22.75 per cent, from 22.51 per cent, and ANZ Bank increasing to 20.4 per cent

The Australian: December 28, 2006

2. RETAIL BANKING

2.1 DEPOSIT PRODUCTS

2.1.1 GREATER CHINA: HONG KONG, CHINA AND TAIWAN

▶ **TAIWAN: TAIWAN'S 5 LEADING BANKS SAW NEW LOAN RATES HIT 3-YEAR HIGHS IN NOVEMBER**

Due to nine consecutive hikes in interest rates launched by the Central Bank of China (CBC) here, Taiwan's five leading domestic banks saw their landing rates hit three-year highs in November at 2.264% per annum for housing loans, 2.43% for corporate revolving loans, and 3.352% for private consumer loans. The five domestic banks were Bank of Taiwan, First Commercial Bank, Taiwan Cooperative Bank, Land Bank of Taiwan, and Hua Nan Commercial Bank.

China Economic News Service: December 28, 2006

2.2 KOREA & JAPAN

▶ **JAPAN: DATA REVEALS LOCAL BANK PROFITABILITY TAKING A BEATING**

Profitability of local banks plummeted last month to less than one third of the level a year earlier, after they booked huge amounts of provisioning costs to cover mounting bad consumer loans, according to the Financial Supervisory Commission's latest data released. As of last month, aggregate earnings of 42 banks amounted to NT\$31.89 billion (US\$976.7 million), down by 73.9 percent from NT\$122.36 billion from a year ago, after NT\$204.68 billion of reserves were made available to cover potential bad consumer debts, up from NT\$173 billion over the same period, the data showed.

Taipei Times: December 27, 2006

▶ **JAPAN: JAPAN'S MUFG, MELLON SET UP JOINT JAPAN EQUITY FUND**

Mitsubishi UFJ Financial Group Inc. said it and Mellon Financial Corp. (MEL) have jointly set up a Japanese equity investment trust for overseas investors. MUFG's trust bank unit, Mitsubishi UFJ Trust and Banking, and Mellon launched Mellon Japan Equity Value Fund on Nov. 30. A Mellon subsidiary, Mellon Global Investments, is selling the investment trust to international investors, a spokesman for the Japanese trust bank said. A U.K. asset management unit of MUFG manages the fund and aims to outperform the Topix index of all major issues on the Tokyo Stock Exchange by 2% per annum. Mitsubishi UFJ Trust, a Tokyo-based unit of Japan's largest banking group by assets, has over \$4.7 billion under management using the same quantitative strategy as used in the joint fund with Mellon.

Dow Jones International News: December 27, 2006

2.1.3 SOUTHEAST ASIA: SINGAPORE, MALAYSIA, THAILAND, INDONESIA, VIETNAM, PHILIPPINES

▶ MALAYSIA: MALAYSIA MAY SELL 2ND GLOBAL ISLAMIC BOND

Malaysia may sell another international Islamic bond, it's second since mid-2002, to help develop yield benchmarks, Second Finance Minister said. The Government is still discussing the prospect, and there is no pressing need to issue the bond for now, he added.

Business Times: December 23, 2006

▶ MALAYSIA: MAYBANK OFFERS HEALTH, FINANCIAL PLAN FOR WOMEN

Maybank has launched PremierLady Savers, its first whole life regular premium investment-linked plan that offers health protection and financial security for women. PremierLady Savers has a comprehensive insurance coverage for women-specific illnesses and a wealth creation element based on an investment-plan of a mixture of funds, to generate savings. The plan is available for women aged 18-55 with the maturity age of up to 100 years. The minimum premium is RM1,200 a year and the maximum is RM5,000, which can be paid monthly, quarterly, semi-annually or annually. The maximum insurance coverage is up to RM500,000.

Business Times: December 21, 2006

▶ MALAYSIA: HWANG-DBS GETS SECURITIES COMMISSION NOD TO RAISE FUND SIZE

Hwang-DBS Investment Management Bhd has received the approval from the Securities Commission (SC) to increase the fund size of its flagship cash management product, the Hwang-DBS Select Cash Fund (SCashF), to one billion units from the initial 600 million units. It cited the rise in demand for such products as the key driver behind the increase in fund size.

Business Times: December 29, 2006

▶ MALAYSIA: PRUDENTIAL LAUNCHES SHARIAH-COMPLIANT INVESTMENT-LINKED PLAN

Prudential BSN Takaful Bhd (PruBSN) has launched Takafulink - a Shariah-compliant investment-linked plan - where customers can adjust their protection and savings to suit their needs at different stages of their lives. Prudential Corporation Asia's Managing Director of Insurance, Southeast Asia, said Takafulink is the first comprehensive regular contribution investment-linked takaful plan in the market with a wide range of riders available. Takafulink is designed to help families plan their savings with multiple investment-linked options. It also returns 100% surplus back to its participants and the product is available to anyone below the age of 60.

Asia Insurance Review: December 15, 2006

▶ **THAILAND: THAI- BBL SELLS SAVINGS BONDS**

Bangkok Bank will offer 500 million baht in three-year government savings bonds soon. The bonds, issued by the Finance Ministry's Public Debt Management Office, offer an interest rate of 5.3% per year and are the third issue this fiscal year.

The Bangkok Post: December 14, 2006

▶ **PHILIPPINES: BONDS LOWEST IN 10 YEARS ON RATE CUT FORECAST**

Philippine peso-denominated bonds rose, pushing yields to the lowest in more than 10 years, on speculation the central bank will cut interest rates next year as the currency strengthens. A rising peso will give Bangko Sentral ng Pilipinas more room to lower rates as inflation slows, said Rafael Algarra at Security Bank Corp. in Manila. The five-year security has gained since policy makers on December 14 stuck to a staggered rate policy introduced last month that effectively lowered borrowing costs. The yield on the benchmark five-year note fell 4 basis points, or 0.04 percentage point, to 6.1 percent as of 3:35 p.m. in Manila, according to the Money Market Association. The price of the 5 7/8 percent bond due December 2011 rose 0.1556, or P15.56 per P10,000 face amounts, to 99.0653. Bond yields move inversely to prices. The peso is the fifth-best performer this year against the dollar among 15 Asia-Pacific currencies tracked by Bloomberg.

CIBI News: December 19, 2006

▶ **PHILIPPINES: GREPALIFE MUTUAL FUNDS PERFORM BEYOND EXPECTATIONS**

Originally launched to better fight inflation, Grepalife-managed mutual funds have performed beyond expectations in 2006, according to sources, SVP & General Manager of Grepalife Asset Management Corporation (GAMC). According to sources, the Grepalife Fixed Income Fund (GFIF) and the Grepalife Dollar Bond Fund (GDBF) posted net absolute returns of 9.25 percent and 8.58 percent on a year to date basis. Sources adds that in terms of ranking among bond mutual funds invested primarily in foreign currency securities, the GFIF and GDBF were ranked number 1 and 3, respectively in terms of investment performance.

CIBI News: December 18, 2006

▶ **PHILIPPINES: SUN LIFE FUND HITS P1.08 BILLION**

Sun Life prosperity fund, the biggest family of mutual funds managed and distributed by Sun Life Asset Management Company, Inc (SLAMC) hits its highest level of P1.08 billion last month. The prosperity balanced fund cornered 50% of the company's monthly gross sales. Investors can increase earnings without having to worry about the impact of market fluctuations since the fund is invested in two asset classes-stocks and fixed income securities. During the 11-month period, the Sun Life prosperity balanced fund generated a year-to-date net yield of 29.8%. Sources said through their Sun Life prosperity funds, Filipinos are now able to enjoy the services of their seasoned fund managers who focus solely on maximizing the growth potential of investors' money within acceptable risks levels.

CIBI News: December 12, 2006

► **PHILIPPINES: DEUTSCHE BANK LEADS IN OFFSHORE BOND ISSUANCE**

Deutsche Bank AG is the current leader for offshore bond issuers, having completed its seventh offshore bond market deal this year. Deutsche Bank was one of the lead arrangers for the 10-year global bond offering of the National Power Corp. (Napocor) raising \$500 million. The transaction priced at par with a coupon of 6.875 percent, the lowest coupon for a Philippine dollar bond issue. Deutsche Bank AG Manila chief country officer said the joint effort and cooperation involved: the Power Sector Assets and Liabilities Management (PSALM), the Department of Finance (DOF), and Napocor. The coordination and professionalism of all the parties involved, including the Bangko Sentral ng Pilipinas and the Department of Justice, was critical to the execution of this international offering, said Cruz. This deal is the third Philippine international bond offering that Deutsche Bank has executed in the last three months.

CIBI News: December 05, 2006

► **THAILAND: NEW GOVERNMENT BONDS FACE TROUBLE**

The Finance Ministry's schedule to issue government bonds worth Bt316 billion next year is about to fall victim to the Bank of Thailand's reserve requirement measure. Foreign investors - the major players in the local bond market - are now expected to pull their money out of the country or park their funds somewhere else. The Finance Ministry recently revised its bond issuance schedule. It would take out short-term loans from financial institutions in the early stage, but would issue bonds when the market turns favourable. Bonds worth Bt146 billion were set to be issued according to the government's fiscal deficit plan, while bonds worth Bt170 billion were set to replace the Finance Ministry's treasury bills, as the ministry wants to let only the central bank issue short-term paper. The central bank's draconian measure seemed to hit the stock market harder than the bond market on its first day but in the long term it would send a domino effect to the bond market, possibly causing an oversupply and rising yield curve. Bond yields move in the opposite direction of prices.

The Nation: December 30, 2006

► **THAILAND: UOB ASSET MANAGEMENT LAUNCHES CAPITAL PROTECTION FUND**

UOB Asset Management will soon launch its new capital protection fund, which will invest in local promissory notes with call options linked to the Fin4Cast index initiated by the German company Siemens, the Bangkok Post reports. The mixed fund has three-year duration. Chief executive of UOBAM, said the raised funds of two billion baht would be invested in promissory notes issued by three banks, which would have a credit rating of AA- or higher. The banks would then buy call options linked to the Fin4Cast Global Macro Diversified ex Commodities Futures Index.

Thai News Service: December 11, 2006

► **THAILAND: PROPERTY FUNDS TO BE 'HIT BADLY'**

Property funds worth Bt30 billion planned for the first quarter of 2007 will fall short of their target if the Bank of Thailand (BOT) does not waive its capital controls on foreign investment, chairman of the Association of Investment Management Companies (AIMC) said. Managing director of ING Funds (Thailand) said that 75 per cent of five property funds totally worth around Bt40 billion launched this year were subscribed by foreign investors. Before the central bank's announcement of the capital-control measures, five asset management firms had planned to launch at least 12 property funds next year due to declining interest rates. However, the BOT insists it does not plan to relax the drastic reserve

measure for property funds and foreign loans before reviewing the impact cautiously and clearly. The country's largest property fund, CPN Growth Property fund managed by TMB Asset Management, early in December planned to increase its capital next year but has now postponed it.

The Nation: December 27, 2006

▶ **THAILAND: LH BANK LOOKS TO HOUSING LOANS**

LH Retail Bank expects asset growth of 10 billion baht over the next three years. The bank, a unit of the property giant Land & Houses, also plans to increase its focus on housing mortgages instead of small and medium-sized business loans. Sasitorn Pongsathorn, the president at Land and House Retail Bank, said the bank extended 13.8 billion baht in loans for the year to date, with the loan portfolio projected to reach 14.5 billion this year. By the end of 2007, the bank projects its outstanding loan portfolio to rise to 24.5 billion baht.

The Bangkok Post: December 08, 2006

▶ **THAILAND: KASIKORNBANK PLANS NEW VENTURE CAPITAL FUND**

Kasikornbank plans to set up a new subsidiary next year to offer venture capital funding to clients. The new subsidiary will fall under Kasikorn Asset Management. It will manage the K SME Venture Capital Fund, a new fund with initial funds of 200 million baht set up to provide equity financing to small and medium-sized businesses. The new fund would hold investments in each company for at least five years said sources.

The Bangkok Post: December 13, 2006

▶ **THAILAND: COMMERCIAL BANKS TO MAINTAIN OR INCREASE DEPOSIT RATES IN 2007, KGI SECURITIES PREDICTS**

Commercial banks will maintain or increase deposit and lending rates next year as interest spreads narrow while credit demand rises, according to KGI Securities, the Bangkok Post reports. The company's vice-president for economics and strategy, said liquidity in the banking system would be absorbed more next year as the interim government, which plans to invest in Bangkok's new mass transit routes, would probably raise funds in the local market through bond issues or bank borrowing.

Thai News Service: December 04, 2006

▶ **VIETNAM: DEPOSITS SURGE IN HANOI**

The State Bank of Vietnam (SBV)'s Hanoi Branch reported that by December 2006, total deposits of credit institutions in Hanoi capital city reached 231.779 trillion dong, up 32.3% against the end of last year. This is the highest deposit growth over the past five years. Total deposits in dong grew highly to 157.645 trillion dong, up 34.41%. State-owned banks took the lead in holding 72.7% of market share, followed by joint stock banks with 14.1%, and branches of foreign banks with 11.2% and others. According to assessment of bankers, commercial banks in Hanoi now still obtains a large surplus of disposable capital given that the deposit growth of commercial banks especially state-owned banks is higher than the outstanding loan growth.

Kinh Te Vietnam : December 05, 2006

▶ **VIETNAM: FIRST RUSSIAN INSURANCE COMPANY STARTS OPERATION IN VIETNAM**

The Russian insurance company Malakut officially launched its affiliate in Hanoi recently becoming the first Russian insurer to work within Vietnam's insurance market. President of Malakut Company said that Malakut Vietnam will provide reinsurance services all over Southeast Asia. Its insurance activities will focus on construction, energy, shipping (especially shipbuilding companies), aviation and fixed-term reinsurance contracts. Sources also said Malakut will provide Vietnamese insurance companies with reinsurance services and products at the best prices. The company is also expected to attract business from the world insurance market to Vietnamese insurers.

Thai News Service: December 05, 2006

▶ **VIETNAM: ORIENT BANK LAUNCHES NEW LENDING PROGRAMME**

The Orient Commercial Joint Stock Bank has launched a new lending programme called "improving living standards" for households and individuals who want to take out loans for buying household appliances, paying tuition fees, travelling and to be able to pay for weddings. The maximum loan is 200 million dong per person (not exceeding 70% of mortgaged property value). This will be based on the earnings and the ability of customers to pay. OCB has set two maturities for the loans: loan paid off in one go cannot exceed 12 months and loans paid in installments must be paid in 36 months.

Saigon Giai Phong: December 19, 2006

▶ **VIETNAM: BANKS LAUNCH PRE-END OF YEAR PROMOS IN DEPOSIT DRIVE**

In efforts to prepare a large capital amount to satisfy loan demand by the end of this year, many commercial banks have kicked off tactics to raise more funds. A majority of banks pay saving promotion programmes. From early December 2006 to March 31, 2007, Vietnam Bank for Private Enterprise (VPBank) is launching its large promotion programme called "deposit at VPBank to win Innova car" with the total prize value of 1.3 billion dong. This is also the biggest promotion programme including of one special prize of one Toyota Innova car and 1,110 other prizes that VPBank has carried out since the beginning of this year.

Nguoi Lao Dong: December 05, 2006

▶ **VIETNAM: FOREIGN BANKS EYE UP CONSUMER LOANS MARKET**

According to industry statistics, Vietnam currently has about 15 million bank accounts, one account for about every five people. However, a majority of those accounts are saving accounts rather than payment accounts. Most Vietnamese have yet to get used to making payments through their accounts therefore, commercial banks cannot raise as much idle capital from this card-based payment system as expected when trying to meet their business targets. This practice shows that the consumer credit market has yet to be explored and many international banks that are in Vietnam are focusing on this, especially Citigroup and the HSBC Group. However, some foreign banks will buy or acquire stakes in Vietnamese banks to quickly exploit this potential in the credit market.

Saigon Giai Phong: December 26, 2006

► **SINGAPORE: CPF FUNDS MAY BE INVESTED IN SINGAPORE GOVERNMENT BONDS & GOLD EXCHANGE TRADED FUNDS**

From 1 January 2007, savings in the ordinary and special accounts can be used for buying government treasury bills. These are short-term debt, with maturities of less than a year. At the same time, gold exchange traded funds will be included as a new product under the gold category. But issuers will first have to apply for permission to be included in the CPF Investment Scheme. StreetTRACKS Gold Shares are the only gold ETF listed in Singapore right now. It is managed by State Street Global Advisors. State Street says it will apply to be included under the scheme. The gold ETFs will be subject to the existing 10 percent investment limit for gold.

Channel News Asia: December 29, 2006

2.1.4 SOUTH ASIA: INDIA, SRI LANKA, BANGLADESH, AND NEPAL

► **SRI LANKA: SRI LANKA CENTRAL BANK TO TIGHTEN CASH FACILITY TO BANKS**

The Central Bank of Sri Lanka will restrict the banking system's use of its cash facility soon. Monetary authorities told commercial banks they will not be able to borrow cash through the reverse repurchase window on days when there is excess liquidity in the market. However, the facility will be open to market players when there is a shortage of cash on a net basis. Currently, banks use the reverse repo window to deposit excess cash with the central bank, or to borrow if they are short of cash. Bigger state banks such as the Bank of Ceylon and People's Bank often tap the reverse repo window to finance the treasury's large overdraft, market players said. The Treasury's overdrafts with the Bank of Ceylon and People's Bank total more than LKR30 billion, according to market estimates. The new restrictions mean that banks will have to borrow from the interbank market at higher rates, or limit their lending. In its monetary policy statement this month, the central bank asked commercial banks to raise deposit rates and attract more deposits. Earlier this year, the central bank shut the reverse repo window to primary dealers who exclusively trade government securities. On-month inflation rose to 19.8% in November and the Sri Lanka rupee fell below LKR108 to the U.S. dollar from LKR102 earlier in the year, according to central bank figures.

Dow Jones International News: December 26, 2006

► **INDIA: LIC MUTUAL FUND**

The Life Insurance Corporation of India incorporated the LIC Mutual Fund (LICMF) in Jun 1989. LICMF manages 25 schemes in several categories, including equity, debt, hybrid and liquid. Its assets under management (AUM) increased from Rs.5,026.45-crore as on 31 Oct 2005 to Rs.12,458.88-crore as on 31 Oct 2006.

Capital Market: December 17, 2006

► **INDIA: ID NUMBER FOR MUTUAL FUND INVESTORS**

The Association of Mutual Funds of India (AMFI) has introduced Mutual Fund Identification Number (MIN). Investors are required to get the MIN to invest over Rs50,000 in mutual funds from 1 Jan 2006. AMFI has entered into a tie-up with CDSL Ventures Ltd to issue the MIN.

Business Line: December 15, 2006

▶ **INDIA: FRANKLIN INDIA TAXSHIELD: GAINING GROUND**

The Franklin India Taxshield is a tax-saving fund and its focus is on the stocks of large capital companies. The largest share of the fund's portfolio is taken up by basic engineering (18.5 percent) and the other sectors include automobiles (13.70 percent) and technology (11.76 percent). As of Oct 2006, the top 5 stocks accounted for 28.78 percent of its portfolio. In 5 years, the return was 44.31 percent, which is above the average.

Mutual Fund Insight: December 14, 2006

▶ **INDIA: BANK OF BARODA FORAYS INTO EASTERN ZONE**

The eastern zone branch of Bank of Baroda (BoB) has set a target of disbursing loans totalling Rs.100-crore in 2006-2007. The bank will disburse the loans under the Project Parivartan scheme. The eastern zone branch of BoB proposes to increase its total business volume to Rs.8,500-crore in 2006-2007 from Rs.7,000-crore in 2005-2006.

Financial Express: December 13, 2006

2.1.5 PACIFIC: AUSTRALIA & NEW ZEALAND

▶ **AUSTRALIA: HOUSING HAMPERS LENDING GROWTH**

The Australian Prudential Regulation Authority has released the latest instalment of its figures on banking. According to the data, there are signs of slowing overall lending growth in Australia. However, the ANZ Bank has gained some ground in home loans and deposits, and Westpac continues to make inroads in terms of business lending. Westpac boosted its business loan book by 6.3 per cent in October 2006. The growth was at the expense of the National Australia Bank. St George was the only major bank to outpace the overall market in housing lending over the period.

The Australian Financial Review: December 01, 2006

▶ **AUSTRALIA: AMAZING LOANS SIGNS OFF ON MASTER FRANCHISE SALE**

Unsecured personal loans provider Amazing Loans Ltd has sold its master franchise to Amazing Loans Franchises Pty Ltd, as it prepares to open more than 30 branches in the next 18 months. The company said Amazing Loans Franchises had paid \$2.4 million in deposit for Amazing Loans Franchise with a \$2 million balance of consideration due immediately. The total price is \$4.4 million. The master franchise excludes NSW, the ACT, Melbourne and Brisbane metropolitan areas, Geelong and the Gold Coast, a company statement said. Amazing Loans chairman and chief executive said Amazing Loans Franchises planned to open more than 30 branches in the next 18 months. Under the agreement, Amazing Loans will be allocated five million ordinary shares, which represents a 20 per cent initial shareholding, in Amazing Loans Franchises for no cost. The company's previous agreement with Investment Evolution Private Equity Pty Ltd had been terminated, with Amazing Loans to refund the \$2 million, said sources. Amazing Loans is a loan provider based in Sydney that offers personal unsecured loans from \$1,000 to \$5,000.

AAP Business and Financial News: December 29, 2006

2.2 CREDIT /DEBIT CARDS

2.2.1 GREATER CHINA: HONG KONG, CHINA AND TAIWAN

▶ **CHINA: INDUSTRIAL AND COMMERCIAL BANK OF CHINA, CHINA CONSTRUCTION BANK HOLD 36% OF CHINA'S CREDIT CARD MARKET**

About 36 percent of China's credit cards - or 20 million - were issued by the Industrial and Commercial Bank of China and the China Construction Bank. The China Construction Bank (CCB) said by mid-December it had issued more than 10 million credit cards. The Industrial and Commercial Bank of China (ICBC) said it had also issued more than 10 million credit cards and aggregate consumption volume exceeded 100 billion yuan by Dec. 25. The remaining 64 percent, about 30 million, are shared among a dozen commercial banks. China has seen exponential growth in credit cards in the last two years. There were only 10 million cards in circulation at the end of 2004. But profits in this emerging business in China remain weak. Industry reports reveal that the profits generated by bank cards account for less than three percent of the profits of domestic banks and the profits generated by credit cards are negligible. Globally, credit cards on average contribute up to 30 percent of bank profits. Citibank, for instance, gleans 80 percent of its profits from retail business, about 60 percent of which is credit card business.

www.chinaview.cn

2.2.2 KOREA & JAPAN

▶ **KOREA: SOUTH KOREA'S SHINHAN TO PAY \$7.2 BILLION FOR LG CARD**

Shinhan Financial Group will pay 6.68 trillion won (\$7.19 billion) to buy a majority stake in credit card issuer LG Card, setting the same price for shares held by both creditors and minority shareholders, South Korea's No.2 financial services firm said. Shinhan said in a filing with the Korea Exchange that it would buy a combined 78.6 percent stake in the top local card issuer at 67,770 won in a public tender by February or March, although the time table may change. Earlier this month, Shinhan agreed to buy a majority stake in LG Card for 5.2 trillion won from creditors. That price excluded the value of a 7.1 percent stake already owned by a Shinhan group unit and a 17.6 percent stake held by minority shareholders. With the acquisition, Shinhan is set to become the dominant player in the country's credit card market, into which local banks have been keen to expand to compensate for falling margins from lending.

www.today.reuters.com

2.2.3 SOUTHEAST ASIA: SINGAPORE, MALAYSIA, THAILAND, INDONESIA, VIETNAM, PHILIPPINES

▶ **MALAYSIA: RHB PLANS TO EXPAND CREDIT CARD BASE TO OVER 800,000**

RHB Bank Bhd is optimistic of maintaining its 20 per cent growth in credit card loans and cards issued next year, said its head of consumer banking division. It hopes to expand its credit card base to over 800,000 next year from about 650,000 currently, supported by product innovation and customer focus initiatives.

Business Times: December 29, 2006

▶ **MALAYSIA: BANK ISLAM LAUNCHES PREPAID CARD FOR TOURISTS**

Bank Islam Malaysia Bhd together with MasterCard launched a prepaid card targeted at tourists in conjunction with the "Visit Malaysia Year 2007" programme. Called the "Bank Islam Tourist Friend MasterCard Unembossed Prepaid Card", it enables users to top up in minimum denominations of RM100 and up to a maximum of RM10,000. Sources said based on the prepaid concept, the card could be used at merchant outlets that recognized the MasterCard brand worldwide. Cardholders will also enjoy the benefits outlined in the MasterCard Visit Malaysia Year 2007 Privileges Programme as well as discounts of up to 70 percent at more than 200 participating merchant outlets, including hotels, shops and restaurants, Wan Ismail said.

Bernama Newswire: December 22, 2006

▶ **PHILIPPINES: DEBIT CARDS: ALTERNATIVE TO QUEUEING AT ATMS**

The holiday season is usually the time when demand for cash peaks each year, resulting in long queues at the ATM. Consumers in line runs the risk of cash running out especially during three to four day holidays. Unknown to most consumers, however, there is a much more convenient yet underutilized alternative: the debit card. To date, about 84 percent of consumption expenditure in the Philippines is still paid in cash, while checks and card-based transactions - whether debit or credit - account for the remaining tiny fraction. For consumers who would like to avoid debt-driven spending sprees or have no credit cards to begin with, banks are pushing for the use of debit cards as an easier way to access cash for shopping needs especially during the holiday rush. The debit card is a card that can be used to access a bank account through point-of-sale (POS), Internet and ATM channels using electronic payment gateways like Visa or Mastercard. It can be the ATM Card itself or a reloadable cash card. The account is automatically debited when purchasing goods or services, in the same way as when the cards are used to withdraw cash.

Philippine Daily Inquirer, Inc.: December 29, 2006

▶ **PHILIPPINES: BANKS' CREDIT CARD RECEIVABLES UP TO P86.5 BILLION IN Q3**

Delinquent credit card receivables (CCRs) are steadily rising but the increase in the use of plastic money has allowed banks to keep the ratios almost unchanged from the previous year. Data from the Bangko Sentral ng Pilipinas (BSP) indicated that credit card spending went up 13.6 percent to P86.5 billion in the third quarter from P76.1 billion a year ago. In the second quarter, CCRs amounted to P81.9 billion. According to the BSP, the proportion of CCRs to the

combined total loan portfolio (TLP) of universal/commercial banks (U/KBs) and thrift banks (TBs) was recorded at 4.7 percent, higher than 4.5 percent last quarter and 4.4 percent last year. The BSP said that based on bank reports, the bulk of these receivables were generally current in status, except for some P16.7 billion that were past due. This is equivalent to 19.3-percent of total receivables, only slightly higher than the 19.2 percent total in the last quarter and better than the 19.4-percent ratio last year.

CIBI News: December 19, 2006

► **PHILIPPINES: CREDIT CARD PURCHASES UP AHEAD OF HOLIDAYS**

Consumer purchases made using credit cards rose by double-digits ahead of the Christmas holidays, according to the Bangko Sentral ng Pilipinas. In a statement, the BSP said credit card receivables of universal, commercial and thrift banks grew 13.6 percent to P86.5 billion at end-September from the same period last year. Receivables likewise had risen 5.5 percent from the previous quarter's P81.9 billion. Credit-card holders were still current with the bulk of their payments at P69.781 billion, with past due accounts accounting for the balance of P16.7 billion. Past due accounts however were slightly higher, with its ratio to total receivables at 19.4 percent from 19.2 percent in the previous quarter.

CIBI News: December 19, 2006

► **PHILIPPINES: LBP OFFERS MULTI-PURPOSE E-CARD**

A multi-purpose e-card is Landbank's latest product offered to all its interested members in Region 11. During its media briefing held at the Philippine Information Agency, LBP vice president bared the many uses of the e-card which any Landbank member can make use of. The said e-card can access one's account anytime of the day with a maximum withdrawal of P30,000 daily. It can also be used as a debit card for Express Payment Systems (EPS). Instead of bringing along cash or using your credit card for purchases wherein one could rather incur interest, any holder of this e-card can be used equivalent to cash, Gutierrez said.

CIBI News: December 18, 2006

► **PHILIPPINES: GE MONEY BANK MULLS OWN CREDIT CARD**

Money Savings Bank, a wholly-owned subsidiary of US-based GE Consumer Finance (GECF), will pursue its thrust of cutting into the market share of lucrative consumer banking through the credit card issuance despite the hardluck it suffered from acquiring Bankard Inc. Sources at GE Money said the bank will take other avenues to widen its consumer reach following the non-consumption of its transaction with Bankard, a credit card subsidiary of Rizal Commercial Banking Corporation (RCBC). It did not come to a conclusion, but we have the ability to do a start-up, sources told reporters during the signing ceremony of the bank's partnership with Let's Go Foundation for its corporate social responsibility (CSR) program. Sources explained GE Money, at present, has small portfolio for credit card operations, which has been its mother-firm's lynchpin operations offshore.

CIBI News: December 09, 2006

▶ **THAILAND: KRUNGTHAI CARD PLC EXPECTS CREDIT CARD MARKET TO GROW STEADILY**

Krungthai Card Plc, the country's largest credit card issuer, expects the credit card market to grow steadily in 2007 despite new regulations resulting in higher interest rates and minimum monthly payments for cardholders.

Thai News Service: December 13, 2006

▶ **THAILAND: CREDIT CARDS GROW IN OCTOBER**

The credit-card market grew in October, with 65,200 new cards issued and an increase of 2.78 billion baht in credit outstanding, according to the Bank of Thailand. The total number of cards in circulation stood at 10.72 million at the end of October, up 0.61% from the previous month. Loans outstanding totalled 163 billion baht, up 1.73% from the month before. Non-bank cards accounted for the majority of cards in circulation at 5.26 million, with 76.5 billion baht in credit outstanding. Cards issued by local banks totalled 4.26 million in October, with 53.6 billion baht outstanding. Foreign bank cards totalled 1.19 million, with 33.1 billion baht outstanding during the period. Total card spending was 65.5 billion baht in October, up 6.18 billion baht, or 10.42%, from the previous month. Of the total amount, 47.2 billion baht was for domestic usage, which increased by 10.75%, from the previous month. Overseas usage totalled 2.48 billion baht, a 14.21% increase. Cash advances totalled 15.7 billion baht, an 8.9% increase from September.

The Bangkok Post: December 18, 2006

▶ **THAILAND: THAILAND MARKET LEADER KASIKORNBANK LAUNCHES STRATEGIC CREDIT CARD MERCHANT PROMOTION PROGRAM**

Kasikornbank, Thailand's third largest commercial bank, announced the launch of a new strategic credit card merchant promotion program, empowered by payment technology from Welcome. The innovative merchant-driven promotions are geared to get merchants excited about the bank's credit cards, which will in turn drive higher acceptance and usage of the cards. The new move is congruent with the bank's efforts to accelerate the growth of its consumer banking business.

PR Newswire: December 06, 2006

▶ **THAILAND: BANK OF THAILAND RAISES LIMIT ON CREDIT CARD INTEREST AND CHARGES**

After July 2007, outstanding balances will be charged interest at 20 per cent, The Nation reports. Credit-card holders must repay their outstanding balances before July next year; otherwise they will be charged the same 20-per-cent interest rate that new debtors will face from December 1. The Bank of Thailand (BOT) has lifted the interest-rate ceiling of credit-card loans to 20 per cent a year as requested by the Credit Card Club since the middle of this year. But the 2-per-cent increase is lower than the private sector's proposal. Assistant BOT governor said the measure was aimed at establishing fairness between consumers and card issuers, whose operating costs have increased in accordance with market rates while the interest rate has not been raised.

Thai News Service: December 01, 2006

▶ **THAILAND: BANK OF THAILAND SETS MAXIMUM INTEREST AND CHARGES LEVEL FOR CREDIT CARDS AT 20%**

Maximum interest rates for new credit card users will increase to 20% per year from 18% starting next month, the Bank of Thailand announced on November 28. Existing cardholders with outstanding balances will be given a seven-month adjustment period, with the new rate taking effect on June 30. New outstanding debt, however, can be charged at the new rate starting next month.

Thai News Service: December 01, 2006

▶ **VIETNAM: TECHCOMBANK JOINS WITH VISA TO ISSUE CREDIT CARDS**

Vietnam's Techcombank, one of the countries leading joint stock banks, linked its automatic teller machine (ATM) network to the global card issuer Visa International Group and started issuing an international payment card, the Techcombank Visa card. This card type operates according to Visa International's common rules and is connected to the accounts of Techcombank's customers. Apart from the traditional functions of international payment cards such as withdrawing cash, paying bills and a global access to cash, Techcombank Visa is also able to carry out other functions such as advancing money, automatic savings and home banking.

Kinh Te & Do Thi: December 14, 2006

▶ **VIETNAM: VISA SAYS CARDHOLDER NUMBER GROWS STRONGLY, EXPECTS MORE**

Visa International is already excited about what Vietnam will offer in 2007 since it has achieved strong growth in the number of cardholders this year, said Visa's chief representative and country manager for Vietnam, Cambodia and Laos. Sources told the Daily that the number of Visa cardholders in Vietnam was growing at an annual rate of 70% and that Visa had attracted some 200,000 debit and credit cardholders in this country a few days ahead of 2007. Visa's growth is backed by the sharp rise in the number of bank account holders, who are beginning to demand more sophisticated banking products and services, and payment cards are one such service.

Saigon Times Daily: December 26, 2006

2.2.4 SOUTH ASIA: INDIA, SRI LANKA, BANGLADESH, NEPAL

▶ **INDIA: BARCLAYS PLANS CREDIT CARD FORAY**

Barclays plc of the UK plans to foray into the emerging credit card market in India. The bank is in negotiations with Life Insurance Corporation of India (LIC) to use the latter's database on royalty payment. Barclaycard is the largest branded credit card operating in Britain with 11.2 million cardholders. The Indian credit card market is estimated at about \$6 billion a year.

Business Standard: December 02, 2006

▶ **INDIA: SHRIRAM-UTI CREDIT CARD TO TARGET TRUCK OWNERS**

Non-banking finance company Shriram Transport Finance has allied with UTI Bank to introduce a co-branded credit card aimed at owners of small trucks. The credit card will be launched on 7 Jan 2007. This will make Shriram Transport Finance to become the first non-banking finance company (NBFC) to introduce a credit card for truck owners. In all 1,00,000 cards are likely to be sold in the first 12 months and this is expected to increase to 5,00,000 cards in 3 years.

Economic Times: December 21, 2006

2.2.5 PACIFIC: AUSTRALIA & NEW ZEALAND

▶ **AUSTRALIA: CREDIT CARD TROUBLES CREEP UP ON RETIREES**

Australians are expected to start 2007 with a record \$40 billion credit card bill, as older people and retirees join the ranks of those troubled by credit. The latest Reserve Bank figures show Australians owed \$37.3 billion on credit and charge cards in October, up \$5 billion from 2005 and \$9 billion from 2004. But after the Christmas and new year splurge, a NSW financial help group, the Consumer Credit Legal Centre, predicted that the \$40 billion barrier would be breached in December. And, in a worrying trend, it said increasing numbers of older people, traditionally cautious about money, were running into credit card problems. Reserve Bank figures show Australia's worrying progression into debt. In December 2000, business and private citizen charge and credit card debt was \$15.5 billion. By December 2002, it had grown to \$23.6 billion, and by the end of 2004 it was \$30.2 billion. Many institutions were actively looking for new credit card customers and offering existing ones higher credit limits and additional cards, she said. And many people were simply making the minimum payment necessary.

www.theage.com.au

2.3 INSURANCE

2.3.1 GREATER CHINA: HONG KONG, CHINA AND TAIWAN

▶ **CHINA: NEW LIFE INSURER MAKES DEBUT IN BEIJING**

Zhengde Life Insurance, formerly known as Zhaode Life Insurance, has set up operations in Beijing following three years of preparation. It has been approved by the CIRC as a nationwide insurer with a registered capital of 500 million yuan (US\$63.5 million). Five shareholders from east and south China each hold a 20% stake in the insurer. Zhengde Life will provide life, health and accident insurance; reinsurance and other businesses approved by the China Insurance Regulatory Commission (CIRC).

Asia Insurance Review: December 15, 2006

▶ **CHINA: CHINA'S PUDONG BANK TO HAVE CONTROLLING STAKE IN INSURANCE JOINT VENTURE WITH BNP PARIBAS**

Shanghai Pudong Development Bank Co. Ltd., in which Citigroup owns 4.2 pct, will have a controlling stake in a planned insurance joint venture with BNP Paribas, a company official said. Pudong Bank said in a statement that its board has approved a proposal to set up an insurance joint venture with foreign companies.

www.forbes.com

▶ **TAIWAN: SIX LARGEST LIFE INSURERS EARNED NT\$30.8 BILLION IN FIRST NINE MONTHS**

Taiwan's six largest life insurers, which control approximately 80% of the market's assets, posted NT\$30.8 billion (US\$933.3 million) in combined earnings during the first three quarters of this year. Cathay Life Insurance, Shin Kong Life Insurance, Nan Shan Life Insurance, Fubon Life Insurance, Taiwan Life Insurance and China Life Insurance saw their return on assets and return on equity reach 0.61% and 9.2%, respectively, in the first nine months of the year. The most profitable life insurer was Cathay Life, which registered NT\$10.9 billion in after-tax earnings, followed by Shin Kong Life with NT\$10.6 billion, Nan Shan Life with NT\$5.58 billion, Fubon with NT\$1.92 billion, Taiwan Life with NT\$1.05 billion, and China Life with NT\$730 million. The combined assets of the six insurers amounted to NT\$5.05 trillion in the first three quarters of this year, accounting for 77% of the industry's overall assets. The companies had a net worth of NT\$334.58 billion in the first three quarters, comprising over 70% of the industry's overall net worth.

Asia Insurance Review: December 15, 2006

2.3.2 KOREA & JAPAN

▶ **JAPAN: FOREIGNERS LACKING SIGNIFICANT PRESENCE**

Despite ongoing liberalisation in Japan, there has been no significant increase in foreign presence, a trend quite contrary to experiences in other liberalising markets, said Executive Vice Chairman & General Secretary of the Foreign Non-Life Insurance Association of Japan. The market share of foreign insurers in the life sector currently stands at about 20% in terms of premium volume, with the lion's share of the market controlled by AIG-backed entities – Alico, AIG Star Life and AIG Edison Life - which collectively have a 7% market share. On the non-life front, the 20 foreign-owned companies control approximately 5% of the market. And with Japan being a very peaceful market, this presents an ideal landscape for insurance development.

Asia Insurance Review: December 15, 2006

▶ **JAPAN: JAPAN NON-LIFE MARKET: FINDING GROWTH**

Finding profitable growth in a mature market is never easy. However, most insurers are optimistic, whether domestic or foreign, and they have their business plans all mapped out till the 2010s, with growth numbers spelt out for each year. The numbers certainly look good. Asia Insurance Review sits down with some insurers to find out the rationale behind the numbers and some of the ideas turn out quite surprising and contrary to ordinary expectations. After being buffeted by a record number of typhoons making landfall in 2004, fiscal 2005 and this year so far have been quiet for Japan and its general insurers, thus boosting the financial stability of the companies as they rebuild their reserves. Domestically, the

premium income for the 20 member companies of the General Insurance Association of Japan (GIAJ) for fiscal 2005 fell slightly from ¥8.7 trillion in fiscal 2004 (ending March 2005) to ¥8.6 trillion

Asia Insurance Review: December 15, 2006

▶ **KOREA: CANCER INSURANCE SALES ON THE DECLINE**

Insurance companies are suspending or reducing sales of policies on cancer and terminal diseases, said the Korea Insurance Development Institute (KIDI). Insurers are having difficulty selling cancer insurance policies for the current premiums because outgoing payments are rapidly increasing. The report from KIDI pointed out that more cancer patients are diagnosed at early stages of their illnesses, resulting in an increase in payments. Without disclosing its name, the report argued that one insurance firm's payment index for cancer patients rose to 131.6 in 2004 and 168.4 in 2005. The total payment for 2003 was 100. Samsung Life Insurance stopped sales of its cancer-only policies last July. Kyobo Life Insurance and Korea Life Insurance, the other two big insurers, do not sell cancer-only policies. Other insurance companies have halved their maximum payment to 50 million won (US\$53,000). A total of 363,863 people were treated for cancer in 2004, up 66.3% from 2000, with the daily death toll reaching 179.

Asia Insurance Review: December 15, 2006

▶ **KOREA: SOUTH KOREAN INSURERS OPPOSE REGULATORY PLAN**

The insurance industry has criticised a decision by the Government to prohibit insurers from selling health insurance policies that reimburse the patients' co-payment on services covered by the National Health Insurance Corporation (NHIC). Under the proposed regulatory plan, services not covered by the NHIC system will be the main focus of private insurance companies.

Asia Insurance Review: December 15, 2006

2.3.3 SOUTHEAST ASIA: SINGAPORE, MALAYSIA, THAILAND, INDONESIA, VIETNAM, PHILIPPINES

▶ **MALAYSIA: INSURANCE FIRM EYES MORE TIE-UPS WITH RURAL BANKS**

Nonlife insurer Malayan Insurance is eyeing to close at least 30 tie-ups with rural banks next year for its microinsurance scheme. The insurance firm so far has 10 rural bank partners for the product, Enofre G. Manuel, vice-president for retail lines, told reporters. The new partner banks will be mostly from the Visayas region, sources said, without disclosing their names.

Business World: December 01, 2006

▶ **PHILIPPINES: MORE INSURANCE COVERAGE FOR EASTERN VISAYAS FARMERS**

Tacloban - State-run Philippine Crop Insurance Corp. is aiming to increase the number of farmers with insurance coverage in the Eastern Visayas Region by 22%, an official said. chief of the marketing and sales division of the

firm's regional office, said farmers would be offered other insurance packages on top of regular crop insurance. This would mean providing insurance of up to P400 million next year from only P58 million as of November 2006.

Business World: December 28, 2006

► **PHILIPPINES: PERMANENT PLANS GETS SEC NOD FOR P500- MILLION WORTH OF NEW LIFE PLANS**

The Securities and Exchange Commission (SEC) has approved the application of Permanent Plans Inc. for the registration and licensing of P500-million worth of new life plans. The company's proposed life plan called Perma Flex Fund offers two types of packages — Perma Flex Basic and Perma Flex Advantage. Perma Flex Basic provides the planholder, his heirs, and executor at the time of need a cash budget called Memorial Service Fund (MSF) in accordance with the subscribed life plan that can be used to defray expenses on memorial service, casket, facilities and other expenses. The amount of the MSF shall be equal to 100 percent of the memorial assistance fund equivalent to P1,000 per unit. The MSF shall increase annually by 15 percent of the memorial assistance fund one year from the time the plan shall have been fully paid. The initial/base amount for MAF is P5,000 or five units of P1,000 per unit coverage. Additional coverage should be a multiple of P1,000.

CIBI News: December 29, 2006

► **PHILIPPINES: PHILAMLIFE SALES UP IN NOVEMBER**

Philamlife, the largest life insurance company in the Philippines, posted a 54 percent jump in new life insurance policy sales in November, the company said in a statement. Philamlife, a member of the American Insurance Group, has more than a million individual and corporate policyholders. Philamlife measured the new sales in terms of new premium payments that amounted to P1.58 billion in November, driven mainly by its recently introduced AIG Money Tree Products. Premium payments on the products hit P473.22 million in November.

Manila Standard Online: December 26, 2006

► **PHILIPPINES: GREPALIFE WANTS TO JOIN TOP 5 BY 2010**

The Great Pacific Life Assurance Corp. (Grepalife) is looking to barge into the top five life insurers in terms of total premiums within the next four years. At the start of 2006, Grepalife was ranked ninth among the country's 34 life insurers with total premiums of P1.088 billion. The life industry's total premiums amount to almost P47 billion last year. This year, Grepalife officials estimate that total premiums will range in the P1.2-billion level or roughly a 10-percent increase. In 2007, the life insurance company of the Yuchengco group projects premium income to grow by at least 30 percent to keep pace with its 2010 projection of joining the top five insurers.

CIBI News: December 19, 2006

► **PHILIPPINES: PHILIPPINE INSURER LAUNCHES MICROINSURANCE**

Philam Life, the Philippine insurance subsidiary of AIG, is tapping into the low-income market by introducing a microinsurance product. Aksitext is a microinsurance product that costs 10 pesos (US\$0.20) and gives the buyer coverage for 15 days' worth of 10,000 pesos against accidental death. PhilamLife Executive Vice President Jesus

Hofileña said the company expects to sell 25 million pesos' worth of the product. Aksitext, open to anyone aged between 18 and 65, is packaged like a prepaid mobile phone card and can be activated via SMS registration. The buyer will have to ensure that he purchases the card and activates the registration every 15 days.

Asia Insurance Review: December 15, 2006

▶ **THAILAND: TAX BREAK FOR PARENTAL CARE**

Taxpayers will be allowed to claim a new deduction of up to 15,000 baht per year on premiums paid for health insurance policies taken for their parents. Deputy director-general of the Revenue Department, said the deduction from taxable income would be allowable starting from the 2006 tax year, for which most people will file returns in March 2007. The deduction is allowable only if the parents have income of less than 30,000 baht per year. Adopted children can also claim on behalf of their parents if registered under the law. Policies can be for health care or accident insurance, and include coverage for hospital care, long-term care or critical illnesses. Deductions must be supported by a proper tax receipt issued by a local insurer.

The Bangkok Post: December 28, 2006

▶ **THAILAND: EXIM THAILAND LAUNCHES INVESTMENT INSURANCE FOR THAI INVESTORS OVERSEAS**

EXIM Thailand introduces Investment Insurance service to help accelerate the expansion of Thai investment bases overseas by offering insurance coverage up to 90% of actual losses arising from political disturbance and imposition of state policy in a host country that adversely affects Thai investments.

Thai News Service: December 15, 2006

▶ **THAILAND: MUANG THAI LIFE ASSURANCE REPORTS PREMIUM GROWTH OF 20% OR MORE THIS YEAR**

Muang Thai Life Assurance is upbeat about finishing this year with growth of at least 20% to 10.4 billion baht in total premiums, even though it will fall short of its original 14-billion-baht target, the Bangkok Post reports. The company projected an increase in first-year premiums for 2006 to 3.653 billion baht, a 50% rise from 2005, with total premiums rising by 26% to 10.42 billion baht. Muang Thai last year produced first-year premiums worth 2.44 billion baht, a 41% rise from 2004, on total premiums worth 8.255 billion baht, up 14%. For the first 10 months of this year, first-year premiums totalled 1.89 billion baht, a rise of 24% against 1.53 billion in the same period last year, on total premiums of 8.01 billion baht, up 21% from 6.6 billion.

Thai News Service: December 22, 2006

▶ **VIETNAM: LEADING INSURER REGISTERS TWO-DIGIT GROWTH RATE**

The Vietnam Insurance Corporation (Bao Viet) has registered revenue of almost 7 trillion VND in 2006, representing a yearly growth rate of 11.4 percent. The giant estimated its profits at 580 billion VND for the entire year, or 50 percent over predicted figure. General Director said Bao Viet will continue focusing on the key business, namely insurance, and expand to other financial services by setting up a commercial bank, a financial leasing company, a real estate

development company and a community health insurance company. The business plans to tap strategic partnerships both at home and abroad to increase competition amidst a fast integration trend, said Lam.

Thai News Service: December 29, 2006

▶ **VIETNAM: 1,500 INSURANCE AGENTS ON 'BLACK LIST'**

In a bid to improve the quality and reliability of life insurance agents, six life insurers including ACE Life, AIA, Bao Minh CMG, Bao Viet, Manulife and Prudential have come together to produce the "Agent Management Software" system, worth 500 million dong. The system was installed in the Vietnam Insurance Association at 141 Le Duan Str, Hanoi and put into operation on July 1, 2006. By December 20, the system had automatically identified a black list of 1,680 agents who were guilty of breaching Insurance and Business Laws. This figure includes, 181 insurance agents from AIA Vietnam, 624 belonging to Prudential Vietnam, 361 managed by Manulife Vietnam, 181 of Bao Viet and 333 from Bao Minh CMG. According to the association, the list includes agents who represented different insurers at the same time (Clause 28 Item 3 Decree 42), breaking their insurance agent contracts (Clause 88 and Clause 30 Decree 42).

Dien Dan Doanh Nghiep: December 21, 2006

▶ **VIETNAM: BIDV INSURANCE CO OPENS BRANCH IN BINH DINH**

The Bidv Insurance Co. (BIC) managed by Bank for Investment and Development of Vietnam opened branch in Binh Dinh southern province. Reportedly, the Bidv-owned company known as a non-life insurance provider was founded and put into operation as of January 1, 2006 on the basis of buying the holding capital of Australian QBE Insurance Group Limited in a Vietnamese-Australian insurance venture. This is the BIC's seventh branch put into operation.

Kinh Te Vietnam & the Gioi: December 21, 2006

▶ **VIETNAM: ACE DEBUTS NON-LIFE INSURANCE SERVICE IN VIETNAM**

ACE Asia Pacific, an arm of the world-leading insurer and re-insurer ACE Group, has received a licence to set up a company to provide non-life insurance services in Vietnam. The ACE Insurance Co. Ltd is considered a perfect supplement to the life insurance activities of ACE in Vietnam for more than one year. ACE began providing life insurance services in Vietnam in September 2005 and now has more than 2,000 representative agents. It recorded revenues of US\$2.3 million in the first 11 months of 2006. Over the past few years, ACE has carried out many initiatives to develop the Vietnamese insurance market via specialised seminars. ACE also takes part in community development activities such as building schools for students in poor areas and granting scholarships to outstanding students of poor families.

Vietnam Business Forum News: December 12, 2006

▶ **VIETNAM: VIETNAM'S INSURANCE MARKET RISES 29 PER CENT/YEAR**

According to the Ministry of Finance, the insurance market is still growing very quickly with an annual growth of 29 per cent. The market size in 2006 is equal to over 2 per cent of the GDP, doubling the amount in 2001. The insurance sector reinvested more than VND110,000 billion (US\$6.87 billion) into the national economy since 2001, including over 60 per cent for long-term investment. At present, insurance companies offer nearly 800 life and non-life insurance products in

all three insurance segments of human insurance, assets insurance and liability insurance. In the 2007-2010 periods, the Ministry of Finance will continue rearranging insurance companies in the country to help edge up their competitiveness. In particular, it will allow insurance firms to take part in financial markets via their foundations of investment funds, trust funds and fund management companies to better manage the mobilised capitals.

Vietnam Business Forum News: December 08, 2006

2.3.4 SOUTH ASIA: INDIA, SRI LANKA, BANGLADESH, AND NEPAL

▶ **INDIA: LIC: TOUCHING GOLD, GOING STRONG**

The Life Insurance Corporation of India (LIC) has the largest number of lives insured in India at 190 million lives. It has assets of more than \$122 billion and a market share of 80 percent. LIC settled 12 million claims, worth Rs.28,512-crore, during 2005-2006. Its outstanding claims ratio has come down to 0.18. With Rs.5.25-crore in funds, LIC is India's largest fund manager. In 2005-2006, LIC's first year premium collection increased by 184 percent. Of the total premium of Rs.36,290-crore collected by insurance companies in India till Oct 2006 in 2006-2007, LIC's share was Rs.28,905-crore (80 percent).

Business India: December 31, 2006

▶ **INDIA: RANBAXY TIE UP WITH AEGON FOR INSURANCE BUSINESS**

The Ranbaxy Promoter Group and the Hague-based AEGON have signed agreements for setting up life insurance and asset management joint ventures in India. Ranbaxy's financial services arm, Religare, would hold a 44 percent stake in the life insurance venture, AEGON 26 percent and Bennett Coleman, an investor, 30 percent. In the asset management venture, Religare and AEGON would hold a 50 percent stake each.

The Tribune: December 29, 2006

▶ **INDIA: ORIENTAL INSURANCE COMPANY: GEARING UP TO FACE PRIVATE SECTOR CHALLENGE**

During 2005-2006, the Oriental Insurance Company (OIC) registered an all-time high gross direct premium of Rs.3,610-crore and the highest growth rate of 18.80 percent among the public sector general insurance companies. It added 6,091 agents. Its direct agents booked premium of Rs.658.28-crore, a growth of 13 percent. Brokers and corporate agents booked a premium of Rs.352-crore. Premium through mega tie-ups was Rs.180-crore. The net premium of OIC increased by 12.73 percent from Rs.2,218-crore in 2004-2005 to Rs.2,500-crore in 2005-2006. The Company has 16,184 employees. OIC is targeting Rs.200-crore in rural insurance in 2006-2007. It earned gross direct premium of Rs.82.65-crore and net premium of Rs.81.03-crore from its operations in Dubai, Kuwait and Nepal, registering an 18 percent growth for a surplus of Rs.15-crore.

Fortune India: December 31, 2006

2.3.5 PACIFIC: AUSTRALIA & NEW ZEALAND

▶ AUSTRALIA: PRIME LIFE CORPORATION WINDS UP MADDEN GROVE SCHEME

Prime Life Corporation confirmed that the Federal Court has made orders to wind up the unregistered managed investment scheme relating to the development site in Madden Grove, owned by Madden Grove Developments, a company in which Primelife has a 50% interest. Primelife also confirmed MGD has agreed with the managers of the investment syndicate, formed to acquire the Property, to resolve all outstanding issues in connection with the Property. The terms of settlement with the investor syndicate are conditional upon final winding up orders being made by the Federal Court, which are expected to be made on 17 April 2007.

Co. News - Signal G Digest: December 29, 2006

▶ AUSTRALIA: AUSTRALIAN FAMILIES UNDER INSURED: SURVEY

Australian families are shying away from personal insurance amid confusion and concerns about costs, with only four per cent of households having adequate cover, a new survey has found. The Investment and Financial Services Association survey found the majority of Australians with children were under insured and would not be able to sustain their lifestyle if a parent were to die. The survey said 62 per cent of fathers and half of all mothers did not have any life insurance at all to cover them against accident, loss of income, sudden illness, disability or death.

Asia Pulse: December 22, 2006

▶ NEW ZEALAND: NEW ZEALAND RETAILERS SUE BANKS OVER CARD FEES

Two groups in New Zealand (NZ) have taken separate legal action against a number of credit card providers. They are alleging breaches of the NZ Commerce Act and are seeking compensation. Seven big retailers and the NZ Commerce Commission are angry about the alleged price fixing of interchange fees by the institutions. In a claim filed in the Wellington High Court, the two groups have separately claimed that the fixing of interchange fees is anti-competitive and should be stopped. MasterCard and Visa have both decided to contest the charges. If the legal action is successful, the retailers will be able to reduce the costs imposed on consumers

Inside Retailing: 20 December 2006

3. BUSINESS BANKING

3.1 GREATER CHINA: HONG KONG, CHINA AND TAIWAN

▶ CHINA: CHINA PLANS CORPORATE TAX RATE OF 25 PERCENT

China plans to set a unified corporate income tax rate of 25 percent in a move that will scrap the country's decade-old preferential treatment for foreign firms, the official China Securities Journal said. The rate was laid out in a draft law under consideration by the standing committee of the National People's Congress, the country's parliament, the paper said. If approved, a unified corporate tax rate could be introduced in 2007, after final approval is granted by parliament. In the early 1990s, China offered preferential tax treatment to foreign firms in a bid to lure foreign investment. Currently, many foreign-funded firms in China are subject to 15 percent income tax, while local firms have to pay 33 percent.

www.reuters.com

3.2 KOREA & JAPAN

▶ JAPAN: MITSUBISHI UFJ FINANCIAL GROUP TO TAKE STEPS AFTER US REGULATORY ACTIONS

Mitsubishi UFJ Financial Group Inc. (8306.TO) said it will take measures to improve its operations after U.S. regulators ordered the banking group to implement adequate anti-money laundering compliance programs. The Federal Deposit Insurance Corporation and the New York State Banking Department told the Japanese company and its core banking unit, the Bank of Tokyo-Mitsubishi UFJ, to review their anti-money laundering programs in the U.S. and provide a roadmap for improving safeguards. Mitsubishi UFJ said in a statement it will take the order seriously and will swiftly take necessary improvement steps. It will come up with measures to strengthen programs to prevent transactions related to money laundering, the company said.

Dow Jones International News: December 18, 2006

3.3 SOUTHEAST ASIA: SINGAPORE, MALAYSIA, THAILAND, INDONESIA, VIETNAM, PHILIPPINES

▶ PHILIPPINES: LANDBANK TARGETS OFW MARKET

Land Bank of the Philippines is working on a program that will encourage overseas Filipino workers (OFW) to become entrepreneurs. Vice-President for Landbank Davao region said the program would not only provide loans but also give OFWs investment options.

Business World: December 20, 2006

► **PHILIPPINES: DBP TO GET P1.65 BILLION FROM GERMAN DONOR FOR HEALTH SECTOR LENDING**

The Development Bank of the Philippines (DBP) is likely to get additional P1.65 billion for its health-sector lending activity with the Investment Coordination Committee (ICC) now discussing the bank's proposal for possible funding from Kreditanstalt für Wiederaufbau (KfW). KfW, or the German Development Bank, has an active project with the state-owned bank, the Credit Line for Microenterprises, MFIs, SMEs, LGUs which thus far has been fully drawn.

CIBI News: December 15, 2006

► **PHILIPPINES: GOLDMAN SACHS INVESTS IN DIDIPIO MINING PROJECT**

Ocean Gold Ltd. (OGL) announced that Goldman Sachs Asia Finance investment in the Didipio project is proof of international financiers'™ belief in the Philippine project. The convertible notes have a seven-year life, a coupon of seven percent yearly, and are immediately convertible at A\$0.86 per share. It brings financing for the OGL mining projects in the Philippines and New Zealand to a total of A\$140 million including a debt facility worth NZ\$45 million arranged by ANZ and a separate A\$70 million in convertible notes. It will have the same terms as the A\$70 million notes to be issued by OGL to investors Ospraie and Millennium.

Manila Bulletin: December 25, 2006

► **SINGAPORE: CAPITALAND LAUNCHES FIRST PROPERTY FUND IN MALAYSIA**

CapitaLand has launched its first property fund in Malaysia. It has teamed up with the Maybank Group to set up the Malaysia Commercial Development Fund. The fund aims to raise S\$383 million, with an expected gross development value of S\$1.5 billion. CapitaLand is spreading its wings in the region with a series of property trusts and funds. This week alone, CapitaLand has launched two funds - one in Malaysia and another in Bahrain - that will raise nearly S\$1.4 billion in total. This does not include the proceeds for a property trust that it intends to list on the Kuala Lumpur bourse Bursa Malaysia. But all this fund-raising is not spooking the market for now.

Media Corp News: December 13, 2006

► **SINGAPORE: PROPERTY INVESTMENT SALES TOP S\$27 BILLION, DOUBLING LAST YEAR'S HIGH RECORD**

Property investment sales in Singapore have reached nearly S\$27 billion to date. This is double the historical high of S\$13.5 billion recorded last year. Property consultant says the investment market was driven by buoyant activity in real estate investment trusts. Active acquisitions of development sites by developers in both the private and public sectors was another factor. Transactions in the private market accounted for 83 percent or S\$22.5 billion of total sales. Residential sales made up half or S\$13.7 billion of total sales by sector.

Media Corp News: December 13, 2006

▶ **THAILAND: GSB LAUNCHES SERVICE BOAT TO ACCESS CUSTOMERS IN RIVER COMMUNITIES**

Director of the Government Savings Bank (GSB) presided over the launching ceremony of the bank's service boat to access customers living in communities along the Bangkok Noi and Mahasawas rivers. The boat aims to facilitate transactions by saving time for the customers. The customers can deposit and withdraw cash from such boat and consult the bank's officers about credit lending in line with a GSB project. The boat is on-line via GPRS system which makes the transfer of data faster.

Thai News Service: December 01, 2006

▶ **THAILAND: KASIKORNBANK TO SET UP SME VENTURE CAPITAL**

According to The Nation and Bangkok Post, Kasikornbank plans to set up a new subsidiary next year to offer venture capital funding to clients. The new subsidiary will fall under Kasikorn Asset Management. It will manage the K SME Venture Capital Fund, a new fund with initial funds of 200 million baht set up to provide equity financing to small and medium-sized businesses.

Thai News Service: December 22, 2006

▶ **VIETNAM: AGRIBANK BOOSTS LENDING TO SMES**

Agribank reviewed its five-year history of lending to small- and medium-sized enterprises in a meeting held in Hanoi. Agribank has made loans to thousands of successful SMEs, positively contributing to the country's economic development, Agribank deputy director told the meeting. During 2001-06, lending by the State-owned bank grew at an average annual rate of 25 per cent. In 2001, Agribank's lending to SMEs stood at VND2.3 trillion (US\$143.8 million), accounting for as little as 3.83 per cent of the bank's total outstanding loans, while lending to SMEs as of September 2006 stood at VND63 trillion (\$4 billion), accounting for 35.6 per cent of total outstanding loans. By September 2006, the bank had made loans to over 20,000 different SMEs and over 170,000 household businesses.

Thai News Service: December 04, 2006

▶ **VIETNAM: OPPORTUNITIES AND DIFFICULTIES AS SMES ACCESS BANK LOANS**

According to a recent survey by the Central Institute for Economic Management (CIEM), nearly 50 percent of banks in the APEC region regard small and medium-sized enterprises (SMEs) as important customers. However, CIEM says SMEs will have to run the risk of borrowing capital from banks. Good news CIEM says that 44 percent of banks have provided loans for SMEs with a capital level accounting for 38 percent of outstanding debts. Most banks have increasingly lent SMEs credit loans and helped them find it easier to access bank loans. In fact, SMEs have been offered more opportunities to borrow capital from commercial banks. The Foreign Trade Bank of Vietnam (Vietcombank) has shifted its form of operations from wholesale to retail thereby facilitating SMEs' access to its loans.

Thai News Service: December 19, 2006

3.4 SOUTH ASIA: INDIA, SRI LANKA, BANGLADESH, AND NEPAL

▶ INDIA: PENINSULA PLANS RUPEE, DOLLAR FUND TO BUY LAND

Peninsula Land Ltd, the real estate division of Ashok PIRAMAL group, plans to launch two funds totalling Rs.2,000-crore. The two funds, a rupee and a dollar fund, will finance the company's land acquisition programmes. The Indian fund, called Indigo, will be of Rs.300-crore with a green shoe option of Rs.150-crore while the dollar fund, Paramount, will be of \$200 million with a green shoe option of \$150 million. The domestic fund is expected to open by the end of Dec 2006. The dollar fund will be raised in London, Dubai, Singapore and Hong Kong.

Business Standard: December 08, 2006

▶ INDIA: INDIAN OVERSEAS BANK IN PACT WITH INDIA INFRASTRUCTURE

Indian Overseas Bank has signed a memorandum of understanding with India Infrastructure Finance Company Ltd (IIFCL) for providing long-term funding to infrastructure sectors. The agreement will facilitate sharing of expertise gained by both the institutions for their mutual benefit. The memorandum of understanding between IOB and IIFCL is valid for one year and would be renewed after a year. IIFCL will also be signing an agreement with Andhra Bank and three more banks in Bangalore shortly.

Business Line: December 08, 2006

▶ INDIA: YES BANK ENTERS MICROFINANCE SECTOR

YES Bank has announced the launch of its microfinance division, YES Microfinance India, and has set aside Rs.10-crore for microfinance activities over the next two years. The division will offer credit, savings, insurance and remittances in phases to urban and rural poor. It will be initiating a pilot programme in Mumbai's slums by Mar-Apr 2007. YES Bank says that it plans to hive off the microfinance division into a separate entity within two years. It also expects the microfinance division to achieve breakeven in the third year of operations.

Business Line: December 07, 2006

3.5 PACIFIC: AUSTRALIA & NEW ZEALAND

▶ AUSTRALIA: AUSTRALIA'S PRIVATE SECTOR CREDIT UP 1.1 PCT IN NOVEMBER

Total credit provided to the private sector by financial intermediaries rose by 1.1 per cent in November, following a revised 1.2 per cent rise in October. Over the year to November total credit rose by 15.0 percent. Housing credit grew by 1.0 per cent last month and rose by 14.5 per cent over the year, seasonally adjusted. Other personal credit climbed by 1.1 per cent in the month and by 11.4 per cent over the year, while business credit increased by 1.2 per cent in the month and by 16.6 per cent over the year.

Asia Pulse: December 29, 2006

- ▶ **AUSTRALIA: SUNLAND GROUP ANNOUNCES MFS FURTHER INVESTMENT IN SUNLEISURE**
Sunland Group advised that it has reached an agreement with MFS to extend the completion of their agreements in relation to the Sunleisure Group and Sunkid acquisition. The agreement requires MFS to make payment of deposits and loans to Sunleisure and Sunland of 20% of the amounts otherwise payable under the original proposals. The proposed acquisition of the interests in Sunleisure will proceed as soon as possible, subject to any approvals required by law.
Signal G Digest: December 28, 2006

4. REGULATORY ISSUES

4.1 GREATER CHINA: HONG KONG, CHINA AND TAIWAN

- ▶ **CHINA: CHINESE REGULATOR WARY OF BANKS VENTURING INTO INSURANCE TRADE
BEIJING**

China's top banking regulator has warned against allowing the country's commercial banks to set up insurance companies, saying successful combinations of the two businesses are rare, a Chinese paper reported. The state-controlled China Construction Bank and Bank of Communications have both applied with the China Banking Regulatory Commission to set up insurance firms. But commission chairman has repeatedly expressed wariness about letting banks take on the role of insurers, the Economic Observer reported, citing unnamed sources. Sources indicated that he does not look favorably on the prospects for commercial banks establishing insurance companies, because it is very hard to successfully integrate their cultures, the weekly paper said. Sources have said more than once that the businesses models of lenders and insurers are so different that there are few examples of successful hybrids, the paper said. While insurers often offer staff relatively low wages and high commissions for new business, banks must focus on containing risk and offer higher but more fixed wages, it said.

CIBI News: December 27, 2006

- ▶ **CHINA: BANK REGULATOR ISSUES REFORM GUIDELINES**

China's banking regulator has issued guidelines to encourage financial innovation by commercial lenders, such as increasing earnings made from fees and giving out less risky loans. The guidelines will take effect, the day China fully opens its banking sector to foreign lenders in line with its commitment to the World Trade Organization. According to, vice-chairman of the China Banking Regulatory Commission (CBRC), China's banking industry urgently needs to speed up its financial reform to deal with rising competition after fully opening.

Asia Times Online: December 09, 2006

4.2 KOREA & JAPAN

▶ JAPAN: NIKKO FACES \$4 MILLION FINE, TSE ACTION OVER ACCOUNTING

Japan's Nikko Cordial Corp. faces a record \$4 million fine and possible delisting from the Tokyo Stock Exchange after regulators found that the brokerage improperly booked \$156 million in profits. Nikko Cordial, Japan's third-biggest securities house, acknowledged the faulty accounting and restated its earnings for the 2004/05 business year. The TSE put its shares on "administrative watch", a step that leads to a delisting in about 50 percent of cases.

Reuters News: December 17, 2006

4.3 SOUTHEAST ASIA: SINGAPORE, MALAYSIA, THAILAND, INDONESIA, VIETNAM, PHILIPPINES

▶ MALAYSIA: RULES ON FOREIGN PROPERTY BUY EASED

Foreigners can buy properties above RM250, 000 without seeking approval from the Foreign Investment Committee and there will be no conditions regarding usage or limit to the number of units purchased.

Star Business: December 21, 2006

▶ MALAYSIA: MORE CONSOLIDATION LIKELY WITH REGULATORY CHANGE

Banks can now negotiate potential mergers and acquisitions with multiple parties at the same time, a move that could pave the way for more consolidation in the financial services industry. In a statement, Bank Negara Malaysia said parties intending to enter into negotiation for the acquisition or disposal of 5% or more of financial institutions can submit their intention with more than one party simultaneously. The financial institutions are those which have licences for conventional banking and finance, insurance, Islamic banking, takaful and development finance. The central bank said the move was in line with the transition of the financial system into a more deregulated environment.

Asia Insurance Review: December 15, 2006

▶ PHILIPPINES: NO CURBS ON FOREX FLOWS' CENTRAL BANK RULES OUT THAI-STYLE POLICY TO PROTECT EXPORTS

The Bangko Sentral ng Pilipinas has ruled out the likelihood of restrictions of some form on foreign capital flows in the manner Thailand did recently to protect its export sector. As far as the monetary authorities are concerned, the foreign flows could pour as much as they wish without fear of intervention from the BSP.

CIBI News: December 20, 2006

▶ THAILAND: BANK OF THAILAND NEW REGULATION

The Bank of Thailand (BoT) announced that the Monetary Policy Committee (MPC), will reform its operational framework in three main areas, effective soon in 2007.

- Switch the monetary policy operating target (the policy rate) from the 14-day repurchase rate to the one-day repurchase rate.
- Establish an end-of-day liquidity adjustment window through which the BoT will offer both overnight lending and borrowing to financial institutions at the policy rate +/- 50bp.
- Synchronize reserve maintenance periods with MPC meeting dates for all types of financial institutions that are required to hold reserves. This is to reduce volatility in money market liquidity and short-term interest rates, particularly when there are strong market expectations over interest rates.

Thai News Service: December 27, 2006

▶ **THAILAND: BANK OF THAILAND CLARIFIES INVESTMENT RULES ON CAPITAL CONTROLS**

The Bank of Thailand (BoT) has announced additional clarifications on controls of short-term capital inflows, announced with an aim to defend the baht, Thailand's currency, from appreciating too rapidly and to protect local exporters, in a bid to eliminate confusions among foreign investors. Sources said the 30 per cent capital reserve requirement would remain intact for foreign investments in debt securities or warrants transacted from December 19 onwards, foreign investments in mutual funds and property funds, and the purchase of foreign currency for other purposes other than those exempted.

Thai News Service: December 26, 2006

▶ **SINGAPORE: LOWER CHARGES ON CPF INVESTMENTS IN UNIT TRUSTS, INSURANCE PRODUCTS**

From next July, sales charges on new investments in unit trusts and investment-linked insurance products using CPF money must not exceed 3 percent. The Central Provident Fund (CPF) Board has also stipulated the expense ratios allowable for such funds, based on their risk exposure from 2008. They range from 0.65 percent for lower risk funds to 1.95 percent for the higher risk ones. Funds that are unable to meet the criteria will not be allowed to accept new CPF money. CPF members who have invested in such funds are not required to redeem their investments. But if they wish to switch from these funds to other CPF investment funds, they can do so free of charge within a stipulated timeframe. The insurers and fund management companies will notify their customers of their options.

Channel News Asia: December 28, 2006

▶ **INDONESIA: UP TO 12 MORE TAKAFUL LICENCES MAY BE ISSUED**

The National Shariah Board of Indonesian Islamic Clergies Conference (DSN MUI) and the Finance Ministry are in the process of providing the licences to 12 insurance companies to operate Shariah divisions, said reports. The Responsibility Report of the Association of Indonesian Shariah Insurance (AASI) said that 12 companies are seeking takaful licences. They are: PT Central Asia Raya (CAR), PT Askrida Jiwa, PT Wanaartha Life, PT AJ Mega, PT Equity Financial Solution, PT Asuransi Jiwasraya, PT Asuransi Bangun Askrida, PT Askrindo, PT Asuransi Bintang Tbk, PT Asuransi Paralomas, PT Asuransi Umum Mega, and PT Tugu Reasuransi Indonesia (Tugu Re). There are 35 insurers and reinsurers in Indonesia that have takaful divisions. These include three takaful companies, 25 insurance companies with

takaful divisions, three reinsurance companies with takaful divisions and four takaful brokers.

Asia Insurance Review: December 15, 2006

4.4 SOUTH ASIA: INDIA, SRI LANKA, BANGLADESH, NEPAL

▶ INDIA: ALL THIRD PARTY RISKS MOVE TO MOTOR POOL FROM JANUARY

The Insurance Regulatory and Development Authority have issued a notification stating that all third party risks would be transferred to the India Motor Insurance Pool from the beginning of Jan 2007. This will result in creating a level playing field between public and private sector insurers. The Motor Insurance Pool would be administered by General Insurance Corporation of India. The private insurance sector in India currently has a market share of 40 percent in the general insurance business, and all private players would have to contribute to the insurance pool in line with their market shares.

Business Line: December 08, 2006

▶ INDIA: NBFCS CAN ISSUE CREDIT CARDS, DISTRIBUTE MFS

A notification issued by the Reserve Bank of India states that non-banking finance companies with minimum net-owned funds of Rs.100-crore and achieving net profits for two years can distribute mutual fund products and issue co-branded credit cards with prior permission. The circular states that permission for these activities would only be extended to NBFCs having no more than three percent net non-performing assets. In the case of credit cards, the banking regulator says that the role of the NBFC should be limited only to marketing and distribution of the co-branded credit cards.

Business Line: December 05, 2006

4.5 PACIFIC: AUSTRALIA & NEW ZEALAND

▶ AUSTRALIA: AUSTRALIA REGULATOR APPROVES SUNCORP-PROMINA MERGER

Australia's competition regulator cleared Suncorp-Metway Ltd.'s proposed A\$7.36 billion (\$5.8 billion) bid for rival Promina Group Ltd. to create the nation's No. 2 car and home insurer, lifting both stocks. Some analysts had said the regulator may block the deal due to the increased concentration in motor vehicle insurance it would bring. The top three insurers - Insurance Australia Group Ltd. (IAG), the combined Suncorp-Promina group, and Germany's Allianz - would account for about 84 percent of the market.

Reuters News: December 19, 2006

5. GLOBE TROTTING

5.1 UNITED STATES OF AMERICA

▶ **USA: 'ADULT KIDS' INSURANCE FAR SHORT OF EXPECTATIONS; ONLY 6,250 HAVE ENROLLED UNDER NEW HEALTH CARE LAW**

New Jersey's groundbreaking new law to extend parents' health coverage to "kids" up to age 30 has fallen far short of expectations. The law, which attracted national attention when it was enacted last January, has barely scratched the surface of the state's massive problem with the uninsured. State insurance officials estimate that 6,250 young people have become insured because of this policy a fraction of the 100,000 expected. Meanwhile, as many as 500,000 people younger than 30 are in need of coverage, a recent study estimated.

The Record: December 25, 2006

▶ **USA: US BANK BUSINESS LOANS UP \$16.3 BILLION IN LATEST WEEK**

Large U.S. banks' commercial and industrial loans raised \$16.3 billion to \$1.206 trillion in the week ended, the latest week for which data are available, after falling \$7.4 billion the previous week, the Federal Reserve said recently. Jumbo certificates of deposit at the large banks in the survey fell \$9.0 billion to \$1.729 trillion in the latest week after rising \$9.9 billion the previous week.

Dow Jones Capital Markets Report: December 25, 2006

▶ **USA: WAL-MART'S FORAY INTO BANKING MEETS RESISTANCE**

With thousands of superstores dotting the country, Wal-Mart has become the dominant name in American consumerism. Now, the retail giant is working to pump up its unrivaled commercial fortitude by setting up shop on the flipside of consumption: the banking sector. But the plans have run up against outcry from consumer advocates, community banking institutions and other groups that have long railed against the company's business practices. They worry that Wal-Mart's proposed banking venture will go the way of its retail regime: wiping out the competition with the same relentlessness that fuels its credo of "low prices."

www.newstandardnews.net

▶ **USA: NEW YORK LIFE TAPS ASIAN GROWTH**

New York Life, the United States' largest life insurer, is upbeat about its Asian business prospects and has plans to expand its presence mainly in China and India next year. New York Life last year recorded double-digit growth in its international sales to US\$583 million, about half of which was generated in Asia. Non-US business accounted for approximately 25% of its global life insurance sales. International sales are expected to rise 24% to \$710 million this year, according to sources. In terms of operating revenue, the international business is expected to reach \$2.2 billion by the end of 2006, a 12% increase over 2005. The company has also reached more than two million international customers

for the first time this year, and it estimates a 27% increase over 2005.

The Bangkok Post: December 12, 2006

▶ **USA: BANK OF NEW YORK TO BUY MELLON FOR \$16.5 BILLION**

Bank of New York Co. agreed to buy Mellon Financial Corp., one of the most storied names in American finance, for \$16.5 billion, creating a powerhouse in securities servicing and asset management.

Reuters News: December 04, 2006

5.2 UNITED KINGDOM

▶ **UK: UK PVT EQUITY SMASHES RECORD, INVESTS GBP25 BILLION IN 2006-STUDY**

The U.K. private equity market has reached a record high, with GBP25 billion-worth of buyouts in 2006, according to data published by Deloitte and Barclays Private Equity. In strong contrast to the U.S., volume has been driven by deals in the midmarket rather than large takeouts of public companies. Total deal value in the midmarket sector increased 30% to GBP10 billion, from GBP7.5 billion in 2005, and the combined value of family and divestment transactions has increased to 47% from 30% of total buyout value, the data show.

Dow Jones International News: December 20, 2006

▶ **UK: INTERNET BANKING MORE POPULAR THAN TELEPHONE**

The UK payments association has revealed that for the first time in history, those using internet banking services outstripped those who kept track of their savings via phone. Apacs said that the number of people who have turned to online banking has almost doubled in the last four years, with younger age groups making up the greatest proportion of new users. Nearly half (48 per cent) of all internet users now bank online contrasting hugely to the falling number of people controlling cash flow over the phone. This represents a significant growth in the number online bankers, rising from 7.5 million to 16.9 million since 2002. For the first time since it was introduced, the amount of savers using telephone banking has dropped to 15.4 million from 16 million in the same period last year.

www.moneynews.co.uk

6. REST OF THE WORLD

▶ **RUSSIA: RUSSIA READY TO ROLL OUT STAKES IN TWO TOP BANKS**

Russia put its banking sector firmly on the map for international investors recently by approving a \$12 billion sale of stakes in its two biggest banks, the state-owned giants Sberbank and VTB. Finance Minister Alexei Kudrin said the supervisory council of Russia's No.1 bank, Sberbank, approved an additional share issue worth up to 200 billion roubles (\$7.61 billion). Sources said the placement, Russia's biggest domestic public offering to date, was planned for the end of February 2007.

Reuters News: December 01, 2006