

# RISKCHECK

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## LATEST NEWS ON OPERATIONAL RISK

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# SUMMARY OF NEWS

1. The framework for digital banks is the latest in a series of recent initiatives by the SBP towards the digitalization of banking and payment solutions in the country.
2. The regulations said that the NBMFCs shall devise and implement a comprehensive risk management framework duly approved by its board to identify, assess, and prioritize risks, develop strategies to measure risk, design operational policies and procedures to mitigate risk, implement and assign responsibilities, test effectiveness, evaluate results and revise policies and procedures, where required.
3. Analysts expect big US banks to show an uptick in fourth quarter core revenues thanks to new lending and firming Treasury yields, even while headline earnings will be mixed on differences in how each institution accounted for pandemic loan losses.
4. Pakistan banking industry maintained its upward trajectory during Q3CY21, as assets of the sector increased 2.17% during the period over the last quarter (20.9% growth on a YoY basis).
5. Thailand is expected to bring the Omicron outbreak under control within the first quarter of 2022,
6. It has been over a year since Singapore announced its 4 successful digital bank contenders.
7. The Federal Investigation Agency (FIA) has raided what it called a "money laundering network" operating under the guise of a company and arrested seven person, said a spokesman for the agency on Monday.
8. Malaysia's Financial Sector Blueprint 2022-2026 will be launched on the first day of FinTech Week 2022.
9. The bank had not announced a firm return-to-office date and had encouraged employees to work from home until the new year.
10. North Korean hackers stole nearly \$400 million worth of cryptocurrency in 2021, making it one of the most lucrative years to date for cybercriminals in the severely isolated country, according to a new report.
11. Foreign exchange reserves held by the State Bank of Pakistan (SBP) decreased a massive \$562 million on a weekly basis, clocking in at \$17.04 billion.
12. Santander UK is trying to recover about US\$175 million, or about £130 million (\$237 million), that it accidentally paid tens of thousands of people on Christmas Day.
13. Israel's first digital bank, One Zero Digital Bank Ltd., has received final approval to begin operations after raising sufficient capital and passing the necessary regulatory checks
14. The Monetary Authority of Singapore (MAS) has imposed a composition penalty of S\$1.1 million on Vistra Trust failing to comply with its anti-money laundering and countering the financing of terrorism requirements.
15. The Financial Industry Regulatory Authority plans to look at enhancing the disclosure regime for broker dealers that sell digital assets, and may also update its rules around how options accounts are opened, the head of Wall Street's self-regulatory body
16. Bank lending to the housing and construction sector increased by an unprecedented 85 per cent during the calendar year 2021 while the loan disbursements under the Prime Minister's low-cost housing scheme also rose to Rs38 billion.
17. It has flagged more than 90,000 since it started scanning in September, with its alerts for NFT infringements jumping more than tenfold in the first three months alone.
18. Foreign exchange reserves of the State Bank of Pakistan (SBP) declined by more than half a billion dollars within a week mainly on account of international debt servicing
19. People are using their crypto-linked cards to spend in a variety of ways — retail goods and services, restaurants, travel
20. An official US digital currency could offer potential benefits to American consumers and businesses, but it is not clear they would outweigh the potential risks

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21. The latest financing scheme launched by the SBP targeting SMEs in Pakistan — a promisingly huge but historically underserved market for formal credit — does one crucial thing that gives the policy a compelling head start.
22. The Saudi Central Bank (SAMA) announces that it has updated the rules for practicing debt crowdfunding activities. Updating these rules followed the public consultation released earlier on the Public Consultation Platform.
23. Kingdom witnesses 37% rise in FinTech companies as compared to 2020
24. China on Wednesday published revised rules designed to strengthen financial firms' ability to combat money laundering
25. It's important to challenge this notion, and a court case such as this will also help raise public awareness - most people are not even aware they are being surveilled,
26. National Bank of Kuwait (NBK), through Group Human Resources Training and Development Department, has made remarkable achievements in upgrading the staff training system over the last period, whether through Blended Learning platforms represented in NBK Learning Hub or through its efforts to promote a training culture
27. A 2020 FATF report said the UAE needed "fundamental and major improvements" to avoid landing on its 'grey list' of countries under increased monitoring.
28. Agoop Corp. plans to help regional governments and corporations decarbonize by analyzing information on the location of vehicles.
29. Pakistan's upper house of parliament put the seal on Friday on a law backed by the International Monetary Fund (IMF) to give the central bank more independence in decision-making.
30. Unidentified gunmen robbed a state-run bank at Serai Gambilla on Wednesday.
31. National Bank of Kuwait (NBK) strives to enrich the banking experience of its customers by providing them services and enhancements to meet their needs and enable them to make all their transactions in a quick and easy way.
32. Kuwait Credit Bank, a state-owned lender that provides interest-free home loans, is in talks with banks and Oliver Wyman about issuing a possible 1 billion dinars (\$3.30 billion) of bonds
33. The Saudi Central Bank (SAMA) announced that the share of electronic payments in retail has exceeded 57% of total transactions conducted in 2021, surpassing the 55% target set out by the Financial Sector Development Program (FSDP), one of the main programs of Saudi Vision 2030.

# OPERATIONAL RISK NEWS

## New era of digital banking begins: SBP

*Jan 04<sup>th</sup>, 2022* – The State Bank of Pakistan (SBP) has introduced a framework to grant licenses for setting up wholly digital banks that will provide all the banking services, from account opening to deposit and lending, through digital means and the customers will not need to visit any branch physically.

## Gross loan portfolio of Rs500m or more: SECP tells NBMFCs to follow risk management guidelines

*Jan 05<sup>th</sup>, 2022* – The Securities and Exchange Commission of Pakistan (SECP) has directed the Non-Bank Microfinance Companies (NBMFCs), having a gross loan portfolio of Rs500 million or more, to follow guidelines on risk management, which provide minimum benchmark of best practices.

## Big US banks expected to post uptick in core Q4 revenues on economic rebound

*Jan 10<sup>th</sup>, 2022* - JPMorgan Chase & Co and Citigroup Inc are expected to post roughly 20% and 30% declines respectively, in profits compared with the year-earlier quarter. Bank of America Corp's profits will be up 20% when it reports on Jan 19.

## Pakistan's banking sector maintains growth momentum in Q3CY21: SBP

*Jan 4<sup>h</sup>, 2022* - The compendium offers data coverage on major financial statistics as well as Financial Soundness Indicators (FSIs) of the banking sector, showing that the asset expansion has been particularly contributed by the domestic private sector advances, which increased by 3.8% during Q3CY21 (16.6% increase YoY) against a contraction of 0.5% during the corresponding period of the last year.

## Thai c.bank sees lower H1 economic growth due to Omicron outbreak

*Jan 10<sup>h</sup>, 2022* - Thailand's central bank said on Monday the country's economy could see lower growth in the first half of 2022 than a baseline scenario due to uncertainties caused by the Omicron variant of the coronavirus.

## Digital banks seen debuting strongly in 2022, but 'long and difficult' path to profitability

*Jan 04<sup>th</sup>, 2022* – Regulatory travails and fund-raising rounds later, the aspiring new banks are marching full steam ahead towards a 2022 launch - with a common, ambitious goal to chase down pockets of underserved segments in an already well-banked market.

## Seven held in FIA raid on 'money laundering network' in Karachi

*Jan 04<sup>th</sup>, 2022* - During the raid, the FIR seized Rs135,000, \$2,000, Chinese Yuan 1,520, fake receipts, mobile phones, laptops, transport bills, letterheads of various dummy companies, bank account details of dummy companies and deposit/credit slips of millions of rupees which the suspect allegedly routed from his various accounts.

## Malaysia's Financial Sector Blueprint set for launch on Jan 24

*Jan 07<sup>th</sup>, 2022* - Themed "Advancing Digitalization for Recovery, Sustainability, Inclusion", it is anchored on seven priorities: Sustainability, Resiliency, New Realities for Finance, Economy, Financial Health and Inclusion, Start-ups and Regulations.

## Factbox: Canadian financial firms rethink return-to-office amid Omicron concerns

*Jan 06<sup>h</sup>, 2022* - Canada's biggest bank by market value has told staff to work from home in regions where provincial governments have advised employers to maintain remote work where jobs allow.



# OPERATIONAL RISK NEWS

North Korean hackers said to have stolen nearly \$400 million in cryptocurrency last year  
*Jan 14<sup>th</sup>, 2022* - Hackers launched at least seven different attacks last year, primarily targeting investment firms and centralized exchanges with a variety of tactics, including phishing, malware and social engineering, according to the report from Chain analysis, a firm that tracks cryptocurrency. The cybercriminals worked to gain access to organizations' "hot" wallets — digital wallets that are connected to the internet — and then move funds into DPRK-controlled accounts.

SBP-held forex reserves fall a massive \$562mn, now stand at \$17.04bn  
*Jan 20<sup>th</sup>, 2022*— The reserves level is also critical for Pakistan to build an import cover with the bill crossing \$6 billion each month, putting pressure on the currency that fell to its weakest level against the US dollar in December. It is currently hovering around the 176 level.

British bank Santander UK makes US\$175 million in mistaken payments  
*Jan 03<sup>rd</sup>, 2022* - About 75,000 people received the mistaken payments, including many customers of rival banks. Santander is seeking help from the other banks to recoup the money, the bank said in a statement.

Israel's First Digital Bank Clears Final Regulatory Hurdle  
*Jan 10<sup>th</sup>, 2022*- After 43 years, a new bank is being established in Israel, and this is further good news for competition and innovation in the banking and financial industry,

Vistra Trust penalized S\$1.1 million for failing to comply with anti-money laundering requirements: MAS  
*Jan 20<sup>th</sup>, 2022* – Inspections carried out by MAS from April to June 2019 uncovered serious breaches by Vistra Trust of the above requirements, placing it at a higher risk of being used as a conduit for illicit activities,

FINRA eyes enhancements to digital asset sale disclosures  
*Jan 20<sup>th</sup>, 2022* – FINRA may put out an "early stage concept release" aimed at ensuring investors know that when they buy digital assets from their brokers, those assets may not be regulated, Chief Executive Officer Robert Cook said during a webcast hosted by the Securities Industry and Financial Markets Association.

Financing by banks to construction sector jumps 85pc in 2021  
*Jan 07<sup>th</sup>, 2022* – The State Bank of Pakistan (SBP) on Thursday reported very high growth in financing to the housing and construction sector but it was still not up to the mark as the government wants to build 5 million houses during its tenure ending next year.

Booming NFT art market plagued by 'mind-blowing' fraud  
*Jan 19<sup>th</sup>, 2022* - That boom has coincided with a massive uptick in fraud, said Moti Levy, chief operations officer at Deviant Art, an online platform with 61 million registered users where artists can display digital art and sell physical prints.

SBP reserves go down by \$562m in a week  
*Jan 21<sup>st</sup>, 2022* - Reserves of the SBP dropped by \$562 million to \$17.03bn in the week ending on Jan 14. The central bank uses its foreign exchange reserves for the servicing of international debt, which has been increasing rapidly for the last three years.

Visa says crypto-linked card usage hit \$2.5 billion in its first quarter  
*Jan 28<sup>th</sup>, 2022* - Visa said during its recent earnings call that customers made \$2.5 billion in payments with its crypto-linked cards in its fiscal first quarter of 2022.

# OPERATIONAL RISK NEWS

## Fed says central bank digital dollar could offer benefits

*Jan 21<sup>st</sup>, 2022* - The global rise of cryptocurrencies like bitcoin as well as the growing use of digital payments has fostered interest in an official digital money, and major central banks around the world are exploring the possibility, while Nigeria in October launched its own virtual money.

## Holy grail of SAAF lending

*Jan 21<sup>st</sup>, 2022* - The SME Asaan Finance scheme, also known as SAAF (clean) essentially invites bids from interested banks to attain a refinancing at 1 percent from SBP for three years (total Rs60billion available) for onward lending to SMEs at 9 percent whilst also offering a 60 percent risk coverage on loans that banks may underwrite free of collateral.

## Saudi Central Bank updates rules for practicing Debt Crowdfunding Activities

*Jan 11<sup>th</sup>, 2022* - SAMA clarified that the updated rules aim to redefine the beneficiary to include all commercial establishments registered in the Kingdom of Saudi Arabia that seek to obtain financing through the debt crowdfunding platform, and adding the definition of aggregate accounts to ensure complete separation between the funds of the participants in the financing process and the funds of the crowdfunding facility.

## Saudi FinTech investment jumps as regulators set 2021 landscape

*Jan 09<sup>h</sup>, 2022*– Saudi Arabia saw a significant jump in venture capital investments in the financial technology sector, hitting 16 deals in the first eight months of 2021 totaling \$157.2 million.

## China tightens anti-money laundering rules for financial firms

*Jan 26<sup>th</sup>, 2022* - The new rules apply to non-bank payment companies and wealth management firms in addition to financial institutions covered by previous rules, such as banks, insurers and brokerages.

## In India's surveillance hotspot, facial recognition taken to court

*Jan 20<sup>th</sup>, 2022*- The Indian government, which is rolling out an automated facial recognition system nationwide — among the world's largest — has said it is needed to bolster security in a severely under-policed country, to prevent crime and find missing children.

## NBK Learning Hub.. A Comprehensive Revolution in Staff Digital Training

*Jan 17<sup>th</sup>, 2022* – NBK represents a comprehensive revolution in the concept of training, by utilizing technology to make E-Learning more appealing and effective for all employees. In addition, it contributes to implementing the strategic plans of NBK's training system for "Continuous Learning" with the aim of achieving personal growth as well as enabling investing in employees' talents and skills, thus driving sustainable growth for the bank.

## UAE tackles banned weapons financing, awaits dirty money list decision

*Jan 27<sup>th</sup>, 2022* – The risk assessment will cover how financial resources may be used to develop nuclear, chemical, and biological weapons, including the means, technologies, and dual-use goods used in their delivery.

# OPERATIONAL RISK NEWS

## Softbank offshoot to help boost de-carbonization of regional govts

Jan 09<sup>th</sup>, 2022 – The Softbank subsidiary — which uses mobile phone location data to analyze human behaviors — will propose initiatives to reduce carbon dioxide emissions, such as encouraging people to use public transportation, based on analysis of the movement by private cars.

## Pakistan passes IMF-backed law for central bank autonomy

Jan 28<sup>th</sup>, 2022 - The lower house had earlier this month also passed the law, which the opposition cast as a surrender to the IMF. The bill gives the bank independent powers to control price stability and monetary policy, plus guaranteed tenure for its governor. It also stops the government borrowing from the bank

## Bank robbed of Rs2.21m in Lakki

Jan 20<sup>th</sup>, 2022 - They said that four masked men on two motorbikes arrived about 9 am at the bank, held the staff hostage at gunpoint while also collecting Rs2.21 million and escaped the scene. They added that the robbers snatched the gun from the watchman, which they threw at some distance from the bank.

## NBK Launching New Services for the First Time in Kuwait on NBK Mobile Banking App

Jan 23<sup>rd</sup>, 2022 - The newly released services include the ability to add a beneficiary, transfer money and more using QR Code through NBK Mobile Banking App, as well as adding Widgets to easily view account balance, credit card balance, as well as activation of all card types.

## Kuwait Credit Bank weighs issue of 1 bln dinars of bonds amid liquidity crunch

Jan 31<sup>st</sup>, 2022 - needs 16 billion dinars to finance home loans through 2035. Kuwait's parliament last week approved a measure to provide KCB with 300 million dinars from the Kuwait Fund for Arab Economic Development to boost its capital and to reschedule 500 million dinars in bonds owed to KFAD.

## Saudi Central Bank: The Share of Electronic Payments Exceeds the Target set out by the Financial Sector Development program for 2021

Jan 27<sup>th</sup>, 2022 - Bank's strategic plans for the payments sector, primarily aiming to reduce dependency on cash, and increase the rate of electronic payments to 70% by 2025.

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## RISKCHECK

RiskCheck Operational Risk newsletter is published monthly. It keeps you abreast with the latest news, events and external risk exposures which could potentially impact your organization. Both national as well as international potentially high risk events are covered in this newsletter.

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