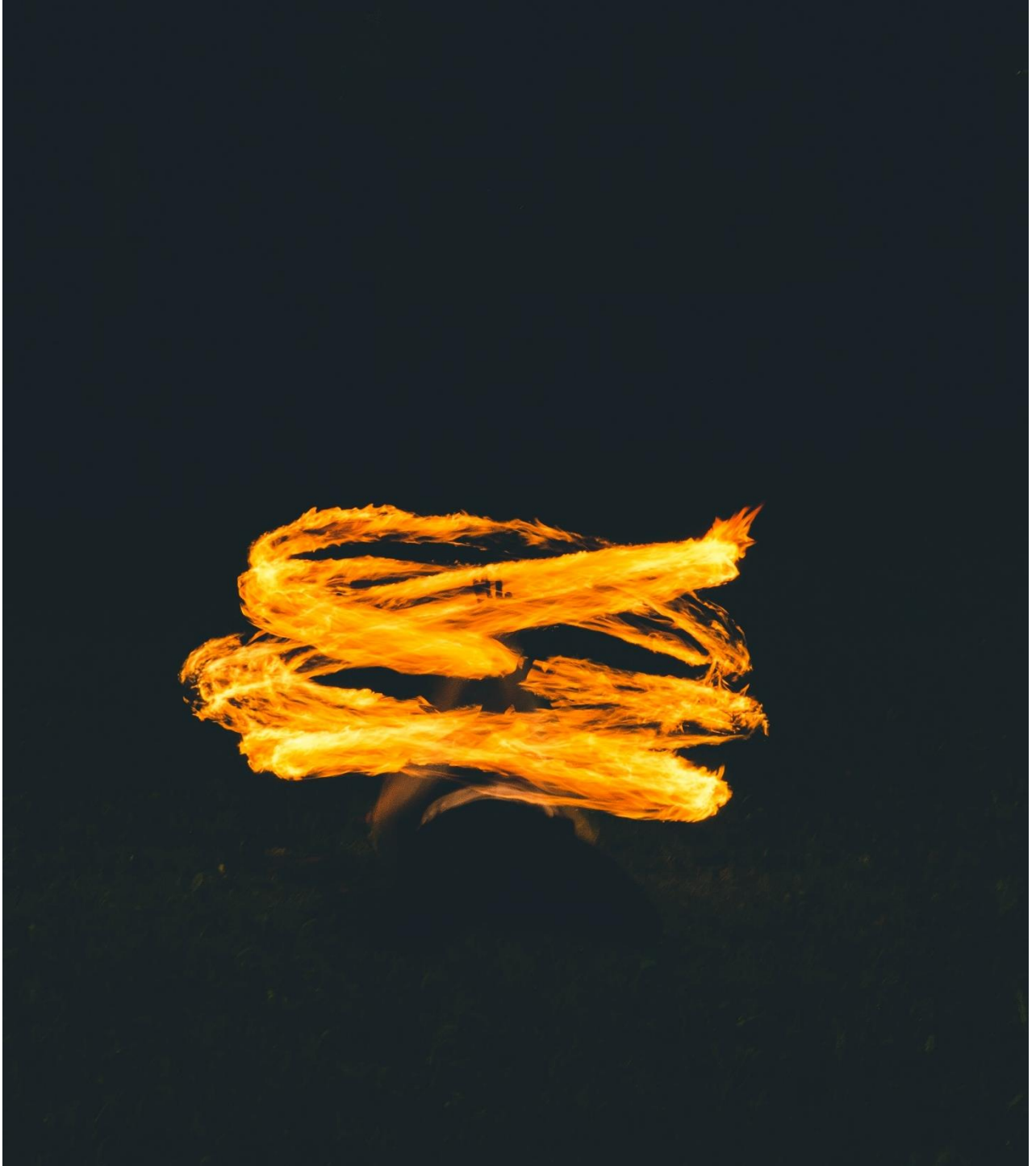


# RISKCHECK

June 2023

## LATEST NEWS ON OPERATIONAL RISK

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# OPERATIONAL RISK NEWS

## FBR enhancing efforts to deal with cases of AML/CFT to keep Pakistan out of FATF grey list permanently

May 14, 2023 - The Directorate General of Intelligence and Investigations of Inland Revenue and Customs have been designated as Investigating and prosecuting agencies designated under Anti-Money Laundering Act, 2010. Both these agencies have performed extra ordinary during the recent past and Pakistan was taken off from FATF grey list. This performance is required to be continued by facing the challenges.

## Why was the first quarter of 2023 remarkable for the banking sector of Pakistan?

May 06, 2023 - The banking sector of Pakistan had an impressive start to the year 2023, as revealed by a performance review conducted by JS Global. This comprehensive assessment focused on a sample size of 12 banks, which collectively represent a whopping 85% share of the entire banking sector market.

## Are Pakistani banks resistant to shock?

May 15, 2023 - Central banks worldwide lowered the interest rates in 2020 to withstand coronavirus-triggered economic shock. When the world began to normalize from the pandemic, the price levels surged upwards. Bloomberg Commodity Index, often used as a proxy for global price levels, was up 27 per cent in 2021 and 14pc in 2022.

## Saudi Arabia's D360 Bank taps Thunes to power cross-border payments

May 30, 2023 - With the partnership, mobile app users of D360 will be able to transfer funds "instantly and securely" to beneficiaries in Europe, US and across the entire Middle East, with more regions to follow suit. The neobank says customers will receive "upfront" cost transparency, as well as confirmation of arrival.

## How Saudi Arabia's banking system is building a solid future

May 07, 2023 - Saudi Arabia was the world's fastest-growing among the 'Group of 20' (G20) countries in 2022, as sweeping reform momentum, a sharp rise in oil prices and improving economic conditions boosted the kingdom's fiscal and external position. Overall GDP crossed the \$1tn mark for the first time in the country's history last year – the highest among G20 economies.

## Interest rate 'rigging' evidence 'covered up' by banks

May 22, 2023 - Documents suggest lenders sharply dropped their interest-rate estimates after pressure from central banks. Evidence was not shown to juries at the time when bankers were jailed for smaller-scale interest-rate "rigging". Regulators said they had followed disclosure rules, declined to comment or in one case rebutted the claims.

## ECB warns of hit to top European banks if funds run into trouble

May 30, 2023 - The euro zone's top banks may take a hit if their financial clients, such as funds, insurers and clearing houses, withdrew their deposits or otherwise ran into trouble, the European Central Bank warned on Tuesday.

## Bank of England raises rates and Bailey promises to 'stay the course'

May 11, 2023 - The Bank of England raised its key interest rate by a quarter of a percentage point to 4.5% on Thursday and Governor Andrew Bailey said the British central bank would "stay the course" as it seeks to curb the highest inflation of any major economy. The BoE is no longer predicting a recession after it made the biggest improvement to its growth projections since it first published forecasts in 1997. But it now expects inflation - which remained above 10% in March.

# OPERATIONAL RISK NEWS

## Philippine c.bank to hold rates at 6.25% in May after nine straight increases

May 16, 2023 - The Philippines central bank will likely leave its key interest rate unchanged at 6.25% on Thursday, and keep it there for the rest of 2023, marking an end to a year-long tightening cycle as inflation shows signs of cooling, a Reuters poll found.

## UAE Central Bank issues new guidance on anti-money laundering related to virtual assets

May 31, 2023 - It applies to LFI's such as banks, finance companies, exchange houses, payment service providers, registered hawala providers and insurance companies as well as agents and brokers. The new guidance will assist LFI's' understanding of risks and effective implementation of their statutory AML/CFT obligations and takes Financial Action Task Force (FATF) standards into account.

## Oman's banking sector credit grows 6.9% to \$78.3bln

May 14, 2023 - The total credit granted by conventional and Islamic banks, or what is known as other depository companies (ODCs), increased by 6.9 percent to reach OMR 29.90 billion at the end of March 2023. Regarding the total credit granted to the private sector a growth of 6.8 percent to reach OMR25.10 billion at the end of March 2023.

## Erdogan says Gulf states sent cash in relief for Turkey

May 26, 2023 - "Our economy, banking and financial system are quite strong. Meanwhile, some Gulf states and such stocked money in our system. This is recent and this relieved our central bank and market, even if for a short while," Erdogan said in an interview with CNN Turk.

## Turkey banks limit low-cost lending to customers as election nears

May 12, 2023 - The banks' cash advance product has provided a lifeline to Turks, with its around 20% annual interest rate, a third of what borrowers will be charged on a bank loan. People have had their purchasing power eroded under Turkey's high inflation, which hit 85% last year after a currency crisis caused by unorthodox economic policies. The inflation rate dropped to 43.7% in April.

## State Bank reserves decline by \$72m

May 19, 2023 - While the fear of default is haunting the country, the declining remittances and FDI inflows put the SBP's reserves in a weaker position. Miftah Ismail, the former finance minister, said on Thursday that the government is not aware of the true extent of the economic crisis. Economist Ashfaq Hassan Khan said for the PDM government economic revival is the least priority as it is busy crushing its political rivals.

## Malaysia Likely to Stand Pat on Key Rate as Inflation Cools

May 03, 2023 - Malaysia will likely extend a pause in rate increases on Wednesday, as slowing inflation gives it space to continue assessing the impact of last year's monetary tightening amid weakening global demand. Bank Negara Malaysia will keep the overnight policy rate at 2.75% for a third straight meeting, according to 16 of 19 analysts in a Bloomberg survey.

## Singapore's digital banking oversight lags behind demand

May 13, 2023 - The digital banking ecosystem among Southeast Asia's approximately 687 million inhabitants is diverse. Some ASEAN members, including the more developed ASEAN-5 economies and Brunei, have well-consolidated financial services sectors.

# OPERATIONAL RISK NEWS

## Bank of Canada may hike rates further if inflation gets stuck, Macklem says

May 04, 2023 - Canadian inflation risks getting stuck significantly above the Bank of Canada's 2% target, and if that happens the central bank is ready to hike interest rates further, Governor Tiff Macklem said on Thursday. Last month the Bank of Canada left its key overnight interest rate on hold at 4.50%.

## Gulf central banks raise interest rates as Fed presses on

May 03, 2023 - The central banks of the UAE, Saudi Arabia, Bahrain, Qatar and Oman raised their benchmark borrowing rates after the US Federal Reserve increased its key interest rate to tame inflation and restore price stability. The Fed bumped up the policy rate for a third consecutive time this year by 25 basis points (bps) as the labour market remains tight, the unemployment rate is at a multi-decade low and the central bank continues to try to bring inflation down to its target range of 2 per cent after prices hit a four-decade last year.

## Iraq Boosts Gold Reserves by 2% in Single Day in Gradual Buildup

May 29, 2023 - Iraq's central bank boosted its gold reserves by about 2% in a single day last week as part of what it calls a gradual plan to stock up on the precious metal that's seen as a traditional haven in times of economic distress. Iraq bought 2.5 tons of bullion on Thursday to bring its reserves to 132.73 tons.

## Zimbabwe Banks May Offer Loans Backed by New Digital Money

May 18, 2023 - The digital money that the central bank envisages as eventually being used in day-to-day transactions will compel lenders "to enable a third currency in their systems" in order to facilitate payments.

## UAE Central Bank imposes sanctions on eight lenders over compliance failures

May 16, 2023 - The lenders did not comply with instructions not to grant any loans or credit facilities to beneficiaries of loans granted by the fund, including credit cards, the banking regulator said on Tuesday.

## Bill Ackman Warns US Regional Banking System Is at Risk

May 04, 2023 - The US regional banking system is at risk and the regulator's failure to update and expand its insurance regime has "hammered more nails in the coffin," Pershing Square's Bill Ackman said. First Republic Bank was the second-biggest bank failure in US history, and the fourth regional lender to collapse since early March after Silvergate Capital Corp., SVB Financial Group's Silicon Valley Bank and Signature Bank. JPMorgan Chase & Co. acquired First Republic on Monday, beating out rivals including PNC Financial Services Group Inc.

## UK Financial Fraudsters Made Off With Over £1.2 Billion in 2022

May 11, 2023 - Around £1.2 billion (\$1.5 billion) was stolen through authorized and unauthorized financial fraud in the UK in 2022, underlining the scale of a problem that continues to beset the banking industry. The losses are equivalent to £2,300 being stolen every single minute last year, according to a report by UK Finance, a lobby group for the industry. Banks stopped a further £1.2 billion of unauthorized fraud last year, the report said.

## UAE banks launch new initiative to stop fake documents

May 08, 2023 - While speaking during the 2023 ACFE Fraud Conference Middle East, Saleh added that they always work in cooperation with the UAE Central Bank, which is extremely active in terms of legislation to deal with such challenges.

## ABOUT BENCHMARKIX

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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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