UK gov't plans to make firms liable for employees' fraud

LONDON — Britain plans to make it easier to prosecute a large organization if an employee commits fraud for the benefit of a business, the government said on Tuesday.

The interior ministry said businesses which fail to deter fraud will face enforcement action under the new plans and prosecutors will not have to prove that company bosses ordered or knew about a worker's fraudulent activity.

"If fraud is committed by an employee of an organization, the organization must be able to demonstrate it had reasonable measures in place to deter the offending or risk receiving an unlimited fine," the government said in a statement.

The new measure will be added to a piece of legislation, the Economic Crime and Corporate Transparency Bill, currently making its way through the British parliament. The new measures remain subject to approval by lawmakers.

"Our new failure to prevent fraud offense will protect consumers from dishonest and misleading sales practices, and level the playing field for the majority of businesses that behave responsibly," Security Minister Tom Tugendhat said.

Campaigners broadly welcomed the law, but expressed concern at an exemption for small and medium-sized firms.

"The introduction of this offense is a major milestone for the UK," said Susan Hawley, executive director of Spotlight on Corruption, a non-profit group.

"If this offense had been in place at the time of the financial crisis, for example, it would have allowed for effective prosecutions of the banks for their wrongdoing," she said, referring to the global financial crisis 15 years ago. — ***Reuters***

G7 to discuss digital currency standards, crypto regulation

GROUP of Seven (G7) advanced economies will consider how best to help developing countries introduce central bank digital currencies (CBDC) consistent with appropriate international standards, Japan's top currency diplomat Masato Kanda said on Tuesday.

The move will be among key themes of G7 discussions that Japan chairs this year, as part of efforts to address challenges the global community face from fast-moving digital technology, he said.

"We have to address risks from the development of CBDC by ensuring factors such as appropriate transparency and sound governance," Mr. Kanda, vice finance minister for international affairs, told a seminar in Washington.

"As a priority of this year, the G7 will consider how best to help developing countries introduce CBDC consistent with appropriate standards, including the G7 public policy principle for retail CBDC," he said.

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Outside the G7, China has been leading the pack on issuing a digital currency. G7 central banks have set common standards toward issuing CBDCs as some proceed with experiments.

Mr. Kanda said the rapid innovation of digital technology provides various benefits but also fresh challenges such as cyber-security, the spread of misinformation, social and political divides, and the risk of destabilizing financial markets.

The collapse of crypto exchange FTX last year "was a serious wake-up call" for policymakers to create regulation across borders, he said.

"For crypto assets, there are a bit of diverging views among countries. But consensus is definitely that we need more regulation, particularly after the FTX shock," Mr. Kanda said.

Another priority of this year's G7 talks will be to address debt vulnerabilities of some middle-income countries, said Mr. Kanda, who is among policymakers gathering in Washington for the spring International Monetary Fund (IMF) meetings this week.

Mr. Kanda said it might be "a bit difficult" to see concrete results for countries like Zambia, Ghana and Ethiopia, when asked what the accomplishments for debt talks could be this week.

"For Sri Lanka, hopefully we can have progress," with a plan to launch a creditor's committee on Thursday initiated by Japan, France and G20 chair India, Mr. Kanda said. — ***Reuters***

IMF warns bank failures highlight 'perilous' financial stability risks

THE INTERNATIONAL Monetary Fund (IMF) warned on Tuesday of a "perilous combination of vulnerabilities" in financial markets, saying participants' failing to adequately prepare for interest rate increases has led to significant uncertainty about the health of the financial system.

Moreover, the global lender said US regional banks in particular may warrant closer scrutiny after the largest bank collapses since the 2007-2009 financial crisis four weeks ago exposed weaknesses in a sector responsible for a sizeable share of consumer and business credit in the world's largest economy.

In its latest Global Financial Stability Report, the IMF said global financial stability risks had increased "rapidly" in the six months since its previous assessment when it was already touting hazards as being "significantly skewed" to the downside.

Now, following last month's sudden failures of Silicon Valley Bank and Signature Bank in the US, as well as the loss of confidence in Credit Suisse that forced regulators to engineer a takeover by UBS, the IMF said, "market sentiment remains fragile, and strains are still evident across a number of institutions and markets."

"Even if you think that on average, banks have a lot of capital and liquidity, there could be these weak institutions that then spill back into the system as a whole," said Tobias Adrian, director of the IMF's Monetary and Capital Markets Department, in an interview.

The report, alongside an updated World Economic Outlook that flagged many of the same risks, comes roughly a year after the US Federal Reserve embarked on the most aggressive course of interest rate increases in four decades, pulling other central banks along in a synchronized global policy tightening aimed at lowering inflation.

The IMF said the bank failures "have been a powerful reminder" of the challenges wrought by tighter monetary policy — and the more stringent financial conditions it generated — and the buildup in vulnerabilities since the global financial crisis more than a decade ago.

'OBVIOUS IN HINDSIGHT'

Even before the recent turmoil in the banking sector there were maturity mismatches and financial leverage that have existed quietly under the surface for years, the report noted, highlighting the Bank of England's temporary purchases to stabilize its domestic bond market and Korean authorities' reactivating of asset purchase programs to address strains in the asset-backed commercial paper market last fall as signs of trouble.

"While risks are obvious in hindsight, the systemic implications of the existing weaknesses were largely unanticipated by policymakers and investors alike," the report said.

Though forceful responses by policymakers have reduced market anxiety, it remains to be seen whether recent events are a "harbinger of more systemic stress," the IMF said, noting that exposures or losses may be masked by accounting rules or regulatory treatments.

Problems at US regional banks grew last year, as rapidly rising interest rates slashed the value of some banks' holdings in long-term assets such as home loans and government bonds.

The underlying issues exploded last month when shares of Silicon Valley Bank (SVB) plunged and depositors fled after it surprised the market on March 8 with plans to raise capital to fill a nearly $2 billion hole from the sale of securities. Regulators closed the bank just two days later, and Signature was shut two days after that.

Going forward, regional banks could face greater scrutiny with respect to their holdings and funding structures, the IMF cautioned.

"Because regional and smaller banks in the United States account for more than one-third of total bank lending, a retrenchment from credit provision could have a material impact on economic growth and financial stability," the report said.

SHORING UP 'TRUST'

US regulators acted quickly to backstop all deposits at SVB and Signature Bank, even those beyond the Federal Deposit Insurance Corp.'s limit, stabilizing deposit outflows at smaller lenders.

Even still, authorities should be more prepared to deal with financial instability, the IMF said, including by strengthening their bank resolution regimes.

"The international community will need to take stock of these experiences and draw policy conclusions on the effectiveness of resolution reforms after the global financial crisis," the report said.

Mr. Adrian added the IMF will be watching "very closely" to see whether "the central banks have the tools to make sure that trust remains in the system."

While households and businesses accumulated buffers during the pandemic that boosted their shock-absorbing capacity, those cushions have deteriorated as interest rates have risen, the IMF said, leaving them "more vulnerable to default risk."

A decline in revenues and tighter funding conditions from banks could expose large firms to downgrade risks, particularly for large firms in emerging markets, the report said.

Elsewhere, the IMF highlighted several other sources of potential macroeconomic risk, including a strong reopening in China and an escalation of Russia's war in Ukraine, which could exacerbate stubbornly high inflation.

"It's really these weaker tails among households, corporates and countries that could then have aggregate impact at some point," said Mr. Adrian. "At the moment we don't see that, but as monetary policy tightening is continuing, there's certainly a risk of that." — ***Reuters***

REUTERS

SOCIAL MEDIA logos are seen in this illustration taken on May 25, 2021.

Social media,
from S1/1

Bangko Sentral ng Pilipinas (BSP) Governor Felipe M. Medalla earlier said Philippine banks have no reported exposure in SVB. He also said Philippine banks are strong and are well-capitalized to weather any risks stemming from the collapse of the two US banks.

"The unexpected failures of two specialized regional banks (SVB and Signature Bank) in the United States in mid-March 2023 and the collapse of confidence in Credit Suisse — a globally significant bank — have roiled financial markets, with bank depositors and investors reevaluating the safety of their holdings and shifting away from institutions and investments perceived as vulnerable," the International Monetary Fund (IMF) said in its latest World Economic Outlook (WEO).

Meanwhile, Swarup Gupta, industry manager of the Economist Intelligence Unit, said banks in general, including lenders in the US and the Philippines, are not prepared to deal with social media-fueled bank runs.

"The collapse of Silicon Valley Bank represents the most important cautionary tale of an era characterized by the proliferation of social media on one hand and the ubiquitousness of online banking on the other," Mr. Gupta said.

"Both of these phenomena have combined to transform bank runs into veritable bank sprints where deposit withdrawals mount within minutes leading to a quick and complete collapse," he said.

In SVB's case, Mr. Gupta said social media posts on the bank's troubles were spread by influencers online — some of which were later taken down. In the absence of any response from the bank, panic swirled among depositors.

"Most banks lack a preemptive crisis communications strategy which needs to be employed at the slightest hint of trouble. And most regulators employ an approach which is nearly a century-old which banks on periodic sanity checks, notably stress tests, to ensure that all is well with the banking system," Mr. Gupta said.

Contagion risks could spread rapidly in the digital era. He noted this would trigger a domino effect of bank runs even before authorities can help address the issues.

This is why banks and regulators should closely monitor social media and develop a system to preemptively address any concerns raised on various platforms. There should also be protocols in place to minimize risks before they become a significant threat to the banking system, Mr. Gupta added.

Mr. Febrian said there is a need for banks and regulators to update their crisis scenario playbook.

"Systems and processes are likely to evolve in a way that would allow banks to monitor and respond to issues in real-time manner which could help to stem a loss in confidence during a crisis," he added. — **Keisha B. Ta-asan**

Vehicle,
from S1/1

CAMPI-TMA is aiming to sell 395,000 units this year, 12% higher than the 352,596 units sold last year.

The entire local vehicle industry, including sales from the Association of Vehicle Importers and Distributors exclusive members and MG Motors Phils., is targeting 408,300 sales this year, 10.4% higher than the 369,981 units sold in 2022. — **Revin Mikhael D. Ochave**

IMF,
from S1/1

Whenever the Philippine central bank is set to do what it has not done before, Mr. Medalla said it is important to look at how other countries responded to the issue and see what exact tools were used.

The IMF offers capacity development, which includes technical assistance and training, to its members upon request. Capacity development accounts for around a third of the IMF's annual spending.

In 2021, the Philippines received $2.8 billion worth of Special Drawing Rights (SDRs) from the IMF, as part of the latter's efforts to help countries recover from the coronavirus pandemic.

Member countries were allocated SDRs — the fund's unit of exchange backed by dollars, euros, yen, sterling and yuan — in proportion to their quota shares in the IMF.

The IMF's last SDR distribution came in 2009 when member countries received $250 billion in SDR reserves to help ease the global financial crisis.

Multilateral banks,
from S1/1

Mr. Diokno also said that countries must urgently respond to the climate crisis.

"This is clearly one of the biggest adversaries of development. When disaster strikes, climate-vulnerable countries such as the Philippines stand to lose the most," he said.

The Finance secretary also noted the role of international tax reform and domestic resource mobilization in driving sustainable and inclusive growth.

"[W]e fully support the continued efforts of the G24 Tax Working Group to promote peer dialogue and cooperation on key tax challenges," he said. — **Keisha B. Ta-asan**