

# SAARCFINANCE e-Newsletter

[A half-yearly publication of the regional network of SAARC Central Bank  
Governors and Finance Secretaries (SAARCFINANCE)]

July 2008

Published by  
SAARCFINANCE Cell  
Department of Economic Analysis and Policy  
Reserve Bank of India

## Message from the Chairperson of SAARCFINANCE Governors

It is a pleasure for me to publish the fourth issue of e-Newsletter encompassing SAARCFINANCE activities during January-June 2008. I believe the member countries would find this issue of e-Newsletter useful.

I express my sincere gratitude to the SAARCFINANCE Co-ordinators for their support and contribution. The efforts of SAARCFINANCE Cell, Department of Economic Analysis and Policy, Reserve Bank of India, towards preparation of this e-Newsletter are also duly acknowledged.

The comments and suggestions, if any, regarding this issue of e-Newsletter (July 2008) are most welcome in a bid to improve its successive issues.

July 2008

Dr. Y.V. Reddy  
Governor  
Reserve Bank of India  
and  
Chairperson, SAARCFINANCE Governors

## SAARCFINANCE e-Newsletter

The SAARCFINANCE e-Newsletter has two Sections. Under Section A, broad developments of SAARCFINANCE activities have been covered, while country-specific developments are indicated in Section B. It includes the developments amongst SAARC member countries during January-June 2008.

### Section A: Broad Developments

#### I. SAARCFINANCE Governors' Meetings

The SAARCFINANCE Governors meet twice a year concurrently with the IMF/WB annual and spring meetings. Since its inception, seventeen SAARCFINANCE Governors' meetings were held till now.

The 17<sup>th</sup> SAARCFINANCE Governors' meeting was held on the sidelines of the Fund-Bank Spring Meeting at the International Monetary Fund (IMF) in Washington D.C on April 12, 2008. The major decisions that were taken during the 17<sup>th</sup> SAARCFINANCE Governors' meeting were –

- Reconfirmation by the Secretariat from Bangladesh regarding seminar on Corporate Governance in Banks and Financial Institutions in SAARC Countries.
- Confirmation from Pakistan by the Secretariat on the areas of further collaboration and assistance under Staff Exchange Programme.
- Secretariat would collect the research study on Trade in South Asian Region from Pakistan and circulate to members.
- Secretariat to circulate the resolutions passed in the meeting regarding the *suo moto* participation of the SAARC member countries in the training programmes of any other member country; and the utilisation of the Training Centre at Sri Lanka for conducting joint programmes.
- Secretariat to prepare a questionnaire in consultation with the members to include qualitative aspects of the credit information bureau.
- Sri Lanka to confirm to the Secretariat the modalities of seminar on foreign exchange reserve management.

#### II. SAARCFINANCE Co-ordinators' Meetings

The 9<sup>th</sup> SAARCFINANCE Co-ordinators' Meeting was organized by Reserve Bank of India (RBI) in Mumbai on February 12, 2008. The major decisions that were taken during the 9<sup>th</sup> SAARCFINANCE Co-ordinators' meeting were –

- Research Projects/Symposia planned to be undertaken during 2008 and 2009 should be forwarded to the Secretariat by end February 2008;
- Member country may request India or other member countries for technical assistance as part of SAARCFINANCE's effort to share knowledge with one another;

- All countries should forward their training programmes to the Secretariat by end-February 2008 for circulation so that member countries could take advantage of them. Those training programmes should also be hosted in the SAARCFINANCE Web folder;
- Training on other issues such as banking regulation, payment system, *etc.*, may be requested to the member country concerned;
- Central Bank of Sri Lanka to prepare a scheme of operationalisation of 'Centre for Banking Studies' providing various options of its financing for circulation;
- RBI to prepare a draft on common website on SAARCFINANCE activities taking into account of IMF's GDDS for circulation amongst member countries;
- Central Bank of Sri Lanka to present the paper on the proposal of Regional Payments Council to the SAARC Governors' meeting in Washington in April 2008;
- Member countries should give their respective position with regard to South Asia Credit Bureau indicating objectives, institutional set up and legal structure to the Secretariat for consolidation; the proposal may be placed in the SAARC Governors' meeting in April 2008.

### III. Information Sharing

Sharing information among the SAARCFINANCE institutions progressed satisfactorily. A good number of publications and other documents on various policy issues were exchanged among the member countries' institutions. Information/materials on the following areas were supplied on the request of the member central banks during January-June 2008 (Table 1):

**Table 1: SAARCFINANCE Information Sharing during January-June 2008**

Information sought from (Supplier)	Information sought by (User)	Subject/Area of Request
Bangladesh Bank (BB)	State Bank of Pakistan	Basel II Accord Implementation.
Royal Monetary Authority of Bhutan (RMA)	State Bank of Pakistan	Basel II Accord Implementation.
State Bank of Pakistan (SBP)	Central Bank of Sri Lanka Nepal Rastra Bank	Information on Risk Management.  Record of Discussion (Minutes) of the 13 <sup>th</sup> SAARCFINANCE Meeting held in Washington on September 25, 2005.
Nepal Rastra Bank (NRB)	Central Bank of Sri Lanka (CBSL)	Information on Risk Management.
Reserve Bank of India (RBI)	Central Bank of Sri Lanka Bangladesh Bank State Bank of Pakistan	1. Information on Risk Management. 2. Salary structure for the officials of Indian Central Government. 3. Basel II Accord Implementation.

#### IV. Staff Exchange Programme

Since the inception of the SAARCFINANCE (*i.e.*, September 1998), a good number of officers (*viz.*, 239) visited various institutions of member countries under Staff Exchange Programme (Table 2). The matters of the Staff Exchange covered a broad range of issues such as risk-based supervision, human resource management, forward marketing arrangements for agricultural product, licensing regulation of the financial institutions, *etc.* Considering the effectiveness of the Staff Exchange Program and also in the case of training, seminars, *etc.*, the matter of cost sharing is left entirely to the country concerned.

**Table 2: SAARCFINANCE Staff Exchange Programme  
during September 1998 - June 2008**

Country of Origin of the Staff	Host Institutions/Central Banks						Total
	RBI & other Institutions	CBSL	SBP	NRB	BB	RMA	
Bangladesh	13	-	4	-	-	-	17
Bhutan	34	11	-	11	-	-	56
India	-	4	2	-	5	1	12
Maldives	3	4	-	-	-	-	7
Nepal	22	55	7	-	7	-	91
Pakistan	2	2	-	-	-	-	4
Sri Lanka	20	-	26	2	4	-	52
<b>Total</b>	<b>94</b>	<b>76</b>	<b>39</b>	<b>13</b>	<b>16</b>	<b>1</b>	<b>239</b>

RBI: Reserve Bank of India      CBSL: Central Bank of Sri Lanka      BB: Bangladesh Bank  
 NRB: Nepal Rastra Bank      SBP: State Bank of Pakistan  
 RMA: Royal Monetary Authority of Bhutan

During January-June 2008, as many as 7 officers and 15 press persons visited various institutions of member countries under Staff Exchange Programme (Table 3). The matters of the Staff Exchange covered a broad range of issues such as use of statistics and central bank's survey, SME, micro & agriculture/rural finance and licensing regulation of the financial institutions.

**Table 3: SAARCFINANCE Staff Exchange Programme during January-June 2008**

Country of Origin of the Staff	Host Institutions/Central Banks						Total
	RBI & other Institutions	CBSL	SBP	NRB	BB	RMA	
Bangladesh	2	-	-	-	-	-	2
Bhutan	-	1	-	3	-	-	4
India	-	-	-	-	-	-	-
Maldives	1	-	-	-	-	-	1
Nepal	15	-	-	-	-	-	15
Pakistan	-	-	-	-	-	-	-
Sri Lanka	-	-	-	-	-	-	-
<b>Total</b>	<b>18</b>	<b>1</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>22</b>

RBI: Reserve Bank of India      CBSL: Central Bank of Sri Lanka      BB: Bangladesh Bank  
 NRB: Nepal Rastra Bank      SBP: State Bank of Pakistan  
 RMA: Royal Monetary Authority of Bhutan

#### V. Seminars/Workshops/Special Studies/etc.

A number of seminars/workshops/special studies have been conducted on common topical issues by some of the member countries of the SAARC region. The SAARCFINANCE members conducted 14 seminars, four Governors' symposiums, three studies and two workshops since the inception of SAARCFINANCE (*i.e.*, September 1998) (Table 4).

**Table 4: SAARCFINANCE Seminars/Workshops/Governors' Symposiums/  
Studies during September 1998 – June 2008**

<b>Programs/ Banks</b>	<b>Host</b>	<b>Central</b>	<b>BB</b>	<b>RBI</b>	<b>NRB</b>	<b>SBP</b>	<b>CBSL</b>	<b>Total</b>
Seminars			2	1	4	4	3	14
Workshops			-	2	-	-	-	2
Governors' Symposiums			1	1	-	-	2	4
Studies			-	1	1	1	-	3
<b>Total</b>			<b>3</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>23</b>

RBI: Reserve Bank of India    CBSL: Central Bank of Sri Lanka

SBP: State Bank of Pakistan

NRB: Nepal Rastra Bank

BB: Bangladesh Bank

During January-June 2008, the following two Seminars were conducted under the SAARCFINANCE umbrella:

- The State Bank of Pakistan organized a seminar on '*BASEL II Implementation in South Asia*' at Islamabad during June 26-28, 2008.
- An international workshop on '*Off-site Surveillance*' was conducted by the RBI (Urban Bank Department) during March 4-7, 2008. The representatives of Central Banks of SAARC nations, among others, were also invited.

## Section B. Country-Specific Developments

### I. Afghanistan

#### **SAARCFINANCE Co-ordinators' Meeting**

The 9<sup>th</sup> SAARCFINANCE Co-ordinators' Meeting held in Mumbai, India on February 12, 2008 was attended by Mr. Ahmad Feroz Rashikh, Acting DG & Deputy DG Research, Monetary Policy Department, Da Afghanistan Bank and then SAARCFINANCE Co-ordinator, Afghanistan.

#### **SAARCFINANCE Governors' Meeting**

The 17<sup>th</sup> SAARCFINANCE Governors' Meeting held in Washington on April 12, 2008 on the sidelines of IMF/WB Spring Meetings was attended by Mr. Abdul Qadeer Fitrat, Governor, Da Afghanistan Bank.

### II. Bangladesh

#### **Information Sharing**

Under information sharing, Bangladesh Bank supplied information on Basel II Accord Implementation, on request, to State Bank of Pakistan January-June 2008.

Besides, Bangladesh Bank forwarded Annual Training Plan, 2008 of Bangladesh Bank Training Academy (BBTA) to all SAARCFINANCE Co-ordinators.

#### **SAARCFINANCE Staff Exchange Program**

Two officials from the Bangladesh Bank visited RBI, Mumbai, India to have experience for "Online Currency Processing, Shredding and Briquetting System of RBI" during April 28-29, 2008.

#### **SAARCFINANCE Co-ordinators' Meeting**

The 9<sup>th</sup> SAARCFINANCE Co-ordinators' Meeting held in Mumbai, India on February 12, 2008 was attended by Mr. Habibullah Bahar, Economic Adviser, Bangladesh Bank & SAARCFINANCE Co-ordinator, Bangladesh.

#### **SAARC Payment Council (SPC) Meeting**

The 1<sup>st</sup> meeting of SAARC Payment Council (SPC) held in Colombo, Sri Lanka on March 28, 2008 was attended by Mr. Md. Yasin Ali, Executive Director, Bangladesh Bank.

#### **Change of Country Representative for SAARC Payment Council (SPC)**

Mr. Khandakar Muzharul Haque, Executive Director, Bangladesh Bank has been appointed as the country representative for SAARC Payment Council (SPC) since May 2008, in place of Mr. Md. Yasin Ali, Executive Director, Bangladesh Bank.



### III. Bhutan

#### Information Sharing

The Royal Monetary Authority of Bhutan (RMA) has been sharing regularly the *ad hoc* data and information required by the member countries. The status report on implementation of Credit Information Bureau in Bhutan was shared among all member countries. Information on Basel II implementation in Bhutan was shared, on request, with State Bank of Pakistan.

#### Staff Exchange Programme

Deputy Managing Director, Royal Monetary Authority of Bhutan, accompanied by two officials of the Foreign Exchange and Reserve Management Division visited Nepal Rastra Bank, Kathmandu, Nepal during January 10-13, 2008 for a study on Authorized Money Changers.

#### SAARC Payment Council (SPC) Meeting

Division Chief of Banking Division attended one day meeting of the SAARC Payment Council (SPC) held on March 28, 2008 at the Central Bank of Sri Lanka, Colombo.

#### SAARCFINANCE Co-ordinators' Meeting

The 9th SAARCFINANCE Co-ordinator's Meeting held in Mumbai, India on February 12, 2008 was attended by Ms. Sonam Dema, SAARCFINANCE Co-ordinator, Bhutan.

### IV. India

#### SAARCFINANCE Staff Exchange Programme

RBI had conducted a pilot training programme for 15 journalists of Nepal at College of Agricultural Banking, Pune during February 5-9, 2008.

Two officials from the Bangladesh Bank, *viz.* Mr Md. Humayun Kabir and Mr. Md. Mokbul Hossain, visited the Reserve Bank of India, Mumbai during April 28-29, 2008 to study the automated note sorting, shredding and briquetting systems in RBI.

#### Information Sharing

Reserve Bank of India (RBI) shared the following information on request received from the SAARC member Central Banks during January - June, 2008:

Name of Central Bank	Subject/Area of request for information
Central Bank of Sri Lanka	Information on Risk Management.
Bangladesh Bank	Salary structure for the officials of Indian Central Government.
State Bank of Pakistan	Basel II Accord Implementation

### **Seminars/Workshops/Special Studies/etc.**

An international workshop on 'Off-site Surveillance' was conducted by the RBI during March 4-7, 2008. The representatives of Central Banks of SAARC nations, among others, were also invited.

### **SAARCFINANCE Co-ordinators' Meeting**

The 9<sup>th</sup> SAARCFINANCE Co-ordinators' Meeting was held at Reserve Bank of India (RBI) in Mumbai, India on February 12, 2008. All Co-ordinators excepting that of Pakistan participated in the meeting.

### **SAARCFINANCE Governors' Meeting**

The 17<sup>th</sup> SAARCFINANCE Governors' meeting was held on the sidelines of the Fund-Bank Spring Meeting at the International Monetary Fund (IMF) in Washington on April 12, 2008. Dr. Y. V. Reddy, Governor, Reserve Bank of India and the Chair, SAARCFINANCE presided over the meeting. In addition, Dr. Arvind Virmani, Chief Economic Adviser, Ministry of Finance, Government of India, Mr. Madhusudan Prasad, Joint Secretary, Fund-Bank, Ministry of Finance, Government of India, Dr. R.K.Pattnaik, Adviser, Reserve Bank of India and SAARCFINANCE Co-ordinator (India), Dr. Partha Ray, Adviser, ED (India), IMF and Mr. K. Damodaran, EA to Governor, RBI also attended the Meeting.

## **V. Maldives**

### **Change of SAARCFINANCE Co-ordinator**

Mr. Abdul Hameed Mohamed, Executive Director, Economic Research & Statistics Division, is appointed as SAARCFINANCE Co-ordinator of the Maldives Monetary Authority in place of Ms. Azeema Adam.

### **SAARCFINANCE Co-ordinators' Meeting**

The 9<sup>th</sup> SAARCFINANCE Co-ordinators' Meeting held in Mumbai, India on February 12, 2008 was attended by Mr. Abdul Hameed Mohamed, SAARCFINANCE Co-ordinator for the Maldives and Executive Director, Economic Research & Statistics Division, Maldives Monetary Authority.

### **Staff Exchange Programme**

Mr. Abdul Hameed Mohamed, Executive Director, Economic Research & Statistics Division of the MMA visited the RBI on the sidelines of 9<sup>th</sup> SAARCFINANCE Co-ordinators' Meeting on February 13, 2008, to explore the feasibility of strengthening the research department of MMA in close collaboration with RBI.

### **SAARCFINANCE Seminar**

Mr. Abdul Ghafoor Abdul Latheef, Senior Executive Director of the MMA attended the SAARCFINANCE Seminar on '*Basel II Implementation in South Asia*' organized by the State Bank of Pakistan during June 26-28, 2008.

### **SAARC Payment Council (SPC) Meeting**

Mrs. Aishath Zahira Latheef, Senior Executive Director of the MMA attended the '*2<sup>nd</sup> Meeting of the SAARC Payments Council*' held in Hyderabad, India on June 30, 2008.

## **VI. Nepal**

### **SAARCFINANCE Co-ordinators' Meeting**

Mr. Nara Bahadur Thapa, Director, Research Department, Nepal Rastra Bank attended the 9<sup>th</sup> SAARCFINANCE Co-ordinators' Meeting held in Mumbai, India on February 12, 2008.

### **Information Sharing**

Nepal Rastra Bank (NRB) shared the information on Risk Management with Central Bank of Sri Lanka during January - June, 2008.

NRB also received information from the State Bank of Pakistan on 'Record of Discussion (Minutes) of the 13<sup>th</sup> SAARCFINANCE Meeting held at Washington D.C, U.S.A. on 25<sup>th</sup> September, 2005'.

### **SAARCFINANCE Staff Exchange Programme**

15 Journalists from Nepal participated in the pilot training programme conducted by RBI at College of Agricultural Banking (CAB), Pune, India during February 5-9, 2008.

## **VII. Pakistan**

### **Information Sharing**

State Bank of Pakistan (SBP) supplied the following information/material on specific requests received from the SAARC member Central Banks during January-June, 2008:

<b>Name of Central Bank</b>	<b>Subject/Area of request for information</b>
Central Bank of Sri Lanka	Information on Risk Management.
Nepal Rastra Bank	Record of Discussion (Minutes) of the 13 <sup>th</sup> SAARCFINANCE Meeting held at Washington D.C, U.S.A. on 25 <sup>th</sup> September, 2005.

### **SAARCFINANCE Seminar**

The State Bank of Pakistan (SBP) organized a seminar on “*BASEL II Implementation in South Asia*” under the aegis of SAARCFINANCE, during June 26-28, 2008, at National Institute of Banking and Finance (NIBAF), Islamabad. The Executive Director, SBP, while inaugurating the seminar as Chief Guest, highlighted the significance of the initiatives taken by State Bank of Pakistan regarding the implementation of Basel II which are likely to strengthen the banking sector besides providing financial stability in the country. Looking forward, he expressed hope that such Forums would provide an opportunity in helping strengthen the banking system in South Asia. Prior to the Speech of Chief Guest, Kazi Abdul Muktadir, Managing Director, NIBAF offered the Opening Remarks while Mr. Ayub-ul-Hasan, SAARCFINANCE Coordinator, State Bank of Pakistan presented the vote of thanks.

Delegates from the member Central Banks including Afghanistan, Bangladesh, India, Nepal, Maldives, Sri Lanka and Pakistan attended the seminar. Besides lectures/presentations on the subject by the renowned scholars from Bank for International Settlements (BIS) and the U.S. Treasury, participating delegates also presented the Country Papers with a view to sharing their respective experiences as well as to generate a meaningful dialogue on the subject matter.

In addition to knowledge-sharing during the seminar, which is one of the prime objectives behind creation of the SAARCFINANCE Network, participants were provided with the opportunity to have a closer look at the cultural and historical heritage of Pakistan. In this regard, participants’ feedback was encouraging. They expressed satisfaction about knowledge of the speakers, the hospitality and the arrangements of the State Bank of Pakistan.

### **SAARCFINANCE Governors’ Meeting**

Dr. Shamshad Akhtar, Governor, State Bank of Pakistan, attended the 17<sup>th</sup> Meeting of SAARCFINANCE Governors, held in Washington on April 12, 2008.

### **New Secretary at Ministry of Finance**

Mr. Farrukh Qayyum has replaced Dr. Waqar Masood Khan as the Secretary, Finance Division, Government of Pakistan.

### **Governor, State Bank of Pakistan Honored**

Dr. Shamshad Akhtar, Governor, State Bank of Pakistan received Award of the Best Central Bank Governor of the year in Asia 2008. Ms. Karina Robinson, Senior Editor, The Banker Magazine, a subsidiary of the prestigious and renowned newspaper, Financial Times of London, presented the Award to the Governor, State Bank of Pakistan, at a simple but impressive ceremony held in Karachi on 30<sup>th</sup> April, 2008. Speaking on the occasion, Ms. Robinson paid glowing tributes to the SBP Governor while Dr. Akhtar said that it was not only an honor for her but for the country also, which now has an efficient financial system.

It may be recalled that last year, Dr. Akhtar was conferred with the ‘Best Central Bank Governor for Asia 2007’ Award in recognition of her outstanding contribution in the overall financial sector and monetary policy management in Pakistan. That recognition came from Emerging Markets Newspaper, a part of Euromoney Institutional

Investor plc, one of the largest and most respected providers of financial information worldwide. The award was presented to Dr. Akhtar at a ceremony held at Washington during October, 2007.

### **State Bank of Pakistan Celebrates 60th Anniversary**

The State Bank of Pakistan has celebrated, on July 1, 2008, the 60<sup>th</sup> anniversary of its dedicated services to the nation. The story of these years is marked by continuous struggle to strengthen the banking system and promoting the overall economic progress of the country. State Bank of Pakistan, as the Central Bank of the country, stands as one of the leading organizations of Pakistan today.

## **VIII. Sri Lanka**

### **Inaugural Meeting of the SAARC Payment Council (SPC)**

The Inaugural Meeting of the SAARC payment Council (SPC) was held at the John Exter International Conference Hall at the Central Bank of Sri Lanka, Colombo on March 28, 2008 was attended by Dr. Ranee Jayamaha, Deputy Governor, Central Bank of Sri Lanka and Chairperson, SAARC Payments Council, Mr. Mir Aziz Baraki, Payments & Settlement System Manager, Da Afghanistan Bank, Mr. Md Yasin Ali, Executive Director, Bangladesh Bank, Mrs. Rinzin Lhamu, Head, Banking Division, Royal Monetary Authority of Bhutan, Mr. Vittaldas Leeladhar, Deputy Governor, Reserve Bank of India, Dr. R. B. Barman, Executive Director, Reserve Bank of India, Ms. Aishath Zahira, Senior Executive Director, Maldives Monetary Authority, Mr. Bir Bikram Rayamajhi, Deputy Governor, Nepal Rastra Bank, Mr. Yaseen Anwar, Deputy Governor, State Bank of Pakistan, Mrs. K R M Siriwardhane, Director, Payments & Settlements, Central Bank of Sri Lanka and Secretary, SAARC Payments Council.

### **Information Sharing**

Central Bank of Sri Lanka received information on Risk Management from Nepal Rastra Bank, State Bank of Pakistan and Reserve Bank of India.

### **SAARCFINANCE Co-ordinators' Meeting**

Mr. K. M. Abeykoon, Deputy Director, Human Resources Department, appointed as the SAARCFINANCE Co-ordinator, attended the 9th SAARCFINANCE Co-ordinators' Meeting held in Mumbai, India in February 12, 2008.

### **SAARCFINANCE Governors' Meeting**

The 17th SAARCFINANCE Governors' meeting held on the sidelines of the Fund-Bank Spring Meeting in Washington on April 12, 2008 was attended by Mr. Ajith Nivard Cabraal, Governor, Central Bank of Sri Lanka, Dr. (Mrs.) Ranee Jayamaha, Deputy Governor, Central Bank of Sri Lanka, Mr. K .G. D. D. Dheerasinghe, Alternative Executive Director, IMF and Dr. P. N. Weerasingha, Director, Economic Research/Chief Economist of the Central Bank of Sri Lanka