

SAARCFINANCE e-Newsletter



June 2010

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SAARCFINANCE Cell
Research and Statistics Department
Royal Monetary Authority of Bhutan

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

Message from the Chairperson of SAARCFINANCE Group

In accordance with the decision of the 14th SAARCFINANCE Group Meeting held in Singapore on 20 September 2006, the SAARCFINANCE Chair has been mandated to publish half-yearly SAARCFINANCE e-Newsletter. It is a regular electronic publication designed mainly to present news items related to SAARCFINANCE activities. Accordingly, the Central Bank of Sri Lanka Bank has published the seventh issue of half-yearly SAARCFINANCE e-Newsletter in December 2009, covering activities that have taken place during July-December 2009.

The Chair of the SAARCFINANCE has now moved to the Royal Monetary Authority of Bhutan (RMA) from Central Bank of Sri Lanka during the meeting held on the sidelines of the International Monetary Fund-World Bank Meeting on April 25, 2010 in Washington D.C. It is, therefore, the turn of the Royal Monetary Authority of Bhutan to publish the upcoming half-yearly SAARCFINANCE e-Newsletters.

It is a pleasure for me to publish the 8th issue of e-Newsletter in its sequence, encompassing SAARCFINANCE activities occurred during the first half of 2010. The 8th issue of e-Newsletter consists of two sections. Covering the broad development of SAARCFINANCE activities in Section A, while the country specific activities are indicated in Section B. Although the coverage of the e-Newsletter did not undergo much change, I believe the member country would still find this issue of e-Newsletter beneficial and serve as a platform for the exchange of central bank's information.

I would like to extend my admiration and appreciation to the SAARCFINANCE Coordinators for their continued support and contribution. The efforts of SAARCFINANCE Cell, Research and Statistics Department, Royal Monetary Authority of Bhutan, towards preparation of this e-Newsletter are also duly acknowledged.

The comments and suggestions, if any, regarding this issue of e-Newsletter (June 2010) are most welcome in a bid to improve upon their successive issues.

Daw Tenzin
Governor
Royal Monetary Authority of Bhutan
and
Chairperson, SAARCFINANCE Group



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and Finance Secretaries (SAARCFINANCE)]*

Section A: Broad Developments

SAARCFINANCE Governors' Meetings

The SAARCFINANCE Governors meet twice a year concurrently with the IMF/WB annual and spring meetings. So far, 21st SAARCFINANCE Governors' Meeting was held on the sidelines of the Spring Meeting of the IMF-World Bank.

Certain important decisions taken at the 21st SAARCFINANCE Governors' Meeting are as follows,

- ❖ The SWAP arrangement for SAARC member countries designed to provide a back-stop line of funding to meet any adverse developments in the balance of payments till longer term arrangements are made or if there is a need for short term liquidity due to market turbulence.
- ❖ Organizing a Special event to celebrate 10 years of SAARCFINANCE.
- ❖ Review on the progress of the SAARC Payments Council
- ❖ SAARCFINANCE Web Folder and e-News Letter: The Reserve Bank of India (RBI) circulated a paper on the proposed set up of the SAARCFINANCE Web Folder. As decided at the 20th SAARCFINANCE Governors' Meeting, RBI will manage the SAARCFINANCE web site. As agreed, all the member countries are to appoint liaison officers to coordinate the work related to the web folder. All members are expected to nominate a nodal officer to coordinate the work relating to the web site

SAARCFINANCE Coordinators' Meetings

To facilitate the working of the SAARCFINANCE network, it was decided at the 13th SAARCFINANCE Group meeting that Coordinators should meet twice a year and 2-3 delegates could represent each country. So far, thirteen SAARCFINANCE Coordinators' meetings were held.

Sharing Information

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 country's institutions (Refer Table 2).

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Staff Exchange Program

Since the inception of the SAARCFINANCE a good number of officers visited various institutions of member countries under Staff Exchange Program (Table 1). The matters of the Staff Exchange covered a broad range of issues ranging from risk-based supervision to human resource management and forward marketing arrangements for agricultural product, *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 1: SAARCFINANCE Staff Exchange Program at a glance

Country of Origin of the Staff	Host Institutions/Central Banks					Total
	RBI & other Institutions	CBSL	SBP	NRB	BB	
Bangladesh	21	10	4	-	-	35
Bhutan	81	16	-	11	4	112
India	-	4	2	-	5	11
Maldives	3	9	-	-	-	12
Nepal	22	58	7	-	7	94
Pakistan	2	2	-	-	-	4
Sri Lanka	20	-	26	2	4	52
Total	149	99	39	13	20	320

RBI: Reserve Bank of India
SBP: State Bank of Pakistan

CBSL: Central Bank of Sri Lanka
NRB: Nepal Rastra Bank

BB: Bangladesh Bank

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Table 2: SAARCFINANCE Information Sharing: January 2010- June 2010

Information sought from (Supplier)	Information sought by (User)	Subject/Area of request
State Bank of Pakistan	Central Bank of Sri Lanka	<p>i) Provided information regarding SAARCFINANCE activities in Pakistan for the period July-December 2009, for E-Newsletter.</p> <p>ii) Suggested Agenda Items for deliberations in the 13th SAARCFINANCE Coordinators' meeting, held at Colombo, Sri Lanka, during 5-6 March, 2010.</p>
State Bank of Pakistan	Nepal Rastra Bank	<p>Responded to request for information on:</p> <p>a) Facilities of the members of the Board of Directors;</p> <p>b) Measures adoption in the situation of excess liquidity and liquidity crunch;</p> <p>c) SBPs' Regulation regarding" Raising/ Issuing of Loans against Promoters' Shares.</p>
State Bank of Pakistan	Reserve Bank of India	Responded to request for comments on the RBI Paper titled "Proposed Swap Arrangements for the SAARC Members".
State Bank of Pakistan	Bangladesh Bank	Monetary Policy Framework
Reserve Bank of India	Bangladesh Bank	Currency Swap Arrangement
Nepal Rastra Bank	Bangladesh Bank	Information on Board of Directors

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SAARC Payment Council (SPC)

In order to enhance national Payment and Settlement Systems (PSS) of the member countries, it was decided to form a SAARC Payment Council (SPC). The SPC consists of senior officials at the level of deputy governor/ executive director of a member central bank/ monetary authority who are in charge of payment system development. The inaugural meeting of SPC, hosted by the Central Bank of Sri Lanka (CBSL) was held on 28 March 2008 in Colombo, Sri Lanka. It was indeed a historical event and a landmark in the development of PSS in the SAARC region since this was the first time the member central banks as a group focused attention in this area of activity. Six meetings of SPC have so far been held in India, Sri Lanka, Pakistan & Nepal, Bhutan and Bangladesh respectively. The 7th SAARC Payments Council Meeting was chaired by Mr P D J Fernando, Deputy Governor, Central Bank of Sri Lanka. All members except the member from Nepal Rastra Bank attended the meeting.

❖ Key areas that were discussed at the meeting:

❖ Progress of each member country's Payments and Settlements System (PSS) developments.

❖ Issues and drawbacks in implementing PSS in order to learn from others' mistakes.

❖ Mobile payments – the advantages/disadvantages of each available model.

❖ Worker remittances – how each country handles.

❖ Review of the PSS Road Map.

❖ Global developments in the PSS as discussed during the Committee of the PSS of Bank for International Settlements (BIS). (India is currently a member of the CPSS).

All members appreciated the initiatives taken by member countries to develop PSS in their respective countries after the establishment of the SAARC Payments Initiative.

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Appointment of the Chairman of SPC for the next 2 year period

The Deputy Governor of the Central Bank of Sri Lanka was unanimously appointed as the Chairman of the SPC for a further period of two years and Sri Lanka will continue to hold the SPI Secretariat.

Way forward

Following decisions were taken regarding the way SPI should progress during the next two years:

- ❖ Each member to justify what is learnt from the others.
- ❖ Expansion of mobile payments.
- ❖ Preparation of PSS related data of each country to justify the PSS developments after the commencement of SPI.
- ❖ Next generation of RTGS (interoperability, common message structure, common disaster recovery sites etc.)
- ❖ Issues on oversight.
- ❖ Revisit Vision and Mission of SPI.
- ❖ Outsourcing of PSS related functions.

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. It was decided at the 13th SAARCFINANCE Group meeting that every member central bank (except Bhutan and Maldives) would organize at least one seminar every year.

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The SAARCFINANCE members conducted 19 seminars, three studies, three workshop and six Governors' symposiums from September 1998 till now (Table 3).

Table 3: SAARCFINANCE Seminars/Workshops/Governors' Symposiums/Studies at a glance

Programs/ Host Central Bank	RBI	SBP	CBSL	NRB	BB	Total
Seminars	2	5	4	5	4	20
Workshops	6	-	-	-	-	6
Governors' Symposiums	1	-	3	-	2	6
Studies	1	1	-	1	-	3
Total	10	6	7	6	6	35

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

SBP: State Bank of Pakistan NRB: Nepal Rastra Bank

BB: Bangladesh Bank

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Section B: Member Country News

Afghanistan



7th SAARC Payments Council (SPC) Meeting Held in Dhaka

Payments Director, Da Afghanistan Bank (DAB) participated in 7th SAARC Payments Council held at Hotel Sheraton in Dhaka, Bangladesh on 28th March 2010. The meeting was chaired by Mr. P.D.J. Fernando, Deputy Governor, Central Bank of Sri Lanka. The participants from SAARC countries were present in the meeting. The meeting covered topics relevant to payments. Additionally, it was agreed that Sri Lanka would continue to hold the SPC Chairmanship for further two years, while India will host next SPC Meeting. The date and venue of the meeting will be informed to the SAARC Payments Initiative (SPI) secretariat by India.

Replacement of SAARCFINANCE Coordinator

Mr. Ateequallah Nosher, Director General, Monetary Policy Department has been assigned as SAARCFINANCE Coordinator of DAB replacing Mr. Matiullah Faeq.

Participation of DAB Officials in Seminars/Symposiums Organized by Other SAARC Member Countries

An official from DAB attended the SAARCFINANCE Seminar on "Global Financial Crisis- Implications and Policy Responses of SAARC Countries" organized by the State Bank of Pakistan during 10-12 June 2010. The seminar focused on policy response of SAARC countries on the face of global financial crisis. In addition, the representatives of SAARC countries presented their country papers on global financial crisis implications and policy response of their countries. Official from DAB presented his paper too.

Information Sharing

Based on the request of Nepal Rastra Bank, DAB supplied information during January-June 2010.

Name of Central Bank	Subject/Area of Request
Nepal Rastra Bank	Information on Board of Directors

The DAB also received data on remittances from respective SAARC central banks.

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Bangladesh



7th SAARC Payments Council (SPC) Meeting held in Dhaka

The 7th Meeting of the SAARC Payments Council was held at Hotel Sheraton in Dhaka, Bangladesh on 28th March 2010. The meeting was chaired by Mr. P. D. J. Fernando, Deputy Governor, Central Bank of Sri Lanka. All members from SAARC countries except Nepal were present at the meeting.

It was unanimously decided at the meeting that Sri Lanka would continue to hold the SPC Chairmanship for a further period of two years. In the meeting, India agreed to host the next SPC Meeting. The date and venue of the meeting will be informed to the SAARC Payments Initiative (SPI) secretariat by India in due course of time.

Change of Country Representative for SPC

Mr. Dasgupta Asim Kumar, Executive Director, Bangladesh Bank has been nominated as the Country Representative for SPC in place of Mr. Chowdhury Mohidul Haque, Executive Director, Bangladesh Bank.

Change of SAARCFINANCE Coordinator

Mr. Md. Julhas Uddin, Deputy General Manager, Research Department has been nominated as SAARCFINANCE Coordinator of Bangladesh Bank replacing Mr. Habibullah Bahar, the former Economic Adviser of Bangladesh Bank.

SAARCFINANCE Coordinators' Meeting

The 13th SAARCFINANCE Coordinators Meeting held in Colombo, Sri Lanka on 5-6 March 2010 was attended by Mr. Md. Julhas Uddin, Deputy General Manager, Research Department, Bangladesh Bank & SAARCFINANCE Coordinator, Bangladesh.

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Participation of Bangladesh Bank Officials in Seminars/Symposiums Organized by Other SAARC Member Countries

Three officials from the Bangladesh Bank attended the "SAARCFINANCE Seminar on "Global Financial Crisis- Implications and Policy Responses of SAARC Countries" organized by the State Bank of Pakistan during 10-12 June 2010.

Information Sharing

Under information sharing arrangement, Bangladesh Bank supplied information/materials on the following areas as requested by the member central banks during January-June 2010:

Name of Central Bank	Subject/Area of Request
State Bank of Pakistan	Monetary Policy Framework
Reserve Bank of India	Currency Swap Arrangement
Nepal Rastra Bank	Information on Board of Directors

Bangladesh Bank also received data on GDP, Import, Export and Remittances from the respective SAARC central banks.

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Bhutan



The Royal Monetary Authority of Bhutan (RMA) has been sharing regularly the data and information to various member central banks. During the review year, the RMA also provided information and response on monetary policy framework in the SAARC region to the SAARC Secretariat for research purpose.

The RMA successfully implemented Electronic Fund Transfer and Clearing System under technical assistance provided by the RBI. The Electronic Fund Transfer and Clearing System Project will strengthen the Payments System in Bhutan.

Appointment of RMA Governor

In 18 August 2010, His Majesty the King appointed the Managing Director of the Royal Monetary Authority, H.E. Mr. Daw Tenzin as the country's first ever Governor of the Royal Monetary Authority of Bhutan. This appointment was made in accordance with the Constitution of Bhutan.

Change of SAARCFINANCE Coordinator

Mr. Gopal Giri, Senior Research Officer, Research and Statistics Department have been nominated as SAARCFINANCE Coordinator of Royal Monetary Authority of Bhutan replacing Mr. Namgay Tshering, Director of RMA's Management Secretariat.

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India



SAARCFINANCE Staff Exchange program organized by the Reserve Bank of India

- (i) The 2nd Programme on "Advanced Derivatives" was organized by the Reserve Bank Staff College, RBI, Chennai for the representatives from for the Bangladesh Bank during March 8-12, 2010. It was attended by 2 representatives from the Bangladesh Bank. The programme focused on the issues and challenges in advanced derivatives.
- (ii) The 14th Basic Management Programme was organized by the Reserve Bank Staff College, RBI, Chennai for the officials of Bangladesh Bank during March 22, 2010 to April 01, 2010.
- (iii) 10th Programme on Fundamental of Financial Analysis was arranged by the Reserve Bank Staff College, RBI, Chennai for the official of Bangladesh Bank during April 5-9, 2010. This programme was attended by 2 representatives from Bangladesh Bank.
- (iv) To learn more about the experiences and practice of Reserve Bank of India relating to banking regulation, supervision and internal audit matters, the Nepal Rastra Bank is sending a high level team comprising of two Members of Board of Directors to RBI during October 11-14, 2010.

SAARCFINANCE Seminar

For the officials of Bangladesh Bank, the Reserve Bank Staff College, Chennai organized the 2nd Seminar on New Accounting Standards during April 26-28, 2010.

Maldives



13th SAARCFINANCE Coordinators' Meeting

The 13th SAARCFINANCE Co-ordinators' Meeting held in Colombo, Sri Lanka on March 5-6, 2010 was attended by Mr. Abdul Hameed Mohamed, SAARCFINANCE Coordinator for the Maldives and Executive Director, Monetary Policy and Research Division, Maldives Monetary Authority.

7th SAARC Payments Council (SPC) Meeting

The 7th SAARC Payments Council (SPC) meeting held from March 28-29, 2010 in Dhaka, Bangladesh, was attended by Ms. Aishath Zahira, Deputy Governor, Maldives Monetary Authority

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Nepal



Appointment of New NRB Governor

On March 19, 2010 the Government of Nepal appointed Dr. Yuba Raj Khatiwada to the post of Governor of Nepal Rastra Bank for a term of five years. Prior to this, Dr. Khatiwada was the Vice Chairman of National Planning Commission of Nepal. He had also served this bank for more than twenty years and retired from the post of Executive Director.

Retirement of Acting Governor

Mr Krishna Bahadur Manandhar, who worked as an acting governor Nepal Rastra Bank, has been retired from the bank since March 23, 2010. He was appointed to Deputy Governor of the Bank on March 23, 2005 for a term of five years.

SAARCFINANCE Seminar

Mr Pashupati Prasad Dahal, Manager of Nepal Rastra Bank, Biratnagar office and Mr Dhananjaya Sharma, Manager of Nepal Rastra Bank, Pokhara office attended the SAARCFINANCE seminar on 'Global Financial Crisis - Implications & Policy Responses of SAARC Countries' hosted by State Bank of Pakistan in Islamabad, Pakistan from June 9, 2010 to June 11, 2010.

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Pakistan



21st SAARCFINANCE Governors' Meeting

Syed Salim Raza, Governor, State Bank of Pakistan and Mr. Salman Siddique, Secretary Finance, Government of Pakistan, attended the 21st SAARCFINANCE Governors' Meeting, held at Washington D.C, U.S.A, on 25th April 2010.

13th SAARCFINANCE Coordinators' Meeting

Mr. Ayub-ul-Hasan, SAARCFINANCE Coordinator, State Bank of Pakistan (SBP) attended the 13th SAARCFINANCE Coordinators' Meeting, held at Colombo, Sri Lanka, during 5- 6 March, 2010.

7th SAARC Payments Council (SPC) Meeting

Mr. Muhammed Saleem Rehmani, the then Director, Payment Systems Department, State Bank of Pakistan, attended the 7th SAARC Payments Council Meeting, held at Dhaka, Bangladesh, on 28th March 2010.

SAARCFINANCE Seminar

State Bank of Pakistan (SBP) conducted a SAARCFINANCE Seminar on "Global Financial Crisis - Implications and Policy Responses of SAARC Countries" at National Institute of Banking and Finance (NIBAF), Islamabad, during 10- 12 June, 2010. Besides domestic participants, Delegates from all member countries (except Bhutan and Maldives) participated in the Seminar. The Delegates also presented their Country Papers, with a view to sharing their respective experiences and to generate a meaningful dialogue on the subject matter.

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SAARCFINANCE Information Sharing during Jan-Jun 2010

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State Bank of Pakistan	Reserve Bank of India	<p>Responded to request for comments on the RBI Paper titled "Proposed Swap Arrangements for the SAARC Members".</p>

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Sri Lanka



13th SAARCFINANCE Coordinators' Meeting

The 13th SAARCFINANCE Coordinators' Meeting, organized by Central Bank of Sri Lanka (CBSL) was held during 05 -06 March 2010 in Colombo, Sri Lanka under the Chairmanship of Mr. K D Ranasinghe, Chief Economist and Director, Economic Research Department, CBSL.

SAARC Payment Council (SPC)

The 7th SAARC Payments Council Meeting was successfully concluded on 28 March 2010 in Dhaka, Bangladesh. The meeting was chaired by Mr. P D J Fernando, Deputy Governor, CBSL. All members except the member from Nepal Rastra Bank attended the meeting.

21st SAARCFINANCE Governors' Meeting

Mr. Ajith Nivard Cabraal, Governor, CBSL chaired the 21st SAARCFINANCE Governors' Meeting held on 25 April 2010 in Washington DC, USA. The Meeting was chaired by Mr. Ajith Nivard Cabraal, Governor, CBSL and Mr. K G D D Dheerasinghe, Deputy Governor, CBSL, Mr. B D W A Silva, Assistant Governor, CBSL and Dr. P N Weerasinghe, Alternative Director/ IMF represented CBSL at the Meeting. At this meeting, the Chair of SAARCFINANCE was handed over to the Royal Monetary Authority of Bhutan (RMA).

SAARCFINANCE Staff Exchange

A team of three officers of the Nepal Rastra Bank (NRB) attended a study tour to CBSL during 22– 24 June 2010 with the purpose of studying the areas of development of IT and other physical infrastructure, RTGS System and procurement system.

SAARCFINANCE Seminar on “Global Financial Crisis-Implications and Policy Responses of SAARC Countries”

Mr. A W Mohottala, Economist, CBSL attended the SAARCFINANCE Seminar on “Global Financial Crisis-Implications and Policy responses of SAARC Countries” organized by the State Bank of Pakistan (SBP) during 10 – 12 June 2010.

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