

EXPORT OF FINANCIAL SERVICES

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Banking History of Pakistan

- 1947 - State Bank of Pakistan
- 1950's - Entry of Private Banks in Financial Sector
- 1960's - Industrial & Green Revolution
Expansion of Local Banks in Foreign Markets
- 1970's - Nationalization of Financial Sector
- 1990's - SBP Banking Reforms

Impact Of Nationalization

- Efficiency Losses
- Political Interference
- Nepotism
- Lack of Due Diligence in Advancing Loans
- Mergers
- Lack of Financial Management

SBP Financial Reforms

- Privatization of Banks
- Well Defined Prudential Regulations
- Focus on Corporate Governance
- Better Risk Management
- Know Your Customer & Anti Money Laundering Regulations
- Strengthening of Recovery Laws
- Increase in Paid Up Capital Requirement (PKR 1 BN in FY 03 - PKR 6 BN in FY 09)

SBP Financial Reforms

- Increased Disclosure and Financial Reporting Requirements
- Implementation of International Accounting Standards (IAS)
- Functional Improvements in Credit Information Bureau
- Basel II Implementation
- Guide Lines for Appointment of CEO - Board

SBP Financial Reforms

- Guide lines for :
 - Project Financing
 - Infrastructural Development
 - Export Finance
 - Financial Derivatives
- SBP Strengthened Regulatory Frame Work for Bank Supervision as per International Best Practices
- Hiring of Quality Human Resource by SBP
- Transparency in SBP Reviews Available on its Web Site

Impact Of Reforms

- Enhanced Efficiency in the Financial Sector
- Robust Credit Growth
- Diversification of Loan Portfolio
- Increased Profitability
- Liquidity
- Higher Economic Capitalization
- Improvement in Oversight Accompanied by Strong Prudential Regulation

Impact Of Reforms

- Infrastructure Modernization & Upgradation
- Focus on Staff Training
- Improvement in NPL's Portfolio
- Credit Risk Diversification and Increase in Client Base through SME and Consumer Financing
- Increased Competition Necessitated:
 - Innovative Products and Services
 - Reaching Out to Untapped Market Niche's eg. Consumer, SME/Agri

Financial Services

- Corporate Banking
 - Fund Based
 - Non Fund Based
 - Developer Finance
 - Cash Management
 - Trade Services
- Consumer Banking
 - Secured Assets
 - Un-Secured Assets

Financial Services

- SME Banking
 - Program Based
 - Relationship Based
- Investment Banking
 - Advisory Services
 - Syndications
 - Placements
 - Restructuring
 - Privatization & CIRC

Financial Services

- Treasury Services
 - Derivatives
 - FX , MM
 - Equities & TFS

Human Resource

- Population - 160 Million
- International Standards Business Schools
- Excellent Communication Skills
- Track Record of Local Bankers in International Market/ Multinational Banks
- In-Depth Training Programs
- Local Top Management of Foreign Banks in Pakistan
- Well Placed in International Development Financial Institutions eg. World Bank, IMF etc.
- Cost Effective

Cost Effectiveness

- The cost of any process that is labor intensive is substantially cheaper in Pakistan as compared to developed countries.
- Call centers based in Pakistan for foreign banks, local bank's foreign branches will have significant comparative advantage over call centers based in developed countries
- Bulk processing and the back office function of developed countries can be catered in Pakistan at a significantly lower cost

What to Export?

- People
 - Trained staff of banks and other financial institutions
 - This is already taking place especially in the middle east
- Banking Products
 - Consumer banking and SME banking products can be exported to countries such as Africa, Afghanistan, Kazakhstan, Iraq where there consumer and SME banking has made negligible progress
- Rules and Regulations
 - Pakistan's regulatory framework is far superior to that in many developing countries and the banks and financial institutions along with exporting products, procedures and know-how can export the regulatory framework.
- Banks – Branches in Foreign Countries & Facilitation of Trade
 - Strong Banking Sector in terms of Capital Base. The Banks who have consolidated in the local market and have the balance sheet strength as well as the systems and product menus can now exploit opportunities in the international arena.
 - This will in turn impact future trade growth
- Financial Products
 - Debt and Equity Funds
 - Fund Management Services
 - Insurance

Where to Export?

- Neighboring countries
 - Countries such as Kazakhstan, Afghanistan and Bangladesh, should be focused in the first stage.
 - Pakistan can export everything from systems, skilled human resource, regulations and products and given the similarity of culture and work environment Pakistan would have a competitive advantage over other countries
- Middle East
 - Skilled Human Resources (this has been an ongoing export over the last 3 decades)
 - Payment Products (remittance based), Attractive saving products for Pakistanis based in the middle east
- Africa
 - Consumer and SME Products
 - Skilled human resources
 - Systems
 - Banking Regulations – Pakistan’s regulatory framework can be easily adapted to the African countries
- Eastern Europe
 - Consumer Products
 - Banking Regulations
- Central Asia
 - The less developed countries of Central Asia would be an ideal place for Pakistan to export financial services. The similarity of culture and economic conditions would enable a transition of the products and regulations from Pakistan to these countries to be a significantly easier task than most of the developed countries.