

SAARCFINANCE e-Newsletter

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

December 2007

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SAARCFINANCE Cell
Department of Economic Analysis and Policy
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Message from the Chairperson of SAARCFINANCE Governors

The purpose of e-Newsletter is to place all the news relating to SAARCFINANCE activities at one place for awareness of the member country. In accordance with the decision of the 14th SAARCFINANCE Governors' Meeting held in Singapore on September 20, 2006, the responsibility to publish the e-Newsletter rests on the central bank whose Governor acts as the Chairperson in rotation. Accordingly, the Bangladesh Bank had published the first issue of half-yearly SAARCFINANCE e-Newsletter in January 2007, covering activities that had taken place during July-December 2006.

With moving of the Chair of the SAARCFINANCE to the Reserve Bank of India (RBI) from Bangladesh Bank during the sideline meeting of the Asian Clearing Union (ACU) held on May 15, 2007 in Dhaka, the Reserve Bank of India had published the 2nd issue of e-Newsletter in July 2007, covering activities that had taken place in the SAARC member countries during January-June 2007.

It is a pleasure for me to publish the third issue of e-Newsletter encompassing SAARCFINANCE activities occurred during July-December 2007. 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 (December 2007) are most welcome in a bid to improve its successive issues.

January 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 July-December 2007.

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, sixteen SAARCFINANCE Governors' meetings were held till now.

The 16th SAARCFINANCE Governors' meeting was held on the sidelines of the Fund-Bank Annual Meeting at the International Monetary Fund (IMF) in Washington D.C on October 20, 2007. The major decisions that were taken during the 16th SAARCFINANCE Governors' meeting are –

1. There will be a seminar each in Bangladesh (Corporate Governance in Banks and Financial Institutions in SAARC Countries), Pakistan (Basel II and Financial Inclusion) and Sri Lanka (South Asia's Recent Growth and Future Prospects) in the first two quarters of 2008.
2. Efforts will be made to arrange for seminars in Maldives and Afghanistan in 2009. The topic of the Seminars will be decided later.
3. Co-ordinators may prepare a list of research projects of regional importance, which may be shared through an electronic network.
4. Secretariat may collate information on Staff exchange and training programme needs for 2008 and prepare a status report.
5. Co-ordinators may prepare next years' programme for Trainings/Seminars/Symposia/Workshops under Staff Exchange Programme and submit a Report to the Governors which will be discussed in April 11, 2008 during the sidelines of the IMFC spring meeting in Washington, D.C.
6. Member countries may provide calendar of training programmes on their respective web-sites to enable other member countries to take benefit of such programmes, in particular to Maldives and Afghanistan in view of their special needs.
7. The Co-ordinators may develop *modus operandi* regarding operationalization of training centre for SAARCFINANCE for discussion in the next SAARCFINANCE Group meeting.
8. Secretariat may provide support for hosting the web-site of Maldives.
9. Secretariat may prepare proposals for operationalizing the Regional Payments System and collate the feedback from members for discussion in April 2008 Group meeting.
10. Secretariat may collate material in the experience of Credit Information Bureau in SAARC countries as a status paper, including its legal and institutional set-up, for discussion in the April 2008 Group meeting.

II. SAARCFINANCE Co-ordinators' Meetings

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

The 8th SAARCFINANCE Co-ordinators' Meeting was organized by Reserve Bank of India (RBI) in Mumbai during September 10-11, 2007. The major decisions that were taken during the 8th SAARCFINANCE Co-ordinators' meeting are –

1. *Standardization of web folder of SAARCFINANCE in accordance with the IMF's General Data Dissemination System (GDDS)*: All members are to revisit this issue and give their feedback to the Secretariat.
2. *Improvement in the contents of the SAARCFINANCE e-Newsletter*: Nepal Rastra Bank is to develop a model for data structure and submit the model to the SAARCFINANCE Secretariat. The Secretariat would circulate the model for data structure prepared by Nepal Rastra Bank among all other members for their concurrence/confirmation.
3. *Electronic publication/book form of time-series data on major economic variables*: Nepal Rastra Bank is to prepare a model for broad macro-economic policy structure and submit it to the Secretariat. The Secretariat would circulate the model for broad macro-economic policy structure prepared by Nepal Rastra Bank among all other members for their concurrence before placing it in the SAARCFINANCE Governors' meeting.

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 country's institutions. Information / materials on the following areas were supplied on the request of the member central banks during July-December 2007 (Table 1):

Table 1: SAARCFINANCE Information Sharing during July-December 2007

Information sought from (Supplier)	Information sought by (User)	Subject/Area of Request
Bangladesh Bank (BB)	Central Bank of Sri Lanka	1. Data on Petroleum Prices 2. Data on Retail Prices of Electricity 3. Information on the number of BB staff and their education qualifications
Royal Monetary Authority of Bhutan (RMA)	1. Bangladesh Bank 2. Central Bank of Sri Lanka	1. Data and Information on Petroleum products
State Bank of Pakistan (SBP)	Central Bank of Sri Lanka	1. Data on Energy Prices
	Nepal Rastra Bank	1. Information on Licensing Requirements 2. Information on the Preparation of Pre-Budget Report for the Government
Central Bank of Sri Lanka (CBSL)	Nepal Rastra Bank	1. Information on the Pre-Budget Report
Reserve Bank of India (RBI)	Nepal Rastra Bank	1. Banking Licensing Requirements in India 2. e-banking policies, guidelines and directives of the RBI 3. Report of the Working Group on Internet Banking

IV. Staff Exchange Programme

Since the inception of the SAARCFINANCE (*i.e.*, September 1998), a good number of officers (217) 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 since September 1998

Country of Origin of the Staff	Host Institutions/Central Banks						Total
	RBI & other Institutions	CBSL	SBP	NRB	BB	RMA	
Bangladesh	11	-	4	-	-	-	15
Bhutan	34	10	-	8	-	-	52
India	-	4	2	-	5	1	12
Maldives	2	4	-	-	-	-	6
Nepal	7	55	7	-	7	-	76
Pakistan	2	2	-	-	-	-	4
Sri Lanka	20	-	26	2	4	-	52
Total	76	75	39	10	16	1	217

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 July-December 2007, as many as 13 officers 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 July-December 2007

Country of Origin of the Staff	Host Institutions/Central Banks						Total
	RBI & other Institutions	CBSL	SBP	NRB	BB	RMA	
Bangladesh	-	-	-	-	-	-	-
Bhutan	3	3	-	-	-	-	6
India	-	-	-	-	-	1	1
Maldives	-	-	-	-	-	-	-
Nepal	-	4	-	-	-	-	4
Pakistan	2	-	-	-	-	-	2
Sri Lanka	-	-	-	-	-	-	-
Total	5	7	-	-	-	1	13

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

The SAARCFINANCE members conducted 13 seminars, 3 studies, 1 workshop and 4 Governors' symposiums since the inception of SAARCFINANCE (*i.e.*, September 1998) (Table 4).

**Table 4: SAARCFINANCE Seminars/Workshops/Governors' Symposiums/
Studies since September 1998**

Programs/ Banks	Host	Central	BB	RBI	NRB	SBP	CBSL	Total
Seminars			2	1	4	3	3	13
Workshops			-	1	-	-	-	1
Governors' Symposiums			1	1	-	-	2	4
Studies			-	1	1	1	-	3
Total			3	4	5	4	5	21

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

SBP: State Bank of Pakistan

NRB: Nepal Rastra Bank

BB: Bangladesh Bank

During July-December 2007, the Central Bank of Sri Lanka had organized SAARCFINANCE Governors' Symposium on '*Towards a Regional Payments Group*' (July 2007) .

Section B. Country-Specific Developments

I. Afghanistan

SAARCFINANCE Governors' Meeting

The Sixteenth SAARCFINANCE Governors' Meeting held in Washington D.C. on October 20, 2007 on the sidelines of IMF/WB Annual Meetings was attended by Mr. Ahady, Hon'ble Minister, Afghanistan; Mr. Noorullah Delawari, Governor (at that time), Da Afghanistan Bank and Mr. Samiullah Ibrahimi, 1st Deputy Governor, Da Afghanistan Bank.

Da Afghanistan Bank - New Governor

Mr. Abdul Qadeer Fitrat was nominated as Governor of the Da Afghanistan Bank (DAB) by the President of the Islamic Republic of Afghanistan in early September 2007 and confirmed by the Parliament on November 17, 2007. Mr. Abdul Qadeer succeeds Mr. Noorullah Delawari.

II. Bangladesh

SAARCFINANCE Seminar on 'Corporate Governance in Banks and Financial Institutions in the SAARC Region'

As per decision of the Sixteenth SAARCFINANCE Governors' Meeting held in Washington D.C. on October 20, 2007, Bangladesh Bank (BB) has decided to organize a seminar on 'Corporate Governance in Banks and Financial Institutions in the SAARC Region' at Dhaka, Bangladesh during 2008.

Information Sharing

Under information sharing, Bangladesh Bank supplied information/materials on the following areas as requested by the SAARC member central bank during July-December 2007:

Name of Central Bank seeking information	Subject/Area of request for information
Central Bank of Sri Lanka	1. Data on Petroleum Prices. 2. Data on Retail Prices of Electricity. 3. Information on the number of Bangladesh Bank staff and their educational qualifications.

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

The following officials of the Bangladesh Bank attended the 'SAARCFINANCE Conference: Towards a Regional Payments Group' organized by the Central Bank of Sri Lanka on July 6, 2007:

1. Mr. Ziaul Hassan Siddiqui, Deputy Governor.
2. Mr. Md. Belayet Hossain, General Manager.

SAARCFINANCE Co-ordinators' Meeting

The eighth SAARCFINANCE Co-ordinators' Meeting held in Mumbai, India during September 10-11, 2007 was attended by Mr. Habibullah Bahar, Economic Adviser, Bangladesh Bank & SAARCFINANCE Coordinator, Bangladesh.

SAARCFINANCE Governors' Meeting

The Sixteenth SAARCFINANCE Governors' Meeting held in Washington D.C. on October 20, 2007 on the sidelines of the IMF/WB Annual Meetings was attended by Dr. Salehuddin Ahmed, Governor, Bangladesh Bank.

III. Bhutan

Information Sharing

The Royal Monetary Authority of Bhutan (RMA) has been sharing regularly the data and information on petroleum products with (i) Bangladesh bank and (ii) Central bank of Sri Lanka.

Staff Exchange Programme

Mr. S.N.S Tyagi, Assistant Advisor, Department of Statistical Analysis and Computer Services, RBI, had visited the Research and Statistics Division of RMA during September 16-18, 2007 to discuss the use of statistics and central bank's survey which are used for conducting monetary policy.

Three officers of the Financial Institutions Supervision Division of the Royal Monetary Authority of Bhutan (RMA) attended the attachment programme on Licensing Regulations of the Financial Institutions held at the Central Bank of Sri Lanka during December 17-21, 2007 and also visited Reserve Bank of India, Mumbai for the same purpose during December 24-28, 2007.

SAARCFINANCE Governors' Meeting

The Sixteenth SAARCFINANCE Governors' Meeting held in Washington D.C. on October 20, 2007 on the sidelines of the IMF/WB Annual Meetings was attended by Mr. Daw Tenzin, Managing Director, Royal Monetary Authority of Bhutan and Ms. Sonam Dema, Research Officer, Royal Monetary Authority of Bhutan.

IV. India

SAARCFINANCE Staff Exchange Programme

Two officials from the State Bank of Pakistan, viz. Mr. Nawaz Qasim and Mr. Mohammad Ashraf Khan, visited the Reserve Bank of India, Mumbai during September 11-14, 2007 to interact on various aspects of agricultural and rural finance. This was the first visit of officials from State Bank of Pakistan to the Reserve Bank of India under the SARCFINANCE Staff Exchange Programme.

Three officials from the Royal Monetary Authority of Bhutan visited Reserve Bank of India, Mumbai during December 24-28, 2007 for studying the regulatory approaches and practices for entry of foreign banks and domestic banks in India to facilitate them in drafting the licensing regulations for establishment of joint venture banks and domestic (both private and public) banks in Bhutan.

Mr. S.N.S Tyagi, Assistant Advisor, Department of Statistical Analysis and Computer Services, RBI, had visited the Research and Statistics Division of Royal Monetary Authority of Bhutan (RMA) during September 16-18, 2007 to discuss the use of statistics and central bank's survey which are used for conducting monetary policy.

Information Sharing

Reserve Bank of India (RBI) shared the following information on request received from the SAARC member Central Bank during July-December, 2007:

Name of Central Bank	Subject/Area of request for information
Nepal Rastra Bank	<ol style="list-style-type: none"> 1. Banking Licensing Requirements in India 2. e-banking policies, guidelines and directives of the RBI 3. Report of the Working Group on Internet Banking

SAARCFINANCE Co-ordinators' Meeting

The Eighth SAARCFINANCE Co-ordinators' Meeting was held at Reserve Bank of India in Mumbai, India during September 10-11, 2007. All Co-ordinators excepting Afghanistan, Bhutan and Pakistan participated in the meeting.

SAARCFINANCE Governors' Meeting

The 16th SAARCFINANCE Governors' meeting was held on the sidelines of the Fund-Bank Annual Meeting in Washington D.C on October 20, 2007. Dr. Y. V. Reddy, Governor, Reserve Bank of India (RBI) and the Chair, SAARCFINANCE presided over the meeting. In addition, Dr. D. Subba Rao, Finance Secretary, Government of India, Dr. R.K.Pattnaik, Adviser, RBI, Mr. K.Damodaran, GM, RBI and EA to Governor and Dr. Partha Ray, Adviser, ED to IMF (India) also attended the Meeting.

V. Maldives

SAARCFINANCE Co-ordinators' Meeting

The 8th SAARCFINANCE Co-ordinator's Meeting held in Mumbai, India during September 10-11, 2007 was attended by Ms. Azeema Adam, SAARCFINANCE Co-ordinator for the Maldives and Deputy Managing Director, Research & Statistics Division, Maldives Monetary Authority.

SAARCFINANCE Governors' Meeting

The sixteenth SAARCFINANCE Governors' Meeting held in Washington D.C on October 20, 2007 was attended by Mr. Abdullah Jihad, Governor, Maldives Monetary Authority and Mr. Ibrahim Naeem, Deputy Managing Director, Financial Sector Division, Maldives Monetary Authority.

SAARCFINANCE Link on Central Bank's website

The SAARCFINANCE web-folder has been created by Maldives on its Website the Maldives Monetary Authority http://www.mma.gov.mv/saarc_finance.php

VI. Nepal

SAARCFINANCE Co-ordinators' Meeting

Ms. Shiba Devi Kafle, SAARCFINANCE Co-ordinator, Nepal and Director, Research Department, Nepal Rastra Bank, attended the 8th SAARCFINANCE Co-ordinators' Meeting held in Mumbai, India during September 10-11, 2007.

SAARCFINANCE Governors' Meeting

The 16th SAARCFINANCE Governors' meeting held on the sidelines of the Fund-Bank Annual Meeting in Washington D.C on October 20, 2007 was attended by Mr. Krishna Bahadur Manandhar, Acting Governor of Nepal Rastra Bank, Mr. Vidyadhar Mallik, Finance Secretary, Nepal, Mr. Ram Prasad Adhikari, Executive Director, Research Department, Nepal Rastra Bank and Mr. Keshav Prasad Acharya, Senior Adviser to Executive Director, FFDST, IMF.

VII. Pakistan

Information Sharing

State Bank of Pakistan (SBP) handled the following information/material-specific requests received from the SAARC member Central Banks during July-December, 2007:

Name of Central Bank	Subject/Area of request for information
Central Bank of Sri Lanka	Data on Energy Prices.
Nepal Rastra Bank	Information on Licensing Requirements.
Nepal Rastra Bank	Information on the Preparation of Pre-Budget Report for the Government.

SAARCFINANCE Staff Exchange Programme

Two officers from State Bank of Pakistan (SBP), viz. Mr. Qasim Nawaz and Mr. Mohammad Ashraf Khan, visited Reserve Bank of India, Mumbai in September 2007 under SAARCFINANCE Staff Exchange Program in order to interact on different aspects of development finance, viz., SME, micro and agriculture/rural finance. It was the first visit of SBP officials to RBI under the SAARCFINANCE Staff exchange programme.

SAARCFINANCE SEMINAR

The State Bank of Pakistan intends to hold a Seminar on “Basel II” sometime during the second quarter of 2008.

SAARCFINANCE Governors’ Meeting

Dr. Shamshad Akhtar, Governor, State Bank of Pakistan and Mr. Ahmed Waqar, Secretary, Finance Division, Government of Pakistan, attended the 16th Meeting of SAARCFINANCE Governors held in Washington D.C on October 20, 2007.

GOVERNOR, STATE BANK OF PAKISTAN HONOURED

Dr. Shamshad Akhtar, Governor, State Bank of Pakistan, has been conferred with the prestigious and coveted award of the ‘Best Central Bank Governor for Asia 2007’ to acknowledge her outstanding contribution in the overall financial sector and monetary policy management in Pakistan. Mr. John Orchard, Managing Director of Emerging Markets Newspaper, a part of Euromoney Institutional Investor plc, one of the largest and most respected providers of financial information worldwide, presented the award to Dr. Akhtar at an impressive ceremony held in Washington D.C, U.S.A during October 2007. This award is based on nominations from regional investors, bankers, economists, analysts and other experts. The award also unequivocally signifies the exceptional contribution Dr. Akhtar has made in the overall development of the country’s financial sector and management of monetary policy.

Another significant development is the appointment of Dr. Shamshad Akhtar, Governor, State Bank of Pakistan as the Chairperson of the Islamic Financial Services Board (IFSB) Council. At 11th meeting of the Council, held on 22nd November, 2007, the appointment of Dr. Akhtar as its Chairperson was endorsed for a one-year term beginning from January 01, 2008. Dr Akhtar will be the 5th Chairperson of the IFSB Council. The Islamic Financial Services Board is an international standard-setting organization that promotes and enhances the soundness and stability of the Islamic financial services industry by issuing global prudential standards and guiding principles for the industry, broadly defined to include banking, capital markets and insurance sectors.

VIII. Sri Lanka

SAARCFINANCE Conference Papers: Towards a Regional Payments Initiative

The Central Bank of Sri Lanka has published SAARCFINANCE Conference papers: Towards a Regional Payments Initiative, containing the presentations made by the eminent speakers at the SAARCFINANCE Conference held during July 5-7, 2007 in Colombo and summary of the proceeding of the above-mentioned conference.

Information Sharing

Central Bank of Sri Lanka supplied information on the Pre-Budget Report as requested by the Nepal Rastra Bank in November 2007.

Staff Exchange Programme

The Central Bank of Sri Lanka arranged a familiarization programme for a group of officers of the Royal Monetary Authority of Bhutan (MAB) in December 2007. This group consisted of 3 officers of the Financial Institutions Supervision Division of the MAB participated in a programme to exchange experience in the field of Licensing Regulations of the Financial Institutions.

SAARCFINANCE Co-ordinators' Meeting

Mr. K. M. Abeykoon, Deputy Director, Training Department had been appointed as the SAARCFINANCE Co-ordinator and attended the 8th SAARCFINANCE Co-ordinators' Meeting held in Mumbai, India during September 10-11, 2007.

SAARCFINANCE Governors' Meeting

The 16th SAARCFINANCE Governors' meeting held on the sidelines of the Fund-Bank Annual Meeting in Washington D.C on October 20, 2007 was attended by Mr. Ajith Nivard Cabraal, Governor, Central Bank of Sri Lanka, Mr. W.A.Wijewardana, 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, Central Bank of Sri Lanka