



# SAARCFINANCE e-Newsletter

January 2012

Published by  
Governor's Office  
Maldives Monetary Authority



*A half-yearly publication of the regional network of SAARC Central Bank  
Governor's and Finance Secretaries (SAARCFINANCE)*

# **Message from the Chairperson of SAARCFINANCE Group**

**It gives me great pleasure to publish the 11<sup>th</sup> issue of the SAARCFINANCE e-Newsletter, which covers the activities undertaken by the SAARCFINANCE during the last half of 2011, as the Chairmanship of the Network was officially transferred to Maldives at the 23<sup>rd</sup> SAARCFINANCE Group meeting held in Washington DC, USA on 25 September 2011.**

**In pursuing the SAARCFINANCE objectives, the body has been reasonably active, in spite of limited resources and the recent global financial crisis. But we still need to deliberate on ensuring that this region gets the right amount of representation at the international level, given the mandate available to this body.**

**This issue of the newsletter consists of two sections: Section A, covering the broad developments of SAARCFINANCE and Section B, which consists of country-wise activities undertaken from July to December 2011.**

**I also take this opportunity to express my deep appreciation and gratitude to the SAARCFINANCE Coordinators for their continued support and contribution to the 11<sup>th</sup> issue of the SAARCFINANCE e-Newsletter.**

**I look forward to any comments and suggestions, if any, for this issue of e-Newsletter.**

**Fazeel Najeeb (PhD)  
Governor and Chairman  
Maldives Monetary Authority  
and Chairperson, SAARCFINANCE Group**

# Brief History of SAARCFINANCE

As agreed during the 10<sup>th</sup> SAARC Summit held in Colombo on 29 July 1998, SAARCFINANCE was established on 9 September 1998 as a regional network of the SAARC Central Bank Governors and Finance Secretaries. It is a permanent body, which received formal recognition during the 11<sup>th</sup> SAARC Summit held in Kathmandu, Nepal in January 2002. The Chair of the SAARCFINANCE rotates with the Chair of the SAARC. Subsequently on 25 September 2011, the Chair for SAARCFINANCE was transferred to Maldives and the Maldives Monetary Authority.

## Objectives of SAARCFINANCE

- The basic objective of establishing the SAARCFINANCE Network is to share experiences on macroeconomic policy issues between member countries of the region. However, the broad objectives of the SAARCFINANCE Network are as follows:
- To promote cooperation among central banks and finance ministries in SAARC member countries through staff visits and regular exchange of information.
- To consider and propose harmonization of banking legislations and practices within the region.
- To work towards a more efficient payment system mechanism within the SAARC region and strive for higher monetary and exchange cooperation.
- To forge closer cooperation on macroeconomic policies of SAARC member states and to share experiences and ideas.

- To study global financial developments and their impact on the region - including discussions relating to emerging issues in the financial architecture, IMF and World Bank and other international lending agencies.
- To monitor reforms of the international financial and monetary system and to evolve a consensus among SAARC countries in light of the reforms.
- To evolve joint strategies whenever feasible, plan and identify common approaches in international fora for mutual benefit, particularly in the context of liberalizing financial services.
- To undertake training of staff at the ministries of finance, central banks and other financial institutions of the SAARC member countries, in subjects relating to economics and finance.
- To explore networking of the training institutions within the SAARC region that specialize in various aspects of monetary policy, exchange rate reforms, bank supervision and capital market issues.
- To promote research on economic and financial issues for the mutual benefit of SAARC member countries.
- To consider any other matter on the direction/request of the SAARCFINANCE, Council of Ministers or other SAARC bodies.

## **Section A: Broad Developments**

### **SAARCFINANCE Governor's Meetings**

The SAARCFINANCE Governors meet twice a year, where the first Group Meeting was held during the Governors' Symposium within the SAARC Region, instead of sidelining with the IMF/WB annual spring meetings. As the 23<sup>rd</sup> SAARCFINANCE Group meeting was held in Washington D.C on 25 September 2011, the 24<sup>th</sup> Group Meeting is arranged to be held along with the SAARCFINANCE Governors Symposium in Pokhara, Nepal from 16 - 17 May 2012. The 25<sup>th</sup> Group Meeting is scheduled to be held in Japan, side by side with the IMF/ World Bank Autumn Meeting in October this year.

### **SAARCFINANCE Coordinator's Meetings**

As decided during the 13<sup>th</sup> SAARCFINANCE Group meeting, the SAARCFINANCE Coordinators meet periodically to discuss developments in SAARCFINANCE activities, and to prepare the agenda for the SAARCFINANCE Governors' Meeting, to be held on the sidelines of the Annual IMF/World Bank Meetings. To date, 14 SAARCFINANCE Coordinators' meetings have been hosted by member central banks, including the Central Bank of Sri Lanka, Nepal Rastra Bank, State Bank of Pakistan, Bangladesh Bank, and Reserve Bank of India and Bhutan. The 15<sup>th</sup> SAARCFINANCE Coordinators Meeting is scheduled to be held in Male', Maldives from 12 - 13 March 2012.

### **SAARCFINANCE Information Sharing**

The information shared on various policy issues among member countries are shown in Table 2.

## SAARCFINANCE Staff Exchange Program

Since the inception of SAARCFINANCE, numerous officers have visited various central banks of member countries under the Staff Exchange Program (Table 1). The details of these visits from July – December 2011 are as follows:

- A team of officials of Nepal Rastra Bank (NRB) visited Central Bank of Sri Lanka from 19 - 23 September 2011 under the SAARCFINANCE staff exchange program, for familiarization of certain Central Banking activities. The team included 12 junior to middle level officers.
- An official from the Reserve Bank of India visited Grameen Bank and BRAC in Bangladesh in a study tour to gain experience of their activities related to the development of rural areas and Self Help Groups from 22 - 25 December 2011.
- Nepal Rastra Bank (NRB) requested for a visit of their officials to State Bank of Pakistan from 10 - 14 January 2012, under SAARCFINANCE Staff Exchange Program, and this process is in progress. The purpose of the said visit is to familiarize on different areas of central banking in Pakistan.



## SAARC Payment Council (SPC) meeting

In order to enhance national Payment and Settlement Systems (PSS) of the member countries, a SAARC Payment Council (SPC) was formed. The SPC consists of senior officials at the level of deputy governor/ executive director at member central banks/monetary authorities, who are in charge of payment system development. The inaugural meeting of SPC was hosted by the Central Bank of Sri Lanka (CBSL) on 28 November 2008 in Colombo.

10 meetings of the SPC have been held so far, in India, Sri Lanka, Pakistan, Nepal, Bhutan, Bangladesh and Maldives respectively. The 10<sup>th</sup> meeting of the SAARC Payment Council (SPC) was held from 28 - 29 November 2011 at the Central Bank of Sri Lanka, in Colombo. Mr. B D W A Silva, Deputy Governor of CBSL and the Chairman of SPC chaired the meeting. All members of the SPC, except the member from Afghanistan, attended the meeting. The key areas that were discussed during the 10<sup>th</sup> SPC meeting were:

- Ratification of the minutes of the 9<sup>th</sup> SPC meeting held in Male, Maldives
- Revisiting the Objectives of the SPC and the way forward
- The emerging fraudulent activities in the globe and possible measures that could be implemented to overcome such activities
- Extending banking services to the unbanked through business correspondents (the Brazil model)
- Providing technical assistance by RBI to SAARC member countries
- Issues and challenges on Payments and Settlements
- Appointment of New Office Bearers

## SWAP Arrangements

The Memorandum on the SWAP arrangement was unanimously approved by the SAARCFINANCE Group Meeting held in Washington DC, on 25 September 2011. It was later submitted to the 17<sup>th</sup> SAARC Summit held in Addu Maldives on 10 November last year, for final approval. The Council of Ministers took note of the issue during the summit and due to its technical nature; it was submitted to the 5<sup>th</sup> SAARC Finance Ministers' Meeting held in Dhaka, Bangladesh on 30 January 2012.

The 5<sup>th</sup> SAARC Finance Ministers Meeting held in Dhaka, Bangladesh, on 30 January 2012, considered and endorsed the 23<sup>rd</sup> SAARCFINANCE Group Meeting Report and particularly the Memorandum on the Framework of SWAP Arrangement.

At the 5<sup>th</sup> SAARC Finance Ministers' Meeting held in Dhaka, the Chairman of SAARCFINANCE, Dr. Fazeel Najeeb requested the Indian delegation, to finalize the two issues that remained regarding the SWAP Arrangement to be solved, one on the Indian Rupee interest rate and the other on default resolution mechanism. The Indian delegation assured that those two issues would be solved shortly.



# SAARCFINANCE Staff Exchange Program at a Glance (December 2011)

Table 1: SAARCFINANCE Staff Exchange Program at a glance (as of January 2012)

Country of Origin of the Staff	Host Institutions/Central Banks						Total
	RBI and Other Institutions	CBSL	SBP	NRB	BB	RMA	
Afghanistan	-	-	-	-	-	-	-
Bangladesh	-	-	-	-	-	-	-
Bhutan	-	-	-	-	-	-	-
India	-	-	-	-	1	3	4
Maldives	-	-	-	-	-	-	-
Nepal	-	12	-	-	-	-	12
Pakistan	-	-	-	-	-	-	-
Sri Lanka	-	-	-	-	-	-	-
Total	0	12	0	0	1	3	16

RBI: Reserve Bank of India

CBSL: Central Bank of Sri Lanka

BB: Bangladesh Bank

SBP: State Bank of Pakistan

NRB: Nepal Rastra Bank

# SAARCFINANCE Information Sharing

Table 2: SAARCFINANCE Information Sharing

Information Sought from (Supplier)	Information sought by (User)	Subject/Area of Request
Reserve Bank of India	Royal Monetary Authority of Bhutan	i) Operating procedure of the RBI Monetary Policy ii) Working Group Report on Benchmark Prime Lending Rate

## SAARCFINANCE Seminars/Meetings/Workshops/Governors' Symposiums/Studies

Table 3: SAARCFINANCE Seminars/Meetings/Workshops/Governors' Symposiums/Studies

Programs/Host Central Bank	RBI	SBP	CBSL	NRB	BB	Total
Seminars/Meetings	1	-	2	2	1	6
Workshops	-	-	-	1	-	1
Governors' Symposiums	-	-	-	-	-	0
Studies	1	-	-	-	-	1
Total	2	0	2	3	1	8

## Section B: Member Country News

### Afghanistan



- There were no SAARCFINANCE activities undertaken by Afghanistan within the duration

### Bangladesh



- **SAARCFINANCE Staff Exchange Programme**

An official from the Reserve Bank of India visited Grameen Bank and BRAC in Bangladesh in a study tour, to gain experience from their activities related to the development of rural areas and Self Help Groups, from 22 - 25 December 2011.

- **SAARCFINANCE Group Meeting**

The 23<sup>rd</sup> SAARCFINANCE Group Meeting held in Washington D.C., U.S.A on 25 September 2011 on the sidelines of WB/IMF Annual Meetings, and was attended by Dr. Atiur Rahman, Governor; Bangladesh Bank and Dr. Mohammad Tareque, Finance Secretary; the People's Republic of Bangladesh.

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

Executive Director Mr. Md. Jahangir Alam and General Manager Mr. Kazi Sayedur Rahman from the Bangladesh Bank attended the experts and senior officials meeting of SAARC central banks on SWAP arrangement in Mumbai from 14 - 15 July 2011.

- **SAARCFINANCE Seminar Held in Dhaka**

As per decision of the 22<sup>nd</sup> SAARCFINANCE Group Meeting held in Washington D.C.; U.S.A, on 10 October 2010, Bangladesh Bank (BB) organized a SAARCFINANCE Seminar on "Financial Inclusion: The Role of Central Banks in SAARC Region" in Dhaka from 20 - 21 December 2011.

## **Bhutan**



1. Bhutan's chairmanship to SAARCFINANCE was officially transferred to Maldives after the conclusion of 23<sup>rd</sup> SAARCFINANCE Group Meeting held on 25 September 2011 in Washington D.C.
2. A team of experts from the Monetary Policy Department of the Reserve Bank of India comprising Executive Director, Mr. Deepak Mohanty , Adviser-in-Charge, Dr. Janka Raj, , and Director, Mr. Muneesh Kapur, visited the RMA from 28 November to 4 December 2011, to assist RMA and draw up the monetary policy operations and base rate for Bhutan.
3. The RMA invited Mr. Santhosh Kumar, Asst. General Manager of the Reserve Bank of India to attend the inauguration of the National Electronic Fund Transfer (NEFT) System on 2 December 2011.
4. The SAARCFINANCE Chairperson/Governor of the RMA, Mr. Daw Tenzin and Deputy Governor of the RMA, Mr. Pushpa Lal Chhetri attended the 23<sup>rd</sup> SAARCFINANCE Group Meeting held in Washington DC on 25 September 2011.
5. Deputy Governor of the RMA, Mr. Pushpa Lal Chhetri attended the Central Bank's expert group meeting on Swap Arrangement, organized by the Reserve Bank of India in Mumbai from 14 - 15 July, 2011.

## SAARCFINANCE Information Sharing

Information sought from (Supplier)	Information sought by (User)	Subject/Area of request
Reserve Bank of India	Royal Monetary Authority of Bhutan	iii) Operating procedure of the RBI Monetary Policy  iv) Working Group Report on Benchmark Prime Lending Rate

## India



- Reserve Bank of India had organized the 'Meeting of Experts and Senior Officials of SAARC Central Banks on Swap Arrangement' from 14 - 15 July 2011 at the Reserve Bank of India Central Office, Mumbai. Delegates from SAARCFINANCE Central Banks and Ministers of Finance attended the meeting.

- The International Training of Trainers (TOT) Program on Restructuring and Strengthening of Rural Financial Institutions (in collaboration with Centre for International Cooperation and Training in Agricultural Banking (CICTAB) was arranged at CAB, Pune; India from 18 - 22 July 2011. This program was attended by 8 representatives from Nepal Rastra Bank, 2 representatives from Bangladesh Bank and 6 representatives from the Central bank of Sri Lanka.
- Dr. Debasish Mujumdar, Assistant General Manager, Department of Statistics and Information Management presented a paper on “Asset Pricing Model for Inefficient Markets: empirical evidence from the Indian market” in the International Research Conference 2011 hosted by Central Bank of Sri Lanka, Colombo on 25 November 2011.
- On invitation of Royal Monetary Authority of Bhutan (RMA), Shri. Deepak Mohanty, Executive Director, Dr. Janak Raj, Adviser-in Charge; Monetary Policy Department and Shri. Muneesh Kapur, Director; Monetary Policy Department visited (RMA) of Bhutan, to render assistance for monetary policy operating procedure and Base Rate system for Bhutan” from 29 November to 2 December 2011. The team had a series of discussions with the Governor, Deputy Governors and other senior staff of the RMA, in addition to heads of major financial institutions in Bhutan, to understand the Bhutanese Economic and Financial Systems. Based on the country-specific characteristics, the team suggested certain changes in the operating procedure of monetary policy and the lending rate system of Bhutan. During his visit, Mr. Mohanty also made a presentation on “Changing Contours of Monetary Policy in India” at a session held at RMA, chaired by its Governor, with participation from the RMA staff, domestic financial institutions and local academia.



- Dr. Rajiv Ranjan, Co-ordinator; SAARCFINANCE - India attended the 5<sup>th</sup> Meeting of Inter-Governmental Expert Group (IGEG), on Financial Issues at SAARC Secretariat in Kathmandu from 28 - 29 December, 2011.

## Maldives



- Ms. Aishath Zahira, Deputy Governor and Ms. Aishath Nadhiya, Senior Manager of Banking Payments Division at the Maldives Monetary Authority represented Maldives in the SAARC Payments Council meeting held on 28 November 2011 in Colombo, Sri Lanka.
- Ms. Aishath Zahira, Deputy Governor and Mr. Ahmed Munawar, Manager Monetary Policy Section took part in the experts and senior officials meeting of SAARC central banks on SWAP arrangement in Mumbai from 14 - 15 July 2011.

## Nepal



- Deputy Governor of Nepal Rastra Bank, Mr. Gopal Prasad Kaphle participated in the 10th Meeting of SAARC Payment Council. The meeting was organized by the Central Bank of Sri Lanka, in Colombo from 26 November to 1 December 2011. Director Mr. Rajan Bikram Shah from the Banking Office of Nepal Rastra Bank accompanied Mr. Kaphle.
- Reserve Bank of India organized a meeting of Experts and Senior Officials from SAARC Central Banks on SWAP Arrangement from 13 - 17 July 2011 in Mumbai. Director Mr. Upendra Kumar Paudel, and Mr. Rabindra Maharjan, Deputy Director from Nepal Rastra Bank took part in the meeting.
- Mr. Khyam Narayan Dhakal, Director of the Micro-finance Promotion and Supervision Department and Ms Srijana Gautam, Assistant Director of the Bank and Financial Institution Regulation Department of Nepal Rastra Bank participated at the "SAARCFINANCE Seminar on Financial Inclusion: The Role of Central Banks in SAARC Region". The Seminar was organized by Bangladesh Bank from 19 - 22 December 2011 in Dhaka.
- 12 officials from various departments of Nepal Rastra Bank visited Colombo Sri Lanka from 17 - 27 September 2011 under the SAARCFINANCE Staff Exchange Program organized by the Central Bank of Sri Lanka.

## **Pakistan**



### **SAARCFINANCE Group Meeting**

- Mr. Yaseen Anwar, Governor, State Bank of Pakistan, along with Dr. Waqar Masood Khan, Secretary Finance; Government of Pakistan, participated in the 23<sup>rd</sup> Meeting of SAARCFINANCE Group, held on 25 September 2011, in Washington D.C, U.S.A.

### **The SAARC Payments Council (SPC) Meeting**

- Mr. Zafar Iqbal, Director; Payment Systems Department, State Bank of Pakistan represented Pakistan in the SAARC Payments Council Meeting, held on 28 November 2011, in Colombo, Sri Lanka. He apprised the participants of the meeting on the issues relating to “Payment Systems Developments in Pakistan and Prospects”.

### **SAARCFINANCE Seminar (Outside Participation)**

- Mr. Muhammad Ashraf Khan, Executive Director; State Bank of Pakistan, along with Mr. Qazi Shoaib Amhad, Senior Joint Director, participated in the SAARCFINANCE Seminar on “Financial Inclusion: The Role of Central Banks in SAARC Region”, organized by Bangladesh Bank at Dhaka, from 20 - 21 December 2011.

## **Meeting regarding Swap Arrangements in SAARC**

- Mr. Muhammad Ali Malik, Director; Domestic Markets & Monetary Management Department at the State Bank of Pakistan represented Pakistan in the Meeting of Experts and Senior Officials of SAARC Central Banks on Swap Arrangements, organized by the Reserve Bank of India at Mumbai, from 14 - 15 July 2011.

## **Future Activities**

### **SAARCFINANCE Staff Exchange Program**

- The request of Nepal Rastra Bank (NRB), for a visit of their officials to State Bank of Pakistan from 10 - 14 January 2012, under SAARCFINANCE Staff Exchange Program, is in progress. The purpose of the visit is to get familiarization on different areas of central banking in Pakistan.

### **SAARCFINANCE Seminar**

- State Bank of Pakistan intends to organize the 7<sup>th</sup> SAARCFINANCE Seminar sometime during the second quarter of 2012 (i.e. April-June 2012). The topic, dates and venue of the seminar would be announced in due course of time.

## **Sri Lanka**



### **SAARCFINANCE Staff Exchange Program**

- A team of officials of Nepal Rashtira Bank (NRB) visited Central Bank of Sri Lanka from 19 - 23 September, 2011, under the SAARCFINANCE staff exchange programme for familiarization of certain Central Banking activities. The team included 12 junior to middle level officers.

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

- Mr.B.D.W.A Silva, Assistant Governor at the Central Bank of Sri Lanka, and Mr.H.A.Karunaratne, Director, International Operations Department has attended the 'Meeting of Experts and Senior Officials of SAARC Central Banks on SWAP Arrangement' organized by the Reserve Bank of India in Mumbai from 14 - 15 July, 2011.

### **SAARCFINANCE workshop on Public Debt Management**

- As per discussed at the 4<sup>th</sup> Meeting of IGEG, a workshop on 'Public Debt Management' was held on 26 December 2011 in Kathmandu, Nepal. The Sri Lankan delegation that attended the event comprised of Mr.C.J.P.Siriwardhana, Assistant Governor; Central Bank of Sri Lanka, Mr.D.Kumaratunga, Additional Director; Economic Research Department and Mr.S.Obeysekera, SAARCFINANCE Coordinator.

## **SAARCFINANCE Expert Group on Development of Capital market in South Asia**

- As per recommendations at the Second Meeting of SAARC Finance Secretaries, an Expert Group on Development of Capital markets in South Asia was established and its first meeting was held on 27 December, 2011 in Kathmandu, Nepal. The Sri Lankan delegation that attended the event comprised of Mr.C.J.P.Siriwardhana, Assistant Governor; Central Bank of Sri Lanka, Mr.D.Kumaratunga, Additional Director; Economic Research Department and Mr.S.Obeysekera, SAARCFINANCE Coordinator.

### **Fifth IGEG meeting**

The 5<sup>th</sup> IGEG meeting was held from 28 - 29 December 2011 in Kathmandu, Nepal. The Sri Lankan delegation attended the event comprised of Mr. C.J.P.Siriwardhana, Assistant Governor; Central Bank of Sri Lanka, Mr.D.Kumaratunga, Additional Director; Economic Research Department and Mr.S.Obeysekera, SAARCFINANCE Coordinator.