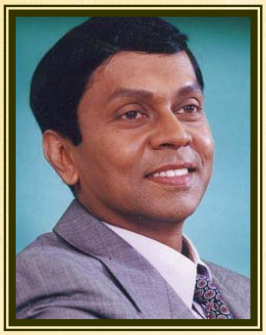
SAARCFINANCE e-Newsletter

SAARC

June 2009

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

Message from the Chairperson of SAARCFINANCE Group



The e-Newsletter was formed with the purpose of meeting the requirement of placing all news related to SAARCFINANCE activities in one place for awareness of the member countries. In accordance with the decision taken at the 14th SAARCFINANCE Group Meeting held in Singapore on 20th September 2006, the responsibility of publishing the e-Newsletter rests on the central bank whose Governor acts as the Chairperson in rotation.

The Chair of SAARCFINANCE moved to the Central Bank of Sri Lanka (CBSL) from the Reserve Bank of India during the meeting held on the sidelines of the Fund- Bank Annual meeting on October 11, 2008 in Washington DC. Accordingly, the Central Bank of Sri Lanka published the fifth issue of half-yearly SAARCFINANCE e-Newsletter in January 2009, encompassing SAARCFINANCE activities that have taken place during July - December 2008. The Central Bank of Sri Lanka is now publishing the sixth issue of the e-Newsletter, covering the period January - June 2009.

We are happy to publish this sixth issue of the e-Newsletter. I believe the member countries would find this issue of the e-Newsletter very useful. I also expect that continuous publication of the e-Newsletter will become a regular feature.

I am thankful to the SAARCFINANCE Coordinators for their support and contribution to the sixth issue of the SAARCFINANCE e-Newsletter.

Comments and suggestions, if any, regarding this issue of the e-Newsletter (June 2009) are most welcome. These would help to improve future issues.

July 2009

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka
and
Chairperson, SAARCFINANCE Group

SAARFINANCE
e-Newsletter

Introduction

As per the decision taken at the 14th SAARCFINANCE Governors' Meeting, the Chair of the SAARCFINANCE has to publish the SAARCFINANCE e-Newsletter half yearly covering the SAARCFINANCE activities that occurred during the relevant period.

Accordingly, the Central Bank of Sri Lanka published the 5th Issue of the SAARCFINANCE e-Newsletter covering the period from July to December 2008. This is the 6th issue of the SAARCFINANCE e-Newsletter and includes the developments in member countries during January – June 2009.

The 6th issue of the e-Newsletter consists of two sections. Under Section A, broad developments of SAARCFINANCE activities have been covered, while the country specific activities are indicated in Section B.

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Section A: Broad Developments

SAARCFINANCE Coordinators' Meeting

To facilitate the working of the SAARCFINANCE network, it was decided at the 13th SAARCFINANCE Group Meeting that Coordinators should meet twice a year under the Chair of SAARCFINANCE.

At the 18th SAARCFINANCE Governors' Meeting held on October 11, 2008, the SAARCFINANCE Chair moved to the Central Bank of Sri Lanka (CBSL) from the Reserve Bank of India (RBI). Accordingly, the 11th SAARCFINANCE Coordinators' Meeting was organized by CBSL in Colombo from 27 to 28 February 2009.

Some of the important decisions taken at this Meeting are as follows;

- The CBSL to present the final proceedings of the Governors' Symposium on "South Asia's Recent Growth and Future Prospects" at the Governors' Meeting held in April 2009.
- The Centre for Banking Studies, Sri Lanka to present a model for bearing costs of the SAARCFINANCE Training Centre to the Governors' Meeting.
- To submit a proposal, including the contents and the location of the SAARCFINANCE Web Folder, to the Governors' Meeting.
- To refer the matters regarding hosting Seminars/ Symposiums by each member country in each year to the Governors' Meeting.

SAARCFINANCE Governors' Meeting

The SAARFINANCE Governors meet twice a year concurrently with the IMF/ WB Annual and Spring Meetings. Accordingly, the 19th 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 26, 2009 under the Chair of the Central Bank of Sri Lanka.

Some of the decisions taken at the 19th SAARCFINANCE Governors' Meeting are as follows;

- The SAARCFINANCE seminars/symposiums would be hosted by member countries/ banks on a voluntary basis
- The Central Bank of Sri Lanka is to prepare appropriate guidelines for the SAARCFINANCE Web Folder and to commence a dry run shortly.
- The Central Bank of Sri Lanka is to prepare a draft template regarding the Staff Exchange Programme.

Staff Exchange Programme

Since the inception of SAARCFINANCE, a significant number of officers visited various institutions of member countries under the Staff Exchange Program (Table 1). The Staff Exchange covered a broad range of issues. Considering the effectiveness of the Staff Exchange, the matter of cost sharing is left entirely to the country concerned.

Table 1: SAARCFINANCE Staff Exchange Programmes During September 1998 - June 2009

Country of Origin of the Staff	Host Institutions/Central Banks						Total
	RBI & other Institutions	CBSL	SBP	NRB	BB	RMA	
Afghanistan	19	-	-	-	-	-	19
Bangladesh	13	10	4	-	-	-	27
Bhutan	43	16	-	11	-	-	70
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
Total	**122**	**91**	**39**	**13**	**16**	**1**	**282**

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 2009 too, many officers visited various institutions of member countries under the Staff Exchange Programme (Table 2). Under the Staff Exchange, officers studied a broad range of issues such as internal auditing, payment & settlement systems of central banks etc.

Table 2: SAARCFINANCE Staff Exchange Programmes during January – June 2009

Country of Origin of the Staff	Host Institutions/Central Banks						Total
	RBI & other Institutions	CBSL	SBP	NRB	BB	RMA	
Afghanistan	-	-	-	-	-	-	-
Bangladesh	-	10	-	-	-	-	10
Bhutan	1	05	-	-	-	-	06
India	-	-	-	-	-	-	-
Maldives	-	-	-	-	-	-	-
Nepal	-	-	-	-	-	-	-
Pakistan	-	-	-	-	-	-	-
Sri Lanka	-	-	-	-	-	-	-
Total	**1**	**15**	**-**	**-**	**-**	**-**	**16**

RBI: Reserve Bank of India **CBSL:** Central Bank of Sri Lanka
SBP: State Bank of Pakistan **NRB:** Nepal Rastra Bank **BB:** Bangladesh Bank

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 as this was the first time the member central banks as a group decided to pay focused attention to this important area of activity. So far five meetings of the SPC have been held in India, Sri Lanka, Pakistan & Nepal.

The current Chairperson of the SPC is Dr P W R B A U Herat, Deputy Governor of CBSL, while Mrs. J P Mampitiya, Assitant Governor, CBSL, acts as the Secretary of the SPC.

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.

During January-June 2009, the following workshops/ seminars were conducted under the SAARCFINANCE umbrella:

- SAARC Communicators' Workshop was organized by the Reserve Bank of India (RBI) during 16-18 February 2009.
- Seminar on "Liquidity Management for Monetary Policy in SAARC Region" was organized by the Nepal Rastra Bank from 22 to 24 April 2009.

SAARCFINANCE members have conducted 17 Seminars, 3 studies, 3 workshops and 5 Governors' symposia from September 1998 to June 2009 (Table 3).

Table 3: SAARCFINANCE Seminars/Workshops/Governors' Symposiums/ Studies during September 1998 – June 2009

Programs/ Host Central Banks	BB	RBI	NRB	SBP	CBSL	Total
Seminars	3	1	5	4	4	17
Workshops	-	3	-	-	-	3
Governors' Symposiums	1	1	-	-	3	5
Studies	-	1	1	1	-	3
Total	**4**	**6**	**6**	**5**	**7**	**28**

RBI: Reserve Bank of India **CBSL:** Central Bank of Sri Lanka
SBP: State Bank of Pakistan **NRB:** Nepal Rastra Bank **BB:** Bangladesh Bank

Section B: Member Country News

Afghanistan

11th SAARCFINANCE Coordinators' Meeting

Mr. Raiyt Alamyaar, Deputy Director General, Monetary Policy Department attended the 11th SAARCFINANCE Coordinators' Meeting held in Sri Lanka during 27 – 28 February, 2009, representing the Da Afghanistan Bank.

19th SAARCFINANCE Governors' Meeting

Da Afghanistan Bank delegation, headed by H.E Governor Abdul Qadeer Fitrat participated in the 19th SAARCFINANCE Governors' Meeting on the sidelines of the IMF Spring Meeting in Washington DC.

SAARC Payments Council (SPC) Meeting

Mr. Aziz Baraki participated in the SAARCFINANCE Payment Council Meeting on 28 March 2009 in Nepal.

Training Programmes Attended by Da Afghanistan Bank

The officers of Da Afghanistan Bank attended the following training programmes organized by SAARC member countries.

Number of Officers	Country	Training course	Duration
One official	India	Financial Management	Jan.05.09 – Jan.23.09
Two officials	India	Credit &Risk Management forum	Jan.15.09 – Jan.16.09
Two officials	India	Intl. Seminar on Currency Management	Feb.23.09 – Feb.26.09
One official	India	Linux	Feb.23.09 – Mar.10.09
One official	India	Seminar on Payments & Settlement System	Mar.17.09 – Mar.20.09
Two officials	Pakistan	3000 XTR (Reuters software)	Feb.23.09 – Feb.26.09

Overall, 9 officials of Da Afghanistan Bank took the extended training opportunities of SAARCFINANCE member countries. Ultimately, the training programmes were very effective.

Bangladesh

SAARCFINANCE Coordinators' Meeting

Mr. Habibullah Bahar, Economic Adviser, Bangladesh Bank & SAARCFINANCE Coordinator, Bangladesh attended the 11th SAARCFINANCE Coordinators Meeting held in Colombo on February 27, 2009.

SAARC Payments Council (SPC) Meeting

Mr. Chowdhury Mohidul Haque, Executive Director, Bangladesh Bank attended the 5th Meeting of SPC held in Katmandu on 29 March 2009.

SAARC Framework Agreement of Trade in Services Meeting

The second expert group meeting of the "SAARC Framework Agreement of Trade in Services" held in Katmandu, Nepal during 20-21 March 2009 was attended by Mr. A.T.M. Nasir Uddin, Executive Director, Bangladesh Bank as a team member of the delegation of Bangladesh.

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

Two officials from the Bangladesh Bank attended the "SAARCFINANCE Seminar on Liquidity Management for Monetary Policy in SAARC Region" organized by the Nepal Rastra Bank during 22-24 April 2009.

Bhutan

SAARCFINANCE Coordinators' Meeting

Bhutan's SAARCFINANCE Coordinator, Ms. Sonam Dema attended the 11th SAARCFINANCE Coordinators' Meeting held in Colombo, Sri Lanka from 27-28 February 2009.

SAARCFINANCE Governors' Meeting

Bhutan was not able to attend 19th SAARCFINANCE Governors' Meeting held in Washington D.C. on 26 April 2008.

SAARC Payment Council (SPC) Meeting

Ms. Rinzin Lhamu, Division Chief of the Banking Division attended the 5th Meeting of the SAARC Payment Council (SPC) held in Kathmandu, Nepal on 29 March 2009.

Staff Exchange Programme

An official from the Payments and Settlements Division of the Royal Monetary Authority (RMA) attended the seminar on Payments and Settlement Systems held in Chennai, which was co-organised by the Reserve Bank of India and the Committee on Payments and Settlement Systems, Bank of International Settlement Systems from 17-20 March 2009. Following the seminar, the participant from Bhutan also had an opportunity to visit RBI's Payments and Settlement Department and National Clearing Cell in Mumbai.

India

SAARCFINANCE Coordinators' Meeting

Dr. R.K. Pattnaik, SAARCFINANCE Coordinator, India attended the 11th SAARCFINANCE Coordinators' Meeting in Colombo, Sri Lanka during February 27-28, 2009.

SAARCFINANCE Governors' Meeting

Dr. D. Subbarao, Governor, RBI, Shri Deepak Mohanty, Executive Director, RBI and Shri A.K. Misra, E.A. to Governor attended 19th SAARCFINANCE Governors' Meeting in Washigton D.C. on April 26, 2009.

As committed at the Governors' Meeting on April 12, 2008, the RBI has completed all four studies *viz.,* (i) Lessons from the Indian Approach to Bank Resolutions, (ii) Loss of Central Bank's human capital to commercial organizations and the appropriate ways and means to retain the best talent keeping in view the pre-defined roles and functions of the Central Bank, (iii) Financial Inclusion in SAARC Countries – Approaches, Issues and Challenges and (iv) Surveillance Framework for Prevention of Terrorist Financing and Money Laundering in the SAARC Region. These have already been circulated through the electronic network among SAARC member countries.

SAARCFINANCE Workshop

The SAARC Communicators' Workshop was held at the College of Agricultural Banking, Pune, India during February 16-18, 2009. The objective of the Workshop was to enable regulators in India and the neighboring countries to share experiences and learn from one other. It was attended by representatives/communicators from the Central Banks of Afghanistan, Nepal and Sri Lanka besides regulators from India including those from the Reserve Bank of India, Securities and Exchange Board of India (SEBI) and Insurance Regulatory and Development Authority (IRDA). The sessions at the Workshop were based on various themes of external and internal communication and were divided into the following topics:

- Evolution of Communication in Central Banking
- Evolution of Communication Policy in RBI
- New Initiative: Financial Education and Literacy
- Internal Communication
- Tools Central Banks / Regulators Use for Communication
- Challenges of Communication on Regulatory and Supervisory Issues

Seminars/ Training Programmes

The Seminar on Currency Management was held at the Reserve Bank Staff College, Chennai, India during February 23-26, 2009. Representatives from the Central Banks of Sri Lanka, Nepal and Afghanistan attended the Seminar.

The International Seminar on Basel II with focus on Pillar II was held at the Reserve Bank Staff College, Chennai, India during March 31- April 2, 2009. Representatives from the Central Banks of Sri Lanka, Nepal and Afghanistan attended the Seminar.

SAARCFINANCE Seminar

Shri. Rajib Das, Director, DEAP attended the SAARCFINANCE Seminar on "Liquidity Management" in Kathmandu, Nepal during April 22-24, 2009.

Maldives

SAARCFINANCE Coordinators' Meeting

Mr. Abdul Hameed Mohamed, SAARCFINANCE Coordinator for Maldives and Executive Director, Monetary Policy and Research Division, Maldives Monetary Authority, attended the 11th SAARCFINANCE Coordinators' Meeting held in Sri Lanka from February 27-28 2009.

SAARC Payment Council

Ms. Aishath Zahira, Deputy Governor, Maldives Monetary Authority attended the 5th SAARC Payments Council (SPC) meeting held on 29 March 2009 in Nepal.

Staff Exchange Programme

During the period January – June 2009, Maldives did not participate in any Staff Exchange Programme or any training, workshops or seminars conducted under the SAARCFINANCE banner.

SAARFINANCE Seminar

Mr. Ahmed Munawar, Manager of the Monetary Policy Section in the Maldives Monetary Authority (MMA) participated in the SAARCFINANCE Seminar on "Liquidity Management for Monetary Policy in SAARC Region", which was held during April 22-24, 2009 in Kathmandu, Nepal, jointly organized by the Nepal Rastra Bank and the International Monetary Fund.

Nepal

Appointment of the Governor in Nepal Rastra Bank

The government of Nepal appointed Mr. Deependra Bahadur Kshetry as the Governor of Nepal Rastra Bank (NRB), the central bank of Nepal with effect from January 16, 2009. The Governor, Mr. Kshetry had also served in NRB for thirty years until his compulsory retirement on May 4, 2007, as an Executive Director. Immediately after his retirement he was appointed as a member of the National Planning Commission of Nepal.

SAARCFINANCE Seminar

Nepal Rastra Bank organized the SAARCFINANCE seminar on "Liquidity Management for Monetary Policy in SAARC Region" in Kathmandu from April 22 to 24, 2009. The NRB Governor, Mr. Deependra Bahadur Kshetry inaugurated the seminar. Mr. Kshetry in his inaugural speech opined, "Liquidity is a reflection of the process of monetary policy and is mirrored in the monetary framework". He added that appropriate liquidity management is vital for reaching the ultimate target of monetary policy set forth.

Officers from Nepal Rastra Bank, Nepal Ministry of Finance, Bangladesh Bank, Royal Monetary Authority of Bhutan, Reserve Bank of Maldives, State Bank of Pakistan and from the Central Bank of Sri Lanka attended the Seminar. 28 participants and 8 observers attended the seminar.

Mr. Simon T. Grey from the International Monetary Fund was the resource person and Mr. A Kamalasiri from the Central Bank of Sri Lanka attended the seminar as the moderator.

The core objectives of the seminar were to familiarize participants with the concepts, measures, and importance, as well as demand and sources of liquidity; the issues in liquidity management for central banks. Similarly, the course mainly focused on the topics: Liquidity Monitoring and Forecasting Framework, Liquidity Adjustment System, Coordination between Public Debt Management and Monetary Management, Coordination between Foreign Exchange Management and Monetary Management.

Participation in the SAARCFINANCE Coordinators' Meeting

Mrs. Shiba Devi Kafle, Director, Research Department, Nepal Rastra Bank attended the 11th SAARCFINANCE Coordinators' meeting held at Colombo, Sri Lanka on 27 February 2009.

SAARC Payments Council (SPC) Meeting

The 5th Meeting of the SAARC Payments Council (SPC) was hosted by Nepal Rastra Bank in Kathmandu, Nepal on 29 March 2009.

Pakistan

SAARCFINANCE Governors' Meeting

Syed Salim Raza, Governor, State Bank of Pakistan, attended the 19th Meeting of SAARCFINANCE Governors, held in Washington D.C, U.S.A. on 26 April 2009.

SAARCFINANCE Coordinators' Meeting

Mr. Ayub-ul-Hasan, SAARCFINANCE Coordinator of the State Bank of Pakistan attended the 11th Meeting of SAARCFINANCE Coordinators, held in Colombo, Sri Lanka, during 27-28 February 2009.

SAARC Payments Council's Meeting

Mr. Mansur-ur-Rehman Khan, the then Deputy Governor, State Bank of Pakistan, attended the SAARC Payments Council's Meeting, held in Nepal, on 29 March 2009.

SAARCFINANCE Seminar

Two Officers from the State Bank of Pakistan participated in the SAARCFINANCE Seminar on "Liquidity Management for Monetary Policy", organized by Nepal Rasta Bank, in Kathmandu, during April 22-24, 2009.

New Secretary at Ministry of Finance

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

Future Activities

The State Bank of Pakistan will organize a SAARCFINANCE Seminar on "Global Financial Crisis – Implications and Policy Responses of SAARC Countries", during 5-7 November 2009.

Sri Lanka

SAARCFINANCE Coordinators' Meeting

The 11th SAARCFINANCE Coordinators' Meeting was held in the Central Bank of Sri Lanka (CBSL), Colombo on 27 February 2009 under the Chairmanship of Dr. P N Weerasinghe, Chief Economist & Director Economic Research Department, CBSL.

SAARCFINANCE Governors' Meeting

Mr. Ajith Nivard Cabraal, Governor, CBSL chaired the 19th SAARCFINANCE Governors' Meeting held on 26 April 2009 in Washington DC. Dr. (Mrs.) Ranee Jayamaha, Deputy Governor, CBSL, Mr. K.G.D.D. Dheerasinghe, Alternative Executive Director/ IMF, Dr. H N Thenuwara, Assistant Governor, CBSL and Dr. P.N. Weerasinghe, Chief Economist and Director, Economic Research Department, CBSL also attended the Meeting.

SAARC Payment Council (SPC) Meeting

The 5th Meeting of the SAARC Payments Council (SPC) was held at the Hyatt Hotel, Kathmandu, organised by the Nepal Rastra Bank on 29 March 2009. Mr. Krishna Bahadur Manandhar, Deputy Governor, Nepal Rastra Bank (NRB) chaired the meeting on behalf of Dr. Jayamaha.

It was unanimously decided that Sri Lanka would continue to hold the Chairmanship for a further period of one year as the initial appointment was for two years. However, the Secretary informed that the current Chairperson, Dr Jayamaha will be retiring in end May and that Sri Lanka will have to appoint a new Chairman. However, as all members reiterated that Sri Lanka should continue to hold the post for another year as decided at the first meeting, the Chairman's position will be awarded to the new Deputy Governor who will be appointed in place of Dr. Jayamaha. Accordingly, Dr P W R B A U Herat, Deputy Governor of the CBSL, was appointed as the Chairman of the SPC.

Staff Exchange Programmes

The Central Bank of Sri Lanka conducted two Staff Exchange Programmes on requests made by the Royal Monetary Authority of Bhutan and Bangladesh Bank.

The Management Audit Department of the Central Bank of Sri Lanka has conducted a Staff Exchange Programme for a team of 05 officers of the Royal Monetary Authority of Bhutan on the area of internal auditing.

Furthermore, the Finance Department has organized a Familiarization Programme on the automated systems of the Central Bank of Sri Lanka for a team of 10 officers of Bangladesh Bank, from 20 - 30 April, 2009 in the Central Bank of Sri Lanka. The following departments conducted sessions at the programme.

- International Operations Department
- Domestic Operations Department
- Payments and Settlements Department
- Public Debt Department
- Finance Department

SAARCFINANCE Seminar

Two officers from the Central Bank of Sri Lanka participated in the SAARCFINANCE Seminar on "Liquidity Management for Monetary Policy", organized by Nepal Rastra Bank, in Kathmandu during April 22-24, 2009.