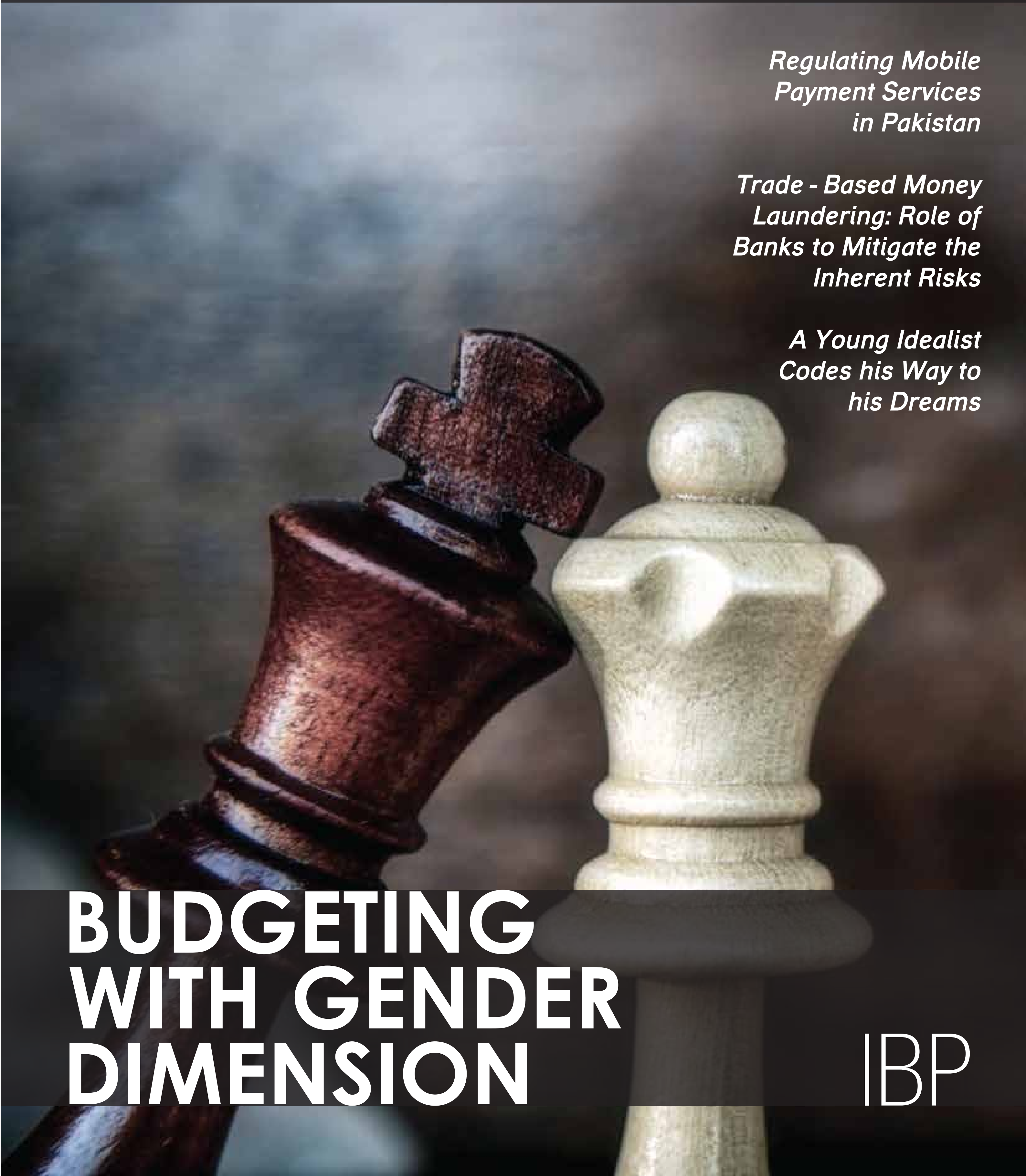
Journal of The Institute of
Bankers
Pakistan
Volume 85 | Issue # 2 April - June 2018

AN EXCLUSIVE INTERVIEW WITH MR. SAEED AHMAD

PRESIDENT & CEO-NATIONAL BANK OF PAKISTAN



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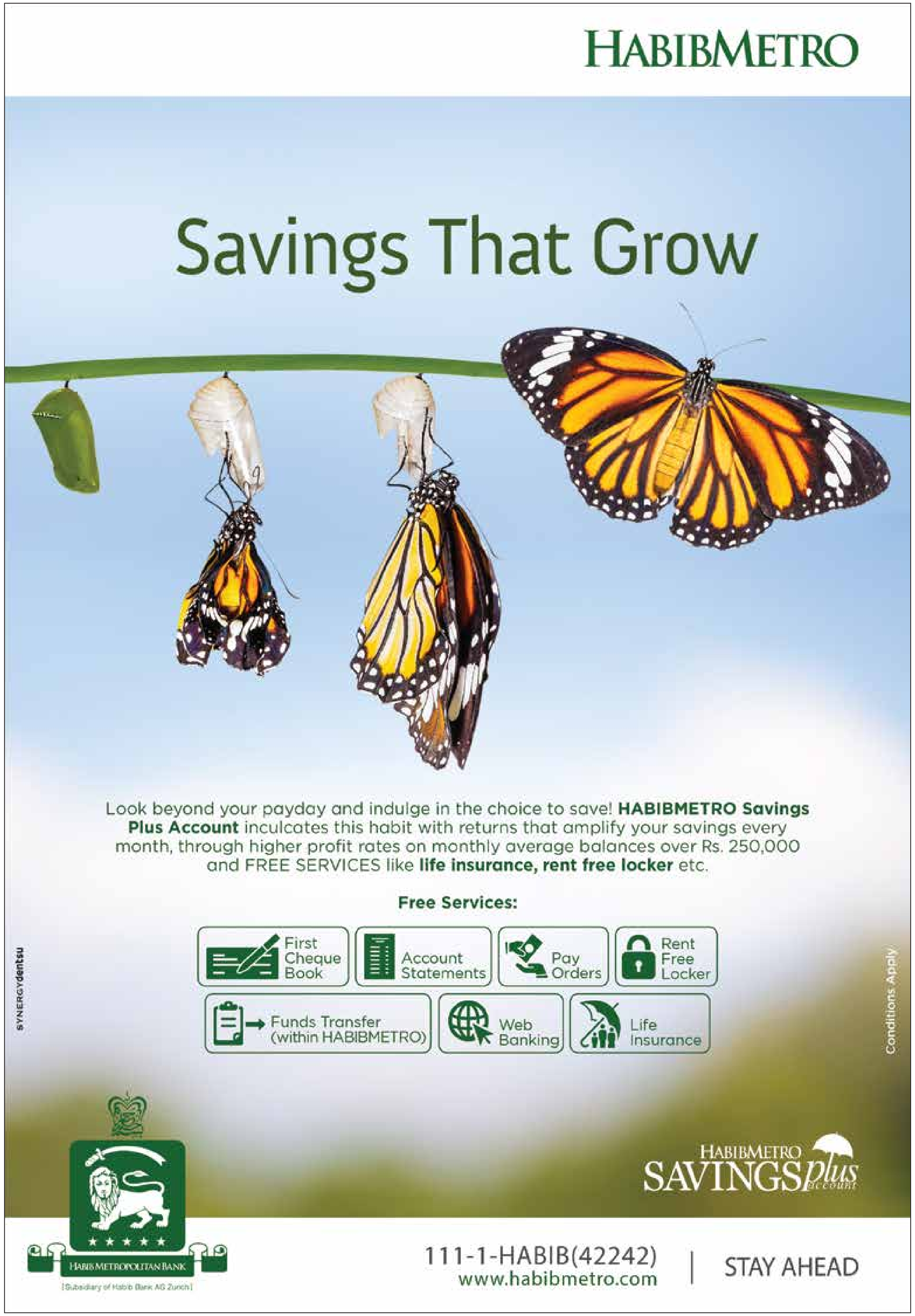
IBP



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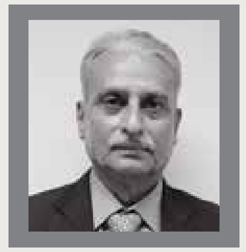

Rafi Ahmed
Editor

The Rhapsody For Renminbi

The Chinese currency Renminbi, has of late, attracted great attention as the latest timely addition to the global foreign exchange reserve currency. Renminbi (RMB) is also known as CNY, the abbreviation for Chinese Yuan. If the memory lane of history is traversed, one notices that the Chinese were the first to invent paper from the bark of mulberry tree in the first century BC. It is said that where there is a will there is a way. So first paper and then paper money. This is pure reasoning, so the first notes saw their advent in China. With the invention of paper and printing, it was hardly surprising that China was destined to produce the first paper money. It was during the reign of Emperor Hung Wu of the most famous Chinese Ming Dynasty (1368-1644) that currency notes were issued in 1380, on these currency notes, the name of the emperor is still readable, showcased in the museum of Belgium's National Bank. The currency was then in the denomination of Wen and Kuan. Prior to Emperor Hung Wu, the Yuan Mongol dynasty held its sway and paper money was also used at that time as a legal tender. Most probably the name of the currency Yuan might have been borrowed from them. The famed Venetian traveller Marco Polo was familiar with the Yuan paper money being in circulation at that time. In fact, according to the museum guide of National Bank of Belgium, if the concept of paper money as notes issued with a monetary reserve as a warranty, the first Chinese notes date from the 10th century, so it means China was ahead of the West, by at least seven centuries in this matter.

So it is not at all astonishing that Renminbi has found its rightful place in the comity of prestigious global currency reserves. A reserve currency is held in significant quantities by governments as part of their foreign exchange reserves which is used in international transactions, investments and all facets of the global economy. China's national currency Renminbi ranks among some of the world's most sweet-sounding mellifluous currencies, some of the other notable contenders to mention are Ethiopia's Birr, Venezuela's Bolivar, Peru's Sol and Malaysia's Ringgit.

However, it would be appropriate to differentiate between Renminbi and Yuan, since many people across the world consider that People's Republic of China has two currencies and land themselves in a quandary. It is shrouded in mystery simply due to lack of information. There are many who question if Beijing uses the Yuan or the Renminbi, or both. If we go after the history of China, then we evidence that Renminbi is the official name of the currency introduced after the Chinese Revolution in 1948. It is perhaps the only currency born out of a revolution. As a tribute to its valiant people, it was dedicated to them and means the People's Currency. On the other hand, Yuan is the name of a unit of the Renminbi currency. If a kilogram of cheese costs 10 Yuan, it would not be correct to say that it is priced as 10 Renminbi. A parallel can be drawn with pound sterling, the official name of the British Currency. Something may cost 12 Pounds, so it would not be correct to say 10 Sterling. Same is the case with Federal Reserve Notes, also known as United States Banknotes, which are the currency notes, currently used in the USA, denominated in US Dollars. So we cannot say a kilogram of lamb is priced at 100 US Banknotes, it has to be expressed in Dollars.

The Chinese Currency came into public limelight in our country, generating a lot of fervor and mass interest, when State Bank of Pakistan (SBP) inked a Currency Swap Agreement with the People's Bank of China (Central Bank of China), with the objective of promoting bilateral trade and financing direct investment between the two countries in the respective local currencies. It was a rightful step in light of China's ambitious project, CPEC, which is again a part of still greater One Belt One Road (OBOR) initiative launched by China, which aims to construct a unified large market and make full use of both international and domestic markets, through cultural exchange and integration, to enhance mutual understanding and trust of member nations, ending up in an innovative pattern with capital inflows, talent pool, and technology database. Its objective is to establish the world's largest platform for economic cooperation, covering all aspects such as policy coordination, trade and financing collaboration, and social and cultural cooperation. Through open discussion, OBOR can create benefits for everyone. Thus OBOR is the new in-thing and a present day fad. More than 60 countries have expressed their willingness to be part of this gigantic project.

This Land and Maritime Silk Road is 21st century's mega project, equivalent to the ancient Silk Road and is a development strategy designed by the Chinese government that focuses on

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connectivity and cooperation between Eurasian countries and primarily the People's Republic of China. The land-based Silk Road Economic Belt (SREB) and the ocean-going Maritime Silk Road (MSR), both are part of the One Belt and One Road (OBOR) Initiative. However, its global ramifications are significant, it is not merely a Eurasian Initiative as commonly perceived, but also embraces parts of African continent.

Now coming to the acceptance of RMB as the international currency and medium of exchange in trade, travels and all other related matters. It was always expressed that the RMB can never take the global center-stage of prestigious international currency club of 4, but the flexible policies of the Chinese Government belied all sorts of apprehensions. According to Standard Chartered Bank, the usage of RMB has expanded manifold by 21 times since 2010. It also predicted that 28 pc of China's international trade will be denominated in RMB by the year 2020. The Renminbi recently made it to the top five most widely used currencies, it is now a part of IMF's Special Drawing Rights (SDR)- an international reserve asset that the IMF has created as a supplement to member countries official reserves – after a round of screening in November 2015.

The year 2017 evidenced a new era of RMB internationalization. The steady rise in the level of RMB cross-border use, the launch of policies for macro-prudential management of comprehensive cross-border financing, along with a host of important reasons led to onshore RMB market opened up and the trend of currency internationalization sharply increased. The global economy is quite enthusiastic to its acceptance and the expectations for RMB's International status are optimistic.

The result of an important world-wide survey, recently carried out by Bank of China showed 76 pc of the market entities, including industrial and commercial enterprises, positively consider RMB's status to approach such international currencies as USD, EUR, GBP and JPY. While 29 pc expect its status to come close to USD and EUR.

On the other hand, 85 pc of the foreign financial institutions based in China are more optimistic and firmly contend that RMB's international role is likely to approach the Big Four international currencies: USD, EURO, GBP and JPY.

During the past year, overseas entities have demonstrated higher degrees of acceptance and use of RMB, benefiting from its inclusion in the SDR currency basket. The survey revealed that around 61pc of overseas market entities expressed the plan to further increase RMB use. It was further revealed that 74 pc of the surveyed overseas enterprises use RMB for cross- border payments.

The ever expanding global role of RMB can be gauged from the International Monetary Fund's quarterly data as at December 2016, official foreign exchange reserve currency composition (COFER), according to which IMF member states held RMB worth a total of 845.1 bn USD accounting to 1.1 pc of the total amount of foreign reserves.

Until the turn of 21st century, the Renminbi was not fully convertible and both its inflows and outflows were not permitted. But in view of the gigantic size of the Chinese economy and its world-wide clout, the monetary policy was revised and People's Bank of China initiated the process to complete convertibility in 2008. This has taken the shape of relaxing the regulations, thus allowing the use of RMB outside China for all current account transactions such as commercial trade, payment of services, interest payment, dividend payment, etc. and the use of RMB for foreign direct investment (FDI), outward direct investment (ODI), central banks and offshore participating banks were accorded the facility to invest surplus RMB in mainland interbank bond market through China Interbank Bond Market (CIBM quota).

According to the Society for Worldwide Interbank Financial Telecommunication (SWIFT), the roadmap of RMB internationalization can be divided into three phases—first as usage for trade finance, then for investment, and in the longer term, as reserve currency. So that last phase has arrived now.

The upsurge in usage of RMB as a reserve currency is also welcomed by the under-developed and developing countries, not to speak of developed economies, as compared to USD, Euro, or GBP, its exchange rate is less than established currencies for them, which also brings down costs on all fronts.

The Contributors

Akram Khatoon has the singular distinction of being the first Lady Branch Manager in the history of Pakistan's Banking Industry, when after completing the SBP Officers Training Scheme, she was entrusted with the task of Branch Managership of the first exclusively Ladies Branch of MCB Bank at Zaibunissa Street, Karachi. She also headed the Training & Recruitment Division of MCB Bank from 1985 -1989, eventually appointed as the founding President & CEO of First Women Bank Ltd in 1989, from where she retired in 2004. She is also a prolific writer and contributes from time to time articles of interest on various aspects of banking, economics and finance.

Rafi Ahmed is a former Senior Vice President / Head of Learning & Development in Summit Bank Ltd and SVP in Training / Consumer Divisions of MCB Bank. He is also a short- story writer and an alumnus of IBP.

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M. Subtain Raza is a banker with vast experience in Anti-Money Laundering, Combating the Financing of Terrorism and Financial Fraud Risk Assessment & Management. He is an M.Sc, MBA, JAIBP, & Certified Anti-Money Laundering Specialist from USA. He writes for various national and international journals.

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Khawaja Naveed Ahmed started his career as a Management Trainee in Summit Bank Ltd, after doing his MBA from SZABIST. He is now Manager Operations at Bank AL Habib Ltd. He has also done his Masters in Engineering Management (MEM) from NED University.

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AWARENESS SESSION FOR SMEs IN SIALKOT

SME BANKING: PRODUCTS & POLICIES

The Institute of Bankers Pakistan (IBP), in collaboration with Sialkot Chamber of Commerce and Industry organized an Awareness Session at Sialkot on ‘SME Banking Products and Policies’ at Sialkot in March. The Chief Guest at the well-attended event was Mr. Tariq Bajwa, Governor, State Bank of Pakistan (SBP), who in his address, pledged to make access to financing easier for the promotion of agriculture, small and medium enterprises (SMEs) and housing sectors. Addressing exporters and bankers at the Sialkot Chamber of Commerce and Industry, he said the SBP was committed to removing all the obstacles from the smooth functioning of these sectors. SBP was working to facilitate efficient credit allocations for SMEs, calling them critical for sustainable and inclusive economic growth. The central bank has also simplified the procedure of loans applications, he added. A policy has been prepared for the promotion of SME finance for Conventional and Islamic Banks in Pakistan, he disclosed.

He added that there were nine pillars of the policy which include improving regulatory framework, up-scaling of microfinance banks, risk mitigation strategy, simplified procedures for SMEs, program-based lending and value chain financing, capacity building and awareness creation, hand-holding of SMEs and leverage technology and simplification of taxation regime. The Governor mentioned that the SBP would soon give a “special barrier” to all the commercial banks for controlling the interbank rates and minimizing the difference of foreign currencies rates to help SMEs as well.

The Governor also mentioned the State Bank’s efforts to operationalize the Exim Bank, adding that it would help the country’s importers and exporters. Earlier, the President Sialkot Chamber of Commerce and Industry, Zahid Latif Malik presented the address of welcome and highlighted the problems of the business community.




ICMA Pakistan

The Institute of Bankers Pakistan

POST-BUDGET SEMINAR 2018-2019

The Institute of Bankers Pakistan (IBP) in collaboration with the Institute of Cost and Management Accountants of Pakistan (ICMAP), organized Post-Budget Seminar at a local Hotel in Karachi on April 30, 2018.

Governor Sindh, Muhammad Zubair, who was the chief guest on the occasion, said in his address, "Our federal budget for the fiscal year 2018-19 has been prepared while keeping in view the future economic challenges so that it is acceptable to the next elected government, as the allocation for billions of rupees development works has been made so that the new government could launch new projects." He said a strong economic system will be a gift of the present government to the next elected government. Zia ul Mustafa Awan, President, ICMA Pakistan said that ICMAP has been making regular and effective contributions in decision making and capacity building of Financial and Industrial Sectors.

Husain Lawai, Chief Executive, The Institute of Bankers Pakistan said that the Banking sector plays an important and crucial role in the economic development of any country. So is the case with Pakistan, which is also entering transformation phase because of technological disruptions and ever-changing customer needs. Our banks are successfully adopting these challenges. He was pleased to note that current year's budget has something for the banking sector as well. He suggested that no frequent changes be effected in the budgetary measures during the fiscal year as far as possible. Frequent changes during the fiscal year seriously impact the credibility of the budget document. Moreover, the government should honor its commitment to recover the tax for one year, means one year and not to continue such tax for the next four to five years.

Other dignitaries who participated in the Seminar were Dr. Amjad Waheed, CEO, NAFA, Zafar Aziz Osmani, CEO, Excelerate Pvt. Ltd, M. Ashraf Bawany, Former President ICMAP and Director Pakistan Stock Exchange, Farooq Shaikh, Advisor, IBP, Shehzad Ahmad Malik, Honorary Secretary, ICMAP, Noman Hameed Bombaywala, Chairman KBC, ICMAP and Justice (R) Athar Saeed.

PHOTOSYNTHESIS















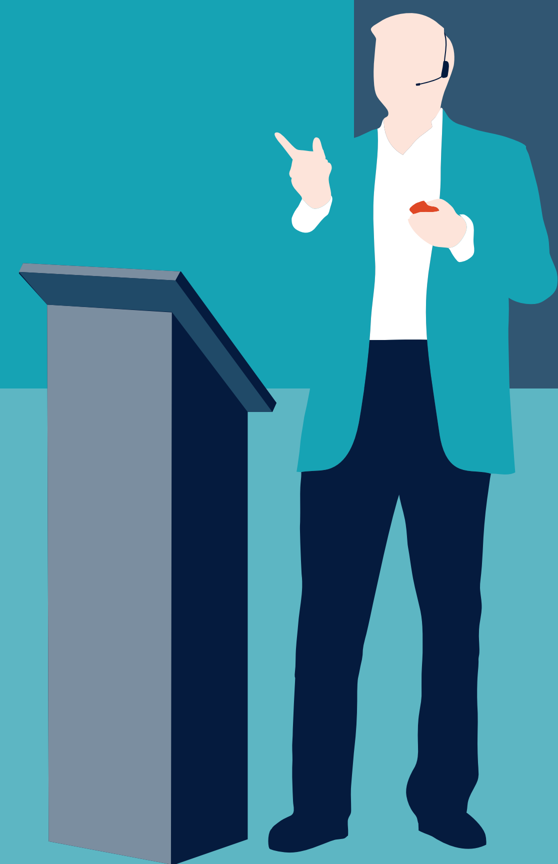


BANK OF CHINA LAUNCHES
CNY CLEARING & SETTLEMENT MECHANISM IN PAKISTAN

Bank of China has recently acquired licence from the State Bank of Pakistan for Clearing and Settlement of CNY in Pakistan. To mark this great milestone, a launching ceremony was held on May 4^{th}, 2018 at Karachi. Bank of China is the 4^{th} largest bank in the world and commenced operations through its first branch in Karachi during the month of November, 2017. Dr. Li Tao – Country Head & CEO of Bank of China Limited (Pakistan Operations) welcomed and thanked the distinguished guests for their presence. He reiterated the global recognition and importance of CNY and the increasing international utilization of CNY. He also stated that in 2017, the CNY settlement amount of China's cross-border trade exceeded 4.36 trillion yuan and cross-border CNY business is BOC's strategic competitiveness. Highlighting BOC's achievements in this regard he shared with the distinguished guests that in 2017, a total of 350 trillion Yuan of cross-border CNY clearing business was handled, representing an increase of 12% year-on-year basis.



The Deputy Governor of State Bank of Pakistan (SBP) Mr. Jamil Ahmad, who was the chief guest of this event, emphasized on Pak-China friendship and the growing trade relations between the two countries. He mentioned that from the year of 2003, the State Bank of Pakistan had already started to promote the use of CNY in Pakistan, including allowing Pakistani residents to open CNY accounts with commercial banks. Mr. Husain Lawai, CE IBP expressed his congratulations to Bank of China (Pakistan Operations) and hoped that Bank of China, as a highly internationalized bank, can play an important role in promoting CNY usage in local market and also be an active participator in Pakistan banking industry. Also, it is believed that the launching of CNY Clearing and Settlement Mechanism of Bank of China (Pakistan Operations) can definitely help to enhance the cross-border trade between the two countries and consequently benefit the enterprises and banks of either side. Other dignitaries who addressed the memorable event included Mr. Muneer Kamal, Director Dawood Hercules Corporation, Mr. Sun Shangbin, DGM Payments & Clearing Department, BOC Head Office, Mr. Wang Yu, Consul General, Chinese Consulate in Karachi. During the launching ceremony, experts from Bank of China Head Office also introduced BOC's CNY products and solutions, they also expressed their willingness to provide prime services to governments, financial institutions, corporates, as well as individuals in Pakistan, China and all countries in the world. The launch ceremony was well-attended by numerous CEOs and executives from the banking and corporate sectors.



Launching Ceremony
PAKISTAN BANKING AWARDS 2018

Pakistan Banking Awards
DAWN with IBP
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The third Pakistan Banking Awards launching ceremony was held on May 17, 2018 at the IBP Head Office. The event was widely attended and appreciated by the high-ups of the banking and financial sector.

The Institute of Bankers Pakistan (IBP) and DAWN Media group, in collaboration with A.F Ferguson & Co, have taken this initiative which provides a platform to recognize the contribution of institutions making a marked difference in the world of banking.

The event was attended by Senior Executives from the banking and finance sector. The State Bank of Pakistan Governor Tariq Bajwa, who was the Chief Guest at the ceremony, said "The financial sector is instrumental in the national development of a country. The role of the institutions contributing to this sector in various forms needs not only to be highlighted but should also be duly acknowledged,"

He appreciated the organizers for holding the annual Pakistan Banking Awards and said it is a delightful occasion for him to announce the launching of the 3rd Pakistan Banking Awards, 2018.

"I am strongly encouraged by maximum participation from banks and supporting institutions and would like to see more and more entrants in this event every year. These awards will showcase their efforts in promoting and projecting Pakistan as a progressive nation that is advancing towards economic stability and developing into a welfare state," he said.

While expressing his appreciation for the jury, he said that in order to ensure transparency and independence at all levels, the honourable jury would maintain the secrecy and nominations would be made on merit.

"These awards promote the efforts of banks for developing new and innovative products and services, while giving them the incentive to enhance their performance for the coming year. They encourage banks to gauge their standing within the industry by setting benchmarks. Most importantly, they inculcate a spirit of healthy competition as the awards are a great source of pride for the winning institutions," he concluded.

IBP Chief Executive Mr. Husain Lawai said 2018 Awards will serve as a distinguished platform to promote, recognize and acknowledge the contribution of the banking industry towards enhancing Pakistan's economy.

The jury for the 3rd Pakistan Banking Awards comprises of:

Former SBP Governor Dr. Ishrat Husain (chairman), former Bank Alfalah President/CEO Atif Bajwa, former President / CEO Faysal Bank Ltd Mr. Naved A. Khan, former United Bank Ltd President/CEO Atif R. Bukhari, Institute of Business Administration's Dean Dr. Farrukh Iqbal, Pakistan Business Council CEO Ehsan Ali Malik, and English Biscuit Manufacturers CEO Dr. Zeelaf Munir.

He informed that a new category "Best Emerging Bank" has been added while the name of "Best Bank for Corporate Finance & Capital Market Development" has been changed to "Best Investment Banking." However, all other awards will remain the same.










AN EXCLUSIVE INTERVIEW WITH

Mr. Saeed Ahmad

President & CEO-National Bank of Pakistan (NBP)

1. Please tell us about yourself.

I am a Fellow of the Institute of Actuaries, London; I did my Masters in Finance & Accounting from the London School of Economics (LSE) and BSc (Hons) from Punjab University, Lahore with a gold medal. I have also attended Senior Management Program of Harvard Business School at Boston, USA. I have over 45 years of experience in Banking, Finance and Management. I started my career with Prudential Corporation, London in 1969 and then moved on to Banking and worked in SIBC Riyadh, an Associate of Chase Manhattan Bank, in Corporate Finance and as Head of Corporate Finance and International in Kuwait Asia Bank, Bahrain. I worked as Head of Treasury, Credit and Marketing of Paris-based Union de Banques Arabes et Francaise (UBAF) at Bahrain, which is a subsidiary of Credit Lyonnais, Paris for several years. I also headed Islamic Investment and Financial Products Group at Faysal Islamic Bank of Bahrain-Manama, Bahrain. I had an opportunity to work in the biggest Saudi multinational group in Jeddah as Vice President Finance & Chief Financial Officer during 1996-2014. I was heading a Group of Companies in England. Later, I was appointed by the Federal Government as Chairman of the Steering Committee for the Promotion of Islamic Finance in 4th quarter of 2013. This apex forum was responsible for developing a roadmap for Islamic Finance in the country. Before joining NBP, as President on March 24, 2017, I served at the State Bank of Pakistan (SBP) as its Deputy Governor, from January 2014 to March 2017. At SBP, I contributed as Chairman /Member of several committees, playing key role in decision making for the Central Bank. I also headed Banking Policy Committee, Investment Committee of the Management, Management Committee on Information Technology and Payment Systems Policy Committee. I was also a member of the Monetary Policy and Monetary Operations Committees.

2. You are a Fellow of The Institute of Actuaries London, and having first worked in the domain of Life Insurance in a leading Multi-National Life Insurance Company, what were the reasons you switched over to the realm of banking?

It is a known fact that the insurance industry and the banking sector are two main branches of the financial services industry. There used to be significant differences between them. However, connections between the banking sector and the insurance industry were observed to increase at different levels, lately. Insurance Companies are now following the same pursuit as Banks, as now they are engaged in generating long-term savings and re-investment of funds; making them to serve as financial intermediaries and providing source of long-term capital. At the capital level, mutual holding between banks and insurance companies, especially the establishment of bank-owned insurance companies, are becoming prevalent. At the business level, based on the development of Bancassurance, the expansion of cross-selling has been vigorous among financial (insurance) groups. At the product level, some life insurance products share some features in common with saving business and other investment-linked products of banks, which naturally help the insurance companies and the banks to form a competition-substitution relationship. In general, both the Insurance Industry and the Banking Sector are moving in line with principles of Corporate Finance; which formed the common basis for me to move from Insurance to Banking Industry.

3. What do you think are the challenges being faced by the Banking sector in Pakistan? Are you satisfied with the overall performance of the Banking sector?

We believe that Banking Sector in Pakistan has strong footings and it has sustained various challenges over a period of years. Some of the major challenges faced by the Banking Industry can be termed as:

- Adaptation of the Financial Sector in the wake of Technological advancements
- Financial Inclusion
- Strengthening of Internal Controls; particularly related to AML/CFT regime in line with FATF guidelines
- Mobilization of Deposits and to meet expected growth of advances without compromising on the asset quality
- Maintaining adequate capital levels
- Ensuring suitable business conduct, fair treatment & protection to its customers
- Enrichment of the employees

Overall, I am satisfied with the performance of the banking sector and the role it is playing to foster economic growth. Going forward, owing to gradual monetary tightening, income of the banking sector is expected to rise. Advances to the private sector are expected to grow and banks need to be proactive in mobilizing low cost deposits to feed the appetite for growth in advances. Despite the growth in advances, capital adequacy ratio is expected to remain well above the regulatory requirements thereby evidencing the sector's resilience to external shocks.

4. How has the role of Banking evolved in Pakistan? Is it at par with the best international banking practices? In your opinion, what needs to be further done?

Pakistan's banking industry has seen impressive growth since the country gained independence in 1947. By the beginning of the 1990s, reforms were brought in to privatize banks and to stimulate what had become a stagnant industry. Since Pakistan's banking sector was liberalized in the 90s, it has gone from strength to strength. With ever growing competition in the banking industry, our banks are ideally placed to play a vital role in driving the country's economic growth. The change has also led to new trends like the use of Alternate Delivery Channels (ADCs) such as internet, mobile banking and ATMs for execution of transactions. Moreover, SBP has launched compliance risk management guidelines with a view to upgrade this area in line with best banking system practices and global standards. Globally, there is a great emphasis on AML/CFT regime and adoption of FATF recommendations on the matter; as now there is huge influx of complex banking transactions. Last, but not the least, in my opinion, good customer service is also one of the pre-requisites to flourish in today's world and it is at the heart of banking service delivery. Banking is predominantly a customer-oriented business and a good customer service is the key to banks' growth and stability.

5. Being at the helm of the largest bank, you have a key role in developing people and improving financial results. How do you perform these roles successfully?

Being the service industry, banks around the world are striving to increase their portfolio of customers while retaining the existing ones. The advancement in technology has transformed the entire global industry and banking is no exception. The biggest challenge for me as head of one of the largest Banks of the country is how to ensure system development and enhancements as well as to focus on improving quality of Human Resource. We continuously endeavour to align training and development of our people with the strategic direction. Other areas include Compliance as it is internationally under great focus. Retention of Specialists/Professionals with relevant expertise is also a major challenge. NBP's aim is to develop and retain human capital by training and through job enrichment. This will be a win-win situation for the employee and the employer and in turn will be beneficial for the economy as a whole. For trainings, we have four Training and Development Centres nationwide. I have instructed them to assign first few minutes of each programme to Ethics. Honesty is still the best policy. If you work for the benefit and betterment of others, God will make things better for you.

On the financial side, we have done significant collaborations on the Digital Banking front. NBP is the only bank to sign agreements with Telenor Easypaisa, JazzCash, UPaisa, JPaisa (JS Bank) and UBL Omni. We are also in negotiations with Zong. Besides, we have entered in various collaboration and agreements with government departments to facilitate them and the public in general.

6. In line with the historic background of National Bank of Pakistan, with a specific role assigned to it in the national economy, where do you see the bank in future?

The National Bank of Pakistan has come a long way and it has an edge over other banks as we have footprints all over the world. Having said that, the world has also changed and public sector banks have not adapted adequately to technology like other private banks. The key to transformation lies in a massive upgradation of systems, talent and the culture. Like every business, banking has become a knowledge and technology-intensive enterprise. NBP requires depth and expansion in areas like technology, risk management, project evaluation, treasury, credit evaluation, fraud detection and service quality. NBP, cognizant of the potential areas, is onboard the trajectory of continuous advancements across a wide variety of areas and is striving to make it the best customer-oriented financial institution. Moreover, Bank is focusing on addressing priority sectors like Small & Medium Enterprises, agriculture, consumer loan, Islamic Banking and greater financial inclusion. The Bank is also planning to bring forth more new products and product variants to tap new segments of the market.

7. As a person, who has the distinction of serving in the Central Banking and Commercial Sectors as well, how did your experience in the Central Bank as the Deputy Governor, help you in your role as the President of a leading commercial bank?

My experience of working in Central Bank has given me a greater perspective to identify areas where growth is possible by eliminating hurdles which can be deterrent to overall progress of the Bank. This experience is helping me to resolve the various shortcomings in NBP and to push the growth of the Bank to the maximum level. We have identified priority areas for bringing desired results and are striving to address the same in true letter & spirit.

8. In your view, what contribution do you think The Institute of Bankers (IBP) has made in developing skilled human resource base for the banking and finance industry?

NBP and IBP's association is very long and productive. IBP's dedication in training and developing sound human resource for the banking industry in the country is commendable. Due weightage is given to employees by the Banks, in their promotion, who pass the JAIBP and AIBP exams.

9. As the President and CEO of the largest bank in Pakistan, you have a hectic schedule. How do you maintain work-life balance in such circumstances?

I am a firm believer in time management and family values. In today's world, everyone is busy. However; it is a matter of prioritizing and usage of technology for better work management. Swift decision making, focused approach, better administration and quality time with family have been the governing principles of my professional life. I also advocate that when the kids are young; parents' priority should be their upbringing through investing time and efforts in their kids to help them in becoming educated and responsible citizens of the society. I believe in happy employees and my motto is that a happy employee will serve better which can create happy customers and that is our ultimate success.

10. Thank you Mr. President for sharing your insights and giving us time for the interview. In the end, we would request for your message for the readers of our Journal.

My message to all your readers is work with honesty and dedication, have civic sense, help the unfortunate and underprivileged. Work hard and have focus on your life goals. Positive attitude and clear thinking can help resolve a number of issues, even if one is not technically very strong, he or she can still achieve success by the sheer integrity and commitment. Treat others the way you want to be treated yourself.

BUDGETING WITH GENDER DIMENSION

By: Akram Khatoon

All the developing and emerging economies are striving to achieve sustained Economic Growth agenda inclusive of targets set for reducing economic inequalities, being the outcome of prevalent gender disparity in all walks of life. Sustainable Developmental Goals (SDCs) drafted by UN working group call for universal progress towards improving quality of life, which is possible only through sustainable socio-economic strategies for mainstreaming half of the world's population in economic process.

The active participation of women in any income generating activity plays a more important role than men in ensuring sustainability of the economic growth rate. Women by nature are bound to reinvest their earnings for benefit of their families in priority areas like education, healthcare and nutrition, which facilitates development of an effective work force. However, despite these positive experiences in a number of countries, fiscal policies in major part of the world are rarely formulated with gender perspective.

The gender perspective has been a focal point while making analysis of microeconomic policies relating to labor in all sectors of economy, public finance and public sector development programs. But there are gender-based behavioral differences, which are outcomes of familial, social and economic outlook and overall economic climate, which influence macroeconomy by impacting aggregate end results.

During the current decade, high income developing countries/emerging market economies have initiated gender responsive economic policies and budgeting process for improving the lot of various segments of population, particularly women who are in disadvantaged position with regard to poverty status.

In Latin America, eliminating gender inequality in the labor market and all laws relating to labor could boost their GDP by 34% according to findings of McKinsey Global Institution – a renowned think tank. Similar successful experience in other economically advanced economies have compelled economic managers of developing economies to formulate fiscal policies with gender perspective.

Accordingly, it is imperative on the part of Pakistan's government that their ministry of Finance and Federal Board of Revenue are made to analyze the budget document's impact on men and women and then allocate funds accordingly and set targets for impoverished class of women, particularly in areas of education of all levels and healthcare, which invariably must be achieved through strict monitoring and supervision at all levels of government, whether it is part of the public sector development program at federal level or falling within provincial area of responsibility.

Further, in order to ensure that resources are allocated to eliminate gender gap, women participation in budget making policy and gender budget analysis is essential which can be done by involving women parliamentarians, various NGOs, provincial ministries of women affairs/ development working in liaison with ministries of education, health, labor and environment and women wings of Chamber of Commerce and Industries, who can identify women related priority issues and can play an objective-oriented role in preparing a budget.

Some very positive initiatives on the part of Pakistan's government, like providing women greater access to legislature process by enhancing women seats in all assemblies, local bodies and Senate, giving them access to all civil and armed forces service cadres and encouraging their participation in capital and financial markets dealing is a step forward for political and economic empowerment of women. This in course of time would give women an upper hand in the management of household resources leading to more investment in education of children, cutting down expenses on luxuries and resorting to savings and assets building for family, which in turn would culminate in development of human capital at a faster rate.

“There are gender-based behavioral differences, which are outcomes of familial, social and economic outlook and overall economic climate.”

But for Pakistan, the timeframe to reach this level of gender parity is quite unpredictable. In view of growing unjust external and internal pressures enhanced budgetary allocations for security, both on borders and within the country to combat terrorist activities adversely impacting all macroeconomic indicators, is impeding implementation of policies and programs particularly relating to social sector initiatives. In this scenario, the government should opt for preparing a separate document by all ministries assessing implications of government's all affirmative steps to remove gender disparities, to be presented along with national/provincial budgets. Women development now being a provincial subject, the concerned ministry or department needs to have interaction with each provincial ministry to enable each ministry to formulate development plans for gender equity. Women development ministry should ensure incorporation of women friendly development projects, recommended by various ministries and make recommendations for allocations of funds accordingly.

In countries like India, Mexico and South Africa etc., researchers systematically proceed to assess their budget programs to establish whether it adequately addresses women's needs and reduces gender disparity. Accordingly, these countries have made headway towards gender responsive budgeting and a fast developing economy like India has made significant improvements in this regard. The major driving force behind Indian government initiatives is to remove gender disparity and ensure participation of women parliamentarians in assemblies who identify areas of priorities, where required amount of budgetary allocations are to be made.

Contrary to the above, in case of Pakistan, a subdued performance of majority of women parliamentarians – particularly those occupying reserved seats in all Houses of Parliament – have failed to inject required initiative on the part of parliament as a whole to take up gender responsive development programs and budgeting by all tiers of government. However, gender budgeting process can take the form of formal budget recommendations from various NGOs and trade bodies like Chambers of Commerce and Industry (working with a mission to reduce inequalities with regard to rights, resources and voice), which are incorporated in the budget document.

Apart from making allocations for all social sector related needs of female population, tax/tariffs concessions, allocations of certain percentage of jobs in all types of services over and above which are available on merit without any gender discrimination, allowing incentives both in cash and kind to girls enrolling at all levels of education, enlarging the scope of Benazir Income Support Program particularly in rural areas, allocating lands for exclusive industrial areas for women-owned small and medium size businesses, inclusion of women entrepreneurs in all trade delegations going abroad for participation in exhibitions and conferences to enable them to seek export markets for their products. Above all most importantly, ensure that all major projects being undertaken in collaboration with friendly countries, for instance through China -Pakistan Economic Corridor (CPEC) must prove to be game changers for the women of Pakistan, creating employment opportunities, boosting women-owned businesses in the areas of textile and fashion designing etc. As envisaged in the program, gender unit for CPEC could provide the required assessment of CPEC project from a gender perspective. Women employment in CPEC projects can be ensured through gender quotas with full protection of women-friendly labor laws. There is ray of hope for rural women also. The project's food policy implementation is expected to help promoting value-added food products. This may help finding new products for rural as well as urban women for their food related businesses. These are some examples of gender responsive economic policies and budgeting to be achieved through exclusive need assessment of women in all socio-economic areas.

"It is imperative on the part of Pakistan's government that their ministry of Finance and Federal Board of Revenue are made to analyze the budget document's impact on men and women and then allocate funds accordingly."

To conclude, it transpires from the various research studies conducted at World Bank that countries taking initiatives to make education, health care and employment opportunities accessible to women, particularly access of girls to secondary and higher education and participation in science, technology, engineering and mathematics (STEM), could achieve much faster economic growth rate and significant success with regard to MDGs relating to these areas, which are likely to sustain the growth momentum as required under SDGs for improving overall quality of life. ■

The Contours of Trade Blocs

By: Rafi Ahmed

A trade bloc can best be defined as a group of sovereign states in various parts of the globe that join hands in a mutually-beneficial treaty or contract that govern and enhance trade-related activities among the member countries. Trade Blocs emerged in the last century with the prime objective of liberalizing trade among the member countries and take advantage of mutually beneficial terms. The immediate impact of such a trajectory was the most favored-nation treatment accorded to the states who were in their respective orbits. The last part of the past century and the present one have witnessed a mushrooming of such trade blocs the world over.

In the words of Investopedia: A trade bloc is a set of countries which engage in international trade together, and are usually related through a free trade agreements or other association.

The World Trade Organization (WTO) favors the formation of trade blocs, on the condition that they succeed in lower protection and relaxed trade tariffs or no tariffs at all, against member countries than the regime that was in vogue before the creation of the trade bloc. It may be remembered that World Trade Organization (WTO) is the only globally recognized international organization dealing with the rules of trade between the nations. WTO was instrumental in the creation of agreements, negotiated and signed by the huge majority of the world's trade nations and duly ratified by their parliaments. Its pivotal role is to facilitate producers of goods and services, exporters and importers in the conduct of their business. Based in Geneva, Switzerland, currently it has a membership of 164 countries, which means that it covers 85% of the globe as against the United Nations' membership of 193 countries. WTO's fundamental aim is to open trade for the benefit of all and its main job is to ensure that trade flows as smoothly, predictably and freely as possible. The WTO agreements cover goods, services and intellectual property. They spell out the principles of liberalization, and the permitted exceptions. They include individual countries' commitments to lower customs tariffs and other trade barriers and keep open services markets. They set procedures for settling disputes among countries.

However, the concept of trade blocs also goes against the aims of WTO which does not want any restriction in trade or exclusivity in trade matters or monopolistic groups which hamper free flow of goods and services.

Impact

As Jeffrey J. Schott, an eminent Economist at the Washington-based Peterson Institute for International Economist, says there is manifestation of commonality of four major characteristics among the successful trade blocs, which are: Similar levels of per capita gross national product, geographical proximity, same or compatible trade regimes and political commitment to regional organization.

As defined, Gross National Product (GNP) signifies: The total value of goods produced and services provided by a country during one year, equal to the gross domestic product plus the net income from foreign investments.

Advantages

There are five main advantages of trade blocs which are: foreign direct investment, economies of scale, competition, trade effects and market efficiency .

1. Foreign Direct Investment
Trade Blocs encourage induction and inflows of foreign direct investment. This is a great boon for the economies of member nations leading to creation of new job opportunities and formation of new industries or expansion of the existing enterprises.

This happened in case of Polish workers who were hired at cheaper cost in UK and have contributed towards increase in industrial outputs.

2. Economies of Scale
The larger markets created by trade Blocs allow companies or industries to take full advantage of economies of scale. This results in lowering the cost of each good produced and with the increase in production result in lower prices for consumers. Economies of scale refer to reduced costs per unit that arise from increased total output of a product. It can be cited that books printed in UK are costly but the same printed in Portugal are lower in prices, as labor cost is less there, this is because of European Union (EU) membership of both the countries.

3. Competition
Trade Blocs enable the manufacturers of member countries to compete with each other. A rise in healthy competition creates pressure for greater efficiency within firms, with the resultant advantage of lower or reasonable product prices for the consumers and improvement in the quality of products. The home industries have to practice greater efficiency, efficacy and competence for their survival against the low-priced goods from the member-nations since there are no trade barriers or tariffs. Moreover, there is a tendency among the overseas producers to increase their production of goods, as they consider that the low price, above all, has a better chance of competing with the home-produced goods in the markets. France, Ireland, Italy, Portugal and Spain, for example, have all progressed in the areas of market competition and labor market efficiency. As a result, European countries continue to dominate the overall rankings in the Global Competitiveness Index (GCI).

4. Trade effects
Trade blocs eradicate tariffs, which diminishes the cost of imports. As a result consumers are able to save money by purchasing imported goods when cheaper than locally produced ones, they can spend those savings on other goods. Reduction in the cost of imports also lowers the cost of locally produced goods that use imported raw materials or components. Exports also contribute towards creation of more jobs and bolster economic growth. They afford local companies more competency in producing for foreign markets. Over time, companies gain a competitive edge in bloc and world trade as well.

5. Improved Market Efficiency
Increased competition and the removal of tariffs, which may act as price floor, drive down prices and allow for increased consumption. This decreases loss of economic efficiency and enhances market competency. A price floor is the lowest legal price a commodity can be sold at. This results in better market efficiency.

> "WTO does not want any restriction in trade or exclusivity in trade matters or monopolistic groups which hamper free flow of goods and services."

Detriments

The ardent proponents of free trade do not favor trade blocs. They resent the concept of trade bloc and see it as inimical to world free trade The champions of global free trade view it as to the advantage of all the countries, as it would unleash more opportunities to turn local resources into products and services that have the potential demand and will be needed in the future by people. But economists still are not clear and argue whether regional trade blocs splinter the world economy or promote harmony of multilateral trade.

1. Regionalism
Trade Blocs are no doubt supra-regional but they only favor their partners, that is the participating members, in utter disregard of globalism. They promote intra-regional trade from outside forces and therefore are exclusive. For example, the smaller republics in the Caucasus on the borders of Eurasia, such as Armenia and Georgia have been left out of EU, as they are underdeveloped and not rich.

2. Loss of Sovereignty
Trade blocs with political ambitions result in fractional loss of sovereignty, for example the European Union has reached a stage where trade is not the only factor but political union is the ultimate goal. It has its own parliament and currency, albeit not all 27 members are using Euro currency but those who have adopted it have sacrificed their national supremacy to a great extent.

3. Concessions
It is but natural that no country is willing to allow foreign companies to dominate their home markets at the cost of local industries. But if they join a trade bloc, they are bound to hurt the interest of their own markets, yet on the other hand they also gain access to markets of their fellow-members to sell their products.

4. Interdependence
Trade Blocs boost trade among the member countries, so those countries become highly dependent on each other. Any interruption in trade flows, within a trade bloc due to natural calamity, conflict or revolution, may have serious results for the economies of all participating countries. This happened recently in the case of Mercosur, a South American Customs Union which excluded one of its member countries, Venezuela due to political turmoil there. Other members of Mercosur are Brazil, Argentina, Uruguay and Paraguay. This can have devastating consequences for the excluded countries and other members also as over the years they become accustomed to reliance on each other for their daily consumer needs. Same is the case with the European Union in which London had become a mega-financial hub with 100 foreign banks having their branches there. The financial services are Britain's single biggest tax earning sector bringing in over 70 billion pounds (or $93 billion) a year as per Fortune magazine.

5. Disguised Political Ambitions
Some of the trade blocs also nurture some type of political ambitions to amalgamate all the countries within their ambit and ultimately create a sort of union with almost same foreign policy, same currency and also common defence policy. The example of Commonwealth of Independent States (CIS) is such a venture which embraces some former Soviet States, but is one-sided as most of the members depend on Russia for oil and gas.

6. Discriminatory Policies
Trade Blocs create unity and harmony among the member states but they also create discrimination against the non-member states which seriously hurt free trade. They are only beneficial for those who are within the pale of the bloc, otherwise those outside of its orbit are subjected to restrictive trade treatment.

There are scores of Trade Blocs all over the world, but the prominent ones with socio-economic and political clout, implications and significance are as follows:

European Union (EU)

Perhaps the ideal case of a successful trade bloc on way to unification is that of European Union, which is the largest and most ambitious one, with ever-expanding membership, many who aspire to become its members and are on long waiting list such as Serbia, Bosnia, Montenegro and Macedonia. EU embraces customs union, a single market and with a single currency, it has become a supra-national body with its own parliament, boasting a population of 510 million. It is the most effective bloc as there is free movement of capital, people, skills and knowledge, labor and trade. There is no visa regime between the participatory nations. EU has also a centralized bank, European Central Bank. The ECB is an official EU institution at the heart of the Euro-system and the Single Supervisory Mechanism. Based in Frankfurt, Germany, ECB performs a range of tasks in close cooperation with the national central banks within the Eurosystem and for banking supervision, with the national supervisors within the Single Supervisory Mechanism.

> "Any interruption in trade flows, within a trade bloc due to natural calamity, conflict or revolution, may have serious results for the economies of all participating countries."

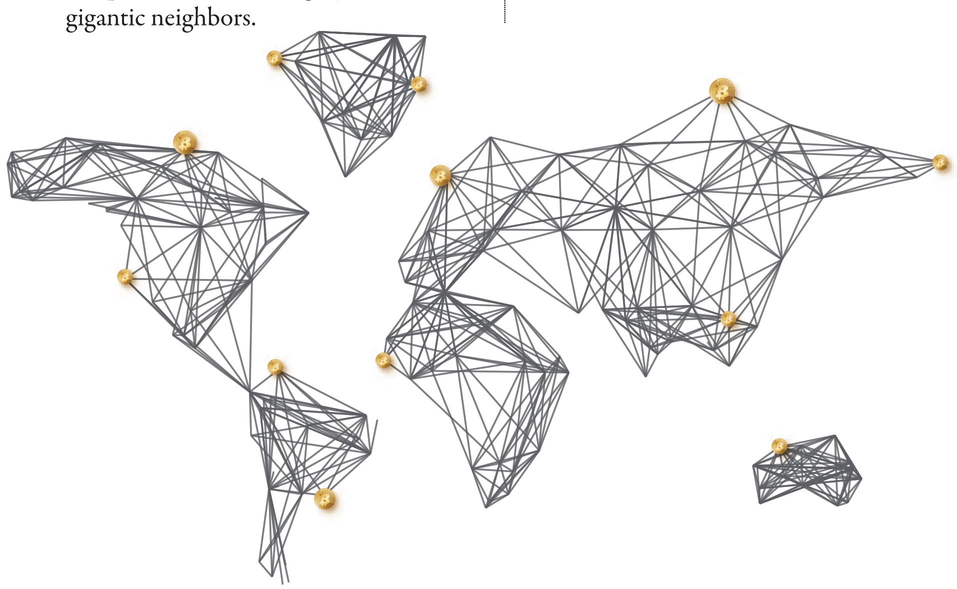
However, it has suffered a setback with Britain voting to quit it by 2019, although Britain was one of the most enthusiastic, active and vocal advocate of EU with economic power second to Germany. A new word has been specially coined for its exit, Brexit. There are a host of reasons for this exit. One of the prime reasons being the influx of cheap labor from less developed countries of Eastern Europe, most particularly Poland and Lithuania. This deprived the British citizens of employment opportunities and hence the widespread resentment though people voted with a slight majority of 51.9% to quit. There was also a lurking fear that the Britons will be overwhelmed by the Immigrants from lesser developed Eastern European economies. Since there is no bar in EU for migration and living in any of the member countries. According to UK's respected daily, presently, there are 1.4 million workers from Eastern European nations known as EU8 with Polish people alone numbering nearly a million, followed by 1,70,000 Lithuanians. The other cause of its downslide is the hasty decision of membership of such ill-prepared and financially unwell countries such as the East European ones from the former Communist bloc and such minnows as Cyprus and Malta.

European Free Trade Area (EFTA)

This is the smallest Trade Bloc with only four countries under its embrace, namely Iceland, Norway, Switzerland and less-heard of Liechtenstein, with a total population of 13.5 million. This is aimed at reducing trade barriers, import quotas and tariffs. However, EFTA defies one of the common traits of a Trade Bloc namely geographical proximity, as with the exception of Switzerland and Liechtenstein, the other two countries are located far away.

North American Free Trade Agreement (NAFTA)

This is a trilateral Trade Bloc between the USA, Canada and Mexico, however since the advent of Trump Regime, it is more or less under threats. It is also a powerful Trade Bloc with a population of 482 Million. Its only Achilles Heel is Mexico, being on a weaker pitch, as it is still undeveloped to cope with the competition of its two highly-industrialized gigantic neighbors.



Mercosur

This means Mercado Comun Del Sur - Southern Common Market

It is a Customs Union between Brazil, Argentina, Uruguay, Paraguay and Venezuela, but presently Venezuela is excluded by other members due to its internal turmoil.

South Asian Free Trade Area (SAFTA)

Established in 2006, with countries such as India and Pakistan and nearly all South Asian nations including Afghanistan with a total population of 1.8 billion. It has yet to deliver as it has several hurdles due to intra-regional disputes and lack of trust among some member states.

Trans-Pacific Partnership (TPP)

Twelve countries, situated on the rims of the Pacific Ocean co-opted in February 2016, to form a vast ambitious regional trade bloc encompassing three continents covering about 40% of the world's economic output. The pact was designed to strengthen economic ties between these nations, decreasing tariffs and nurturing trade to enhance growth. Members had also hoped to foster a closer relationship on economic policies and regulations. It was to result in a EU-style single market. Till date, out of 12 nations, Japan is the only country to approve it through ratification. But USA has since opted out of it or cold-shouldered it, making it a still-born body. The other member states are: Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile and Peru.

Epilogue

Besides the above quoted common traits or characteristics of the Trade Blocs, there are many more all over the globe. Trade Blocs, in tandem with e-commerce, have converted the world into a global village. It also created an atmosphere of close cultural and political integration, apart from rich dividends to reap from the economic success of such blocs. It also contributed to cross-cultural exposure for the people of the respective blocs.

But with Brexit, there are also dissenting voices being raised in France to exit from EU, which if it ever happens will be termed as Frexit. Some adverse events have emerged among EU nations which do not augur well for the future of EU, this doubtful attitude is termed as Euroscepticism. There are some ten countries which have a sizable anti-EU sentiments brewing, although these countries have gained the most from this union. As most of these countries are from Eastern Europe, Hungary and Poland are displaying signs of intense anti-EU sentiments. The thorns in the crown of EU is the lingering immigrant issue and the systemic risks in some countries, such as Greece, which at one point was on the verge of quitting the European Union but was saved by the bail-out package by Germany. On the analogy of Brexit, if it had ever happened, it would have been known as Grexit. Besides, NAFTA is also not doing too well as with the regime change in USA, the American policy is shaping into more inward-looking strategy.

But there are other hopeful signs which augur well for countries that want to benefit from trade blocs and related activities. Even Africa has started thinking seriously on these lines. Although it was long felt that African countries are in the habit of exporting their valuable raw materials to advanced economies, but this is no longer true as winds of change are blowing again. There is complete agreement with a strong will for the recently formed Continental Free-Trade Area (CFTA), covering all 55 countries in the African Continent. The main aim as listed in its mandate is to create a single continental market for goods and services, with free movement of entrepreneurs and investments, thus paving the way for accelerating the establishment of the Continental Customs Union. The treaty has been finalized and African Heads of States will likely to put their signatures, once the protocol on goods has been finalized. The CFTA will come into force when 22 countries have ratified it. Besides, separate negotiations on competition, investment and intellectual-property rights are also on the anvil.

How the Bailout Package Works

The bail-out package, summed up by someone in a lighter vein:

It is a slow day in a little Greek Village. The rain is beating down and the streets are deserted. Times are tough, everybody is in debt, and everybody lives on credit. On this particular day a rich German tourist is driving through the village, stops at the local hotel and lays a €100 note on the desk, telling the hotel owner he wants to inspect the rooms upstairs in order to pick one to spend the night.

The owner gives him some keys and, as soon as the visitor has walked upstairs, the hotelier grabs the €100 note and runs next door to pay his debt to the butcher.

> "Some adverse events have emerged among EU nations which do not augur well for the future of EU, this doubtful attitude is termed as Euroscepticism."

The butcher takes the €100 note and runs down the street to repay his debt to the sheep farmer. The sheep farmer takes the €100 note and heads off to pay his bill at the supplier of feed and fuel. The guy at the Farmers' Co-op takes the €100 note and runs to pay his grocery bill. The grocer slips the money along to a salesman, having coffee at a kiosk, who has also been facing hard times and has had to offer him goods on credit. The salesman then rushes to the hotel and pays off his room bill to the hotel owner with the €100 note.

The hotel proprietor then places the €100 note back on the counter so the rich traveler will not suspect anything. At that moment the traveler comes down the stairs, picks up the €100 note, states that the rooms are not satisfactory, pockets the money, and leaves town. No one produced anything. No one earned anything.

However, the whole village is now out of debt and looking to the future with a lot more optimism. And that is how the European bailout package works. ■

A Real-life Joke

Soon after his criticism of the Munich Agreement and having been abandoned by his many ardent supporters, Winston Churchill received a letter from George Bernard Shaw.

"You are most cordially invited," wrote Shaw, "...to the opening night of my latest play. Find in this envelope another ticket so that you could bring along a friend ...if you have any!"

Churchill answered: "Thanks for the kind invitation. Unfortunately, owing to a previous engagement, I won't be able to make it the first night. But I can come to the second night ...if there is any!"

REGULATING MOBILE PAYMENT SERVICES IN PAKISTAN

This Article reviews the legal and regulatory framework governing mobile payment systems in Pakistan. The article was first published on 16 April 2018 in Issue No. 5 of Axis Law Chambers' Newsletter and is being published here.

Axis Law Chambers is one of Pakistan's largest law firms specializing in non-contentious transactional work, corporate advisory work and commercial dispute resolution (litigation and domestic/international arbitration). Axis Law has a team of seven partners and over twenty associates and has its headquarters based in Lahore, an office in the Federal Capital, Islamabad, a liaison office in Karachi and links in all provinces of Pakistan. Axis Law's lawyers routinely represent both local and international clients in local and cross border transactions and disputes.

By: Sameer Khosa & Maria Farooq

Over the last few years, there have been growing efforts in Pakistan to increase the usage of digital and mobile payment services as an alternative to cash based transactions. While the more traditional "mobile banking services" – through which customers of a bank can access their bank accounts via their mobile devices – are being offered by various banks in Pakistan, increased attention is being paid to "mobile payment" services which can include the creation and issuance of new payment instruments in a mobile manner. Some prominent examples of such services are providers that offer issuance of virtual debit cards, and digital or e-wallets.

Digital wallets[1] in particular can position themselves almost as a functional alternative to a traditional basic bank account because (if the full suite of services are offered) they are not only able to reflect stored value for their users, but the users can also utilize the stored value to acquire goods or services. However, the existing regulatory regime in Pakistan is structured in a way that creates confusion amongst service providers as to which permissions /approvals / authorizations are required by each of the entities that are involved in the provision of these services.

In this article, we explore the basics of a digital wallet, introduce the current regulatory regime that is applicable to such product offerings, discuss some of the common structures, and some of the limitations of the regulatory regime that have acted as inhibitors to faster growth of the mobile financial services industry.

Generally, digital wallets can be understood as electronic applications that are used to store a user's payment / loyalty card information on an electronic device such as a smartphone. These digital wallets then allow consumers to make electronic transactions such as making payments to merchants and/or transferring funds through the application to the wallets of other users.

Importantly, even though a digital wallet is packaged and presented as one application for a user, often there are multiple actors that combine to make such a wallet operational and effective. For example, one entity could provide the technological interface with the user, another could be the provider with whom the monetary account is residing, while a third could be the entity that processes the payment transactions. In the Pakistani context, there are already examples of private companies partnering with banks in order to enable consumers to create digital wallets that are linked with a bank account. For instance, FINCA Microfinance Bank Limited recently partnered with FINJA (Pvt.) Ltd. to launch a digital wallet known as SimSim. Anyone with a valid CNIC can create a SimSim account using their internet-enabled mobile phones.[1] Money can be added to this digital wallet through various methods such as debit/credit cards.[1]

Given that a digital wallet involves the maintenance of value, the utilization of that value for acquiring goods and services, a payment processing function where that value is reflected in currency, and a technological UI aspect, it is essential to understand what aspects of the regulatory regime applies to each function.

At its essence digital wallets in Pakistan are considered part of the larger mobile financial services industry and thus the main regulator is the State Bank of Pakistan. The key pieces of legislation are: (1) The Payment Systems and Electronic Fund Transfers Act, 2007 ("PEFTA"), (2) The Rules for Payment System Operators and Payment Service Providers issued by the SBP under PEFTA (the "PSO/PSP Rules") and (3) the Branchless Banking Regulations issued by the SBP (the "BB Regulations").

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As per the aforesaid regulatory regime, entities involved in the provision of a digital wallet can fall into one of the following categories: (1) a payment system operator/payment service provider (the "PSO/PSP"), (2) a bank licensed by the SBP, (3) a branchless banking agent and (4) an electronic money institution.

PEFTA and the PSO/PSP Rules regulate inter alia PSO/PSPs. Under the said laws a PSO/PSP is any entity that is engaged in providing payment systems related services like electronic payment gateway, point of sale gateway etc. – basically providing an electronic platform for clearing, processing, routing and switching of electronic transactions.[2] A "payment system" is defined as a system relating to payment instruments, or transfer, clearing, payment settlement, supervision, regulation or infrastructure thereof.[3] Whereas, a "payment instrument" is any instrument whether tangible or intangible that enables a person to obtain money, goods or services or otherwise make payment (but excludes notes, bills of exchange or cheques).[4]

While much depends on the specific structure of each service (the end service can be structured in multiple ways at the back end) digital wallets that can be used to make payments to merchants will likely have at least some component that falls within the category of a payment instrument as defined in PEFTA. Further, the processing of payments from that payment instrument inevitably requires there to be a 'system' relating to the payment instrument in question i.e. a payment system.

Under PEFTA and the PSO/PSP Rules, a "payment system" can be operated only by a PSO/PSP.

Any company which operates (or wishes to operate) as a PSO/PSP must obtain approval from the State Bank by following the application procedure prescribed in the PSO/PSP Rules. In order to obtain such an approval, the PSO/PSP must inter alia be a company registered under the Companies Act, 2017 (previously the Companies Ordinance, 1984) and have a minimum paid-up capital of Rs. 200,000,000/- (Pakistani Rupees Two Hundred Million). A PSO/PSP also cannot act as a custodian of a consumer's money or

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perform any banking functions e.g. take deposits.

This does not mean that every digital wallet provider itself is a PSO/PSP. However, where the wallet provides the ability to purchase from merchants, the wallet provider would likely at least need to partner with a PSO/PSP that would process the payments made by users of that wallet service.

Up till now, the most common way in Pakistan of providing mobile financial services has been through the Branchless Banking Regulations, which allow companies to become "agents" of existing banks. Under the BB Regulations, banks (operating through agents instead of branches) can create a "branchless banking account" by using an agency or JV agreement with a non-bank entity. A "branchless banking account" is an account maintained by a consumer in a bank in which credits and debits may be effected by virtue of electronic fund transfers.

In this case, although the user never interacts with the bank directly (there are no branches) he/she is an account holder of the underlying bank. The account resides with, payment instruments are issued by, and also settled by the bank at the back end. The wallet provider - the entity that interacts with the user - is simply the agent of the bank and utilizes the regulatory approvals and payment infrastructure of the underlying bank.

A real life example of this structure is SimSim (mentioned above). According to information publicly made available

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about the platform, FINJA (Pvt.) Ltd. has not obtained any approval under PEFTA or the PSO/PSP Rules. Instead, it acts as a super-agent of FINCA Microfinance Bank Limited and has received authorization from the State Bank to do so under the BB Regulations. Thus, by collaborating with FINJA (Pvt.) Ltd., FINCA Microfinance Bank Limited has allowed its customers to have a branchless bank account in the form of a SimSim wallet. The balances shown on the SimSim wallet are only a reflection of the actual account balances of the customer residing with FINCA Microfinance Bank Limited. Importantly, since there is nonetheless an electronic fund transfer being effected through the SimSim wallet, a PSO/PSP has to be part of this product offering. In case of SimSim the electronic fund transfers are actually effected by 1-Link – a PSO/PSP.[5]

However, the growth of mobile payment services has highlighted some of the limitations of utilizing the BB Regulations for the provision of digital wallet type services to users. This is only natural because the BB Regulations govern "banking activities" only and are primarily aimed at offering flexibility to the financial institutions. One such obvious limitation of this structure is of course the fact that although the customer base is often developed by the wallet provider, the underlying customer relationship established is with the bank. Thus if the wallet provider wishes to change banks, the customers on that platform may not automatically migrate to the new bank.

Another issue with the existing regulatory regime is that digital wallets also have the potential of being included in the ambit of a third type of mobile financial service - that of "electronic money" as defined under PEFTA. PEFTA defines electronic money as inter alia an electronic store of monetary value on an electronic device that may be used for making payments. Further, under PEFTA an undertaking that issues means of payment in the form of electronic money is required to obtain a license from the State Bank. As yet, the State Bank has not issued any rules and regulations regarding the registration, procedures, requirements, and standards in order to be licensed as an electronic money institution. This adds to the uncertainty around the applicable regulatory regime.

In conclusion, it is clear that although there are many innovations in the financial technology sector that are being introduced in Pakistan, the regulations covering the mobile financial services market lack the requisite clarity to drive faster growth. To this end, allowing the new entrants to move away from a bank-led, branchless banking model through the issuance of a detailed regime for electronic money institutions may go a long way in spurring further growth. Much of course will depend on the content of those regulations. ■

[1] The terms "digital wallet" and "e-wallet" are used interchangeably in this article. The terms are widely used for a whole variety of IT enabled financial services from vendor specific stored value credit, to closed loop cards, to branchless banking accounts.

[2] Rules 2(p) and 6(1) of the PSO/PSP Rules

[3] Section 2(1)(zd) of PEFTA

[4] Section 2(1)(zc) of PEFTA

[5] http://www.sbp.org.pk/PS/PSOSP.html

Perils in Collection of Cheques

One of the most important functions of banking is the collection of cheques. Otherwise a routine task for the banker, it also exposes him to all sorts of risks.

By: Rafi Ahmed

The foremost risk lies in collecting a cheque to which the customer has either no title or a defective one. The bank, by collecting the proceeds of such a cheque, however innocently, is guilty of conversion. While the true owner of such a cheque can legally seek compensation from the customer, approach to the bank is considered more convenient. The bank has, of course, the right to be the indemnified by the customer in turn. However, in most cases of forged endorsements, the guilty customer is untraceable, causing loss to the bank. Banking would be most hazardous indeed but for the protection provided by law. Protection can be claimed only if the bank fulfils its own obligations imposed by Section 131 of the Negotiable Instruments Act, which are given as follows:

1. To ensure that the instruments are crossed before being deposited with the banker for collection.

In case open cheques are deposited for collection, we have the simple remedy of asking the holders to cross them. Some banks have printed instructions to this effect on covers of the paying slip booklets, others call attention to this requirement by a suitable notice displayed over the appropriate counter.

2. To act in good faith: that is to act honestly.

3. To collect for a customer: this requirement has a dual aspect. Firstly, it requires us to collect only for a person who maintains an account with us and secondly, to act purely as the collecting agent of our customer.

In case we have allowed the customer to draw against the cheque before collecting its proceeds, or cashed a cheque for him drawn on other bank or branch, or the cheque has been paid in specifically to reduce an overdraft or loan, we would not be collecting for the customer, but for ourselves, as holder for value. Thus we would be outside the protective scope of this section. However, we could, then plead the alternative defence of holder in due course, but this defence is subject to certain limitations. The facts of each case will determine the capacity in which the bank is collecting, whether as an agent or as holder for value.

4. To act without negligence:
This condition has been interpreted in many ways and has often proved to be the weak point in the collecting banker's defence in action for conversion. The payment procedure must be without any negligence.

> **"By granting us exemption from liability for conversion whilst collecting crossed cheques and drafts, we must remember that the law is depriving the true owner of his rights, and therefore, a duty of care towards the true owner is statutorily placed upon us at a price for protection."**

Now what is Negligence? It is simply doing of that which a reasonable person under all circumstances of a particular case which he is acting, would not do, or failure to do something, which a reasonable man under those circumstances would do. Or as Dictionary.com defines with reference to Law: The failure to exercise that degree of care that, in the circumstances, the law requires for the protection of other persons or those interests of other persons that may be injuriously affected by the want of such care.

The point-wise basis of Negligence mentioned here, but also discussed elsewhere:

i. Opening of account without following formalities as required and in the absence of introduction or reference,

ii. Flaws in endorsement,

iii. No scrutiny is being made in suspicious cases,

iv. Failure to note Not Negotiable Crossing,

v. Collection of Account Payee Cheque, other than a customer or even a non-customer.

By granting us exemption from liability for conversion whilst collecting crossed cheques and drafts, we must remember that the law is depriving the true owner of his rights, and therefore, a duty of care towards the true owner is statutorily placed upon us at a price for protection. Let us, therefore look at the instances where the courts have held the collecting banker negligent, so that we may benefit from the experience of others.

When opening accounts:

A. Failure to obtain suitable introduction.

B. Failure to take up references independently and to check on the reliability of the referees by obtaining their banker's opinion.

C. Failure to enquire and record details of the new customer's occupation and employers. Such enquiries also extend to the husband, in case of a married lady.

When examining a cheque:

A. Failure to ensure that it is complete and regular. In case of order cheques, the payee's endorsement should also be regular.

B. Failure to enquire into any unusual feature, such as incompatibility with the status of the customer, his average balance or previous operations. New accounts, in particular, require to be kept under surveillance.

When accepting third party cheques for collection:

Failure to verify customers' title to third-party cheques where there is a fiduciary link between the customer and the drawer or payee, such as:

i. When a customer deposits for credit to his private account, a cheque to his employers in favor of a third party, and purportedly endorsed to him.

ii. When a customer deposits for his private account, a cheque payable to him in his official capacity.

iii. When a customer who is a partner, deposits for credit to his private account, cheques payable to the firm or drawn by the firm in favor of third parties, and purportedly endorsed to him.

iv. When a customer , who is a director , secretary or official , deposits for credit to his private account , cheques payable to his company or drawn by it in favor of third parties .

v. When a customer who is an agent, deposits for credit to his private account, cheques payable to his principal or drawn by him on his principal 's account.

vi. When a customer deposits from Trust Account to his private account.

Failure to verify the customers' title to third party cheques in the presence of unusual circumstances such as:

i. Where the history of the account is highly unsatisfactory,

ii. Where the cheques payable to corporations and joint stock companies are purportedly endorsed by them in favor of individuals,

iii. Where the cheques are drawn by third parties directly in favor of the collecting bank itself.

Although most cheques are transferable (except when they are crossed account payee), to safeguard the interests of true owner, due care should be taken when accepting instruments for collection and credit to customers' accounts where they are not named payees. Such cheques and drafts are referred to the manager before accepting them for collection. This practice helps to ensure that third party cheques receive the necessary attention and scrutiny by the manager or a senior official of the branch.

Finally, it must be borne in mind that the crossing account payee has been accorded statutory recognition in Pakistan, through Section 123-A, inserted in the Negotiable Instruments Act 1881 by an amendment in 1962. In effect, cheques crossed A/C Payee are not transferable and it is the duty of the banker in such cases to collect them only for the account of the named payees. ■

BANKERS IN A *DATA-DRIVEN ERA*

With data increasingly becoming a core component of bank business, the profile of those who utilize, interpret and analyze it is rising. We explore the greater role these people will play in the future of the industry.

There was a time when data was relegated to a bank's back office, where siloed IT staff plugged away, only surfacing to offer up the occasional mysterious report. These would be read only by a select few who knew the dark arts of data-processing, who would then reinterpret these reports for management.

Fast forward to 2018, and technology, storage, the cloud, IT solutions, reporting – the whole package – is a lot more affordable and accessible. It now has a profile at boardroom level, with data playing a far more prominent role within banks.

"In the old days you needed ten people to operate an algorithm; now, you can download the open-source library yourself and be operating it within ten minutes," says Deborah O'Neill, Partner in Oliver Wyman's Digital and Financial Services practices. "People from IT are now being appointed to the board, with CIOs and CDOs all rising in stature. The c-suite now want data-driven reports that they can analyze and drill down into. They want to interact with real data and talk to data scientists, and they're also demanding more powerful simulations."

Mark Curran, Director of Payments and Open Banking Strategy at the Clydesdale and Yorkshire Banking Group, gives a good indication of how things are changing, explaining that top bosses now fully realize the potential for data and its ability to change the fate of businesses in this sector.

"The crucial issue is that you need buy-in from the CEO – if you don't have this, you don't have anything. Our CEO realizes the opportunity," says Curran. "The role of people is also changing. What we are seeing is that FinTech, data scientists and bankers were once all in separate silos – but not any more. This is evolving. The growth area in banks is now for data scientists, clever data people and cybersecurity experts."

Information Is Power

There is a growing realization that data equals power. Banks create vast amounts of the stuff and it increasingly needs interpreting. As many core processing activities become automated, it should allow bank workers to move up the value chain.

"As banks look to leverage automation, we will see staff moving from being operators to being problem-solvers," suggests Paul Prior, Managing Director at FTI Consulting. "This will require a repurposing of staff who have excellent knowledge, and a convergence of technology and operations skill-sets. As organizations invest in data management, we will see greater trust being placed on the output, resulting in better insights, which in turn will lead to more grounded decisions as data becomes more transparent internally."

But don't expect businesses to ditch relationship banking any time soon. In many ways, data is again the new enabler. "We need to equip our bankers with the right tools and analysis to go out and speak with customers. I expect that data will make us as an organization more efficient across the entire value chain, but we need to beware of drowning our people in data," states Sebastian Jauch, Head of Applications and Solutions at Deutsche Bank.

"We need to use visualization tools and analytics to equip them, not to spam them," he adds. "The same holds for boardroom decisions. Central teams need to be smart in analyzing data and drawing the right conclusions – they should not overload the recipients or end-users with information." ■

This article was first published in February/March 2018 issue of Chartered Banker magazine.

"WE NEED TO EQUIP OUR BANKERS WITH THE RIGHT TOOLS TO GO OUT AND SPEAK WITH CUSTOMERS. BUT WE NEED TO BEWARE OF DROWNING OUR PEOPLE IN DATA."

IMPACT OF CPEC ON PAKISTAN'S BANKING INDUSTRY

By: Muhammad Rafiq

Peter Drucker says, "Opportunity favors the prepared mind." A $46 billion China Pakistan Economic Corridor (CPEC) project offers the same scenario. CPEC being an offspring of China's strategic One Belt, One Road (OBOR) plan, brings up an abundance of opportunities with spill overs. Through CPEC, the 60% Chinese oil imports from the Gulf would be reduced to a distance of 5000 km from 16000 km and the duration would be curtailed to bare 10 days from 45 day. For Pakistan, only the transit fee anticipated from CPEC has been approximated to be over $70 billion per annum.

Like blood in the veins, banking is vital to every economic development. Pakistan's banking industry stood at very comfortable position in 2015 with assets level of $129 billion & capital adequacy of 18.2% against the national standard of 10% and global mandatory level of 8%. Despite the gigantic size of investment required in the CPEC, it has necessitated for Pakistani banks to develop capacity to seek bulk investment share in this mega project. Major avenues for the Pakistani banks under CPEC are coal mining, energy, network of rails & roads, oil & gas pipelines, textiles and related industries.

Advances to deposit ratio (ADR) of banking sector in Pakistan is slipping down to 52%. CPEC presents huge scope to enhance advances portfolio to higher levels, as a senior banker analyzes:

"The local currency financial needs for the CPEC-related projects will be Rs.580 bn to Rs.780 bn and another Rs.550 bn for CPEC-needed & spill over projects. To put this figure of Rs.1.3 tr in the context, it should be noted that scheduled banks' total outstanding credit to the non-government sector amounted to Rs.4.6 trillion, at the end of 2015. This means banks will be required to increase their outstanding loans by more than a quarter in order to finance the domestic component of the CPEC."

After having a cursory glance of the massive banking potential of the CPEC, let us analyze those aspects of Pakistan's banking industry that are about to be impacted by CPEC, the game changer project. That would also cover 'what accomplishments are needed' to be an attractive banking option for customers related to CPEC.

- Due to volatile security situation in Pakistan for over a decade, many foreign banks have exited and the remaining financial institutions have scaled down their operations. Now, this is an opportunity for the local banks to equip themselves with the latest technology and quality human resource to fill the void for attracting business of the global corporations relating to the CPEC. However prompt response is need of the hour, since Pakistan's financial market also is regaining attraction for the foreign investors.

- Elite bank customers expects high standard services with the ease and speed of technology; therefore, run-of-the-mill treatment to CPEC clients could be counter-productive. All banks will have to liberate their internal systems from obsolete, slow, manual and dysfunctional transaction processing and IT equipment. The gap could be bridged by introducing system upgradation, advanced CORE banking application, internet banking, RTGS (Real Time Gross Settlements), mobile banking, cash management system, ADC (Alternate Delivery Channel) and many other digital solutions.

- Financing under CPEC will have huge ticket size that would necessitate syndicate financing through Pakistani, Chinese and other foreign banks. This situation requires our local banks to enhance their skills, efficiency & capacity. Already a formal agreement of syndicate financing of $1.5 billion has been inked in December, 2015 under CPEC. The agreement aimed for a 3.8 million tons per annum coal mining project and 66 MW coal fired power plant in Tharparker, was formally signed by two syndicates of Chinese & Pakistani banks and Sindh Engro Coal Mining Company (SECMC) and Engro Power Thal Limited (EPTL), in Beijing. Pakistani Syndicate was led by Habib Bank Limited with United Bank Limited, Bank Alfalah and Faysal Bank Limited as member banks. Foreign Syndicate comprised of China Development Bank (CDB), China Construction Bank (CCB) and Industrial and Commercial Bank of China (ICBC). Out of the total loan amount of $1.5 billion, Foreign Syndicate would contribute $0.820 billion. As per agreement, a sovereign guarantee worth $700 million was stipulated to be issued by Economic Coordination Committee of the Cabinet in order to underwrite the loan taken by SECMC. Therefore, very smart investment in human and technological resources is required to become an effective member of the bank consortia.

- Pakistani banks and financial institutions must rise to the occasion and should establish their presence in China, apart from revamping their local networks. Banking relations with China be further strengthened by setting up representative offices, liaison offices and full-fledged bank branches in China. Capital and licensing requirements should be met to tap the business of cross country inter-corporate financing requirements. Apart from regular correspondent banking services of wire transfer, accepting deposits and gathering documents on behalf of another financial institution, cross border transactions with Chinese financial institutions can be conducted to arrange the requisite foreign currency component of the credit facilities extended under CPEC.

- Current capital base of the Pakistani banks is ample to go for financing in CPEC projects. But the paucity of capital may be confronted in future. Banks can exercise the option to raise capital through IPO or secondary offering, in the capital market. Besides, the launch of effective deposit mobilization campaigns with newly designed competitive liability products should be carried out. This approach would enable our banks to continue the co-financing of mega energy projects and the big infrastructural activity.

- Credit expansion under CPEC would be mostly in the form of Project Financing that is highly specialized process. Banks will have to identify the skill inventory of project financing. The technical skill of project finance involves cash flows forecasts from technical, financial and market analysis, risk allocation through project contracts and financial agreements, funding & repayment mechanism and many other aspects. Therefore, sound project finance professionals with relevant knowledge and experience must be part of the credit department in order to get the desired results.

- CPEC customer would be a high net worth client with huge business potential, requiring quality services with priority. Segregation of these valued customers is essential. Banks must be cognizant of this scenario by ensuring that an Elite Customer Relation Management (ECRM) system is in place. The relationship managers under ECRM must be accomplished professionals with strong risk management aptitude, expert knowledge of internal policies, procedures to ensure flawless execution of tasks, ability to anticipate client's dissatisfaction, problem solving skills, and the capacity to enhance customer delight. Keep it in mind that the CPEC customer is "highly sought after prospect" in the market and any negligence would miss many a millions.

- Excitement of investing in CPEC projects is high and it must be so. But, the spillover effects to be brought by the CPEC are being under-estimated. When the major activities of CPEC get underway, the indigenous investors would get advantage of the ongoing country-wide infrastructure development activity by investing in the industries like steel,

"The spillover effects to be brought by the CPEC are being under-estimated. When the major activities of CPEC get underway, the indigenous investors would get advantage of the ongoing country-wide infrastructure development activity."

cement, mining and contracting. Investment in these businesses would be very profitable, since they provide supplies of raw materials to CPEC projects. So, the Banks should also target these support industries to fetch additional business through CPEC's trickle down or spillover effects.

- All across the country land acquisition for CPEC projects has already been started by the government. More than 70% of the beneficiaries belong to the unbanked segment of the society. These beneficiaries are getting compensation in millions of rupees. Banks have been observed to be vying with one another but the millionaire is won by the bank with prompt initiative. Marketing of these persons can be a hefty source of deposit besides contribution to the national cause of financial inclusion. So, it is a golden opportunity for the Banks to bridge the outreach of neglected or banking unaware lots of the population, by introducing products, policies & procedures to deliver the relevant financial services.

- Management of the banks have to take into consideration the demographic and behavioral changes taking place due to IT revolution and digitization. High net worth and ultra-high net worth individuals & families with enhanced education have different expectations with financial institutions and they have their own ways of online interaction or through social media. Another demographic trend is the missing traditional loyalty of the customers, since their only interest with the banks is efficient service quality. The emerging middle class is developing into mass affluent section of the society as a potential customer base. Banks must keep in mind such tendencies of the bank clientele before re-orientation of customer service standards in the context of CPEC.

- Another impact of CPEC on the Pakistan's banking industry has started in the form of winning best talent and skill of banking. Financial institutions are in hunt of those professional bankers who are prudent enough to identify and understand the opportunity and risk and have the capability to manage them. The banks want individuals who can keep abreast with the changing financial scenario and have a feel big response in tapping CPEC related opportunities.

- Lending rates of Pakistani banks are on the high side in addition to the limited capacity. Therefore, the CPEC related Chinese companies prefer Chinese banks for funding requirements. But the loan proceeds movement from China to Pakistan will result in the rising levels of domestic and international remittances.

- An under-estimated prospect of CPEC is the huge scope of non-fund-income. Imports, exports and guarantee business, inter-woven with the CPEC projects would bring about fee-based income in great proportions. The Chinese companies running the CPEC projects would import equipment and machinery through banks. Similarly, they would also require bank guarantees on the strength of the counter guarantees of Chinese banks. Once the CPEC becomes reality, our exports will also get boost through our local banks.

- Banking activities under CPEC are naturally structured to the benefit of Pakistan's banking industry. CPEC project investment has increased to $51 billion now. This amount is to be injected into Pakistan's banking system ultimately, thereby enhancing the deposit base.

- CPEC is also proving a catalyst for Foreign Direct Investment (FDI). A Turkish company Arcelik AS, global leader in home appliances industry, is going to acquire Dawlance, at a price of $258 million. A Dutch company FrieslandCampina would partner with International Finance Corporation (IFC) and Dutch Development Bank FMO to enter in share purchase agreement (SPA) for purchasing 51% shares of Engro Foods at around $260 million. Audi brand German Car Manufacturer Company has signed a Memorandum of Understanding with the Sindh Board of Investment for establishment of its $30 million new assembly plant in Pakistan. Shanghai Electric Power, a Dubai based private equity, is buying 64.4% shares ($ 2 billion) of K.Electric Ltd. Such increase in FDI will not only raise the bank deposit but the credit expansion capacity of the local banks as well. This form of impact would give great boost to Pakistan's banking industry.

- A long run impact on the local banks would appear as in the shape of improved liquidity level, once the CPEC is completed. It would be the result of the multiplier effects due to greater economic activity and the hike in growth rate.

- CPEC related banking operations require stringent internal controls. The procedures of Anti Money Laundering & Terrorist Financing, Know Your Customer and various compliance and inspection regulations enforced by national and international regulators must be abided by without fail. It is all the more important keeping in view the global economic and political rivalry.

Pakistani banks are highly conscious to capture this epic opportunity of China Pakistan Economic Corridor. Major Banks like NBP, HBL, UBL, MCB, ABL and Bank Alfalah are restructuring & upgrading their departments of business development and project finance with expert human resource and necessary logistic support. Preparation of different banks on the prospects of financing various projects under CPEC is highlighted as under:

A. National Bank of Pakistan (NBP) has set up a new business development unit with focus on CPEC projects. China and Far East Trade Desk has also been established by the Bank. Despite already having a representative office in China, NBP is also doing spadework to establish a full-fledged branch in Beijing.

B. Habib Bank Limited (HBL) has evolved a very efficient investment banking team with required expertise to extend advisory services on project finance and CPEC transactions. HBL is also in the process to establish a branch at Urumqi.

C. United Bank Limited (UBL) is also preparing to inaugurate a branch in China in order to exploit the business opportunities under CPEC activities.

D. Standard Chartered Bank (SCB) aims to multiply its business through the vast investment opportunities offered by the CPEC. However, the strategy of SCB is to bank on the second phase of the CPEC, that is characterized by the establishment of a network of economic and industrial zones.

E. Bank Alfalah Limited (BAFL) is more interested in the spillover effects of the CPEC projects. The bank management has strategized to focus on the support industries of CPEC like cement, steel and mining etc. Besides, BAFL has inked an MOU with Industrial and Commercial Bank of China Limited (ICBC) to share trade finance business and opening of account with each other for settlement of payments.

F. MCB and Allied Bank Limited (ABL) are also going to open their stand-alone branches in China.

G. Standard Chartered Bank (SCB), HBL & NBP have signed MOUs separately at different times with Industrial and Commercial Bank of China (ICBC) to capture the opportunities in CPEC projects. ICBC is the largest bank in China.

H. Habib Bank Limited (HBL) has already availed a credit line of $500 million from Industrial Commercial Bank of China (ICBC) for further lending to the CPEC projects.

Our foregone analysis crystallizes that the banking industry of Pakistan is going to be positively influenced by the development activities of China-Pakistan Economic Corridor. In this context, we have highlighted the multi-dimensional impact of CPEC on various business segments of the local banking industry.

Now, let us invite attention of the decision makers of the Pakistan's banking industry to certain relevant issues or aspects that must be attended to avail the full-fledged benefits of the CPEC:

1. Massive scale development through foreign investment under CPEC is an unusual phenomenon for the banking industry of Pakistan. Establishment of business relationship with the banks by a Chinese or foreign customer is very rare. Therefore, on the advent of CPEC, certain rigidities have been observed while opening of accounts, perhaps due to stringent law or procedure and compliance issues. Hence, it is an urgent need of the hour that the State Bank of Pakistan and SECP should devise certain simple regulations, documentation and brisk procedure to open accounts of the CPEC-linked foreign companies.

2. CPEC-related bank transactions involve inter-bank payment of cheques or instruments that is subject to delayed settlement, at present. In order to facilitate the valued customers of CPEC, it is proposed that the existing clearing system may be extended across the whole banking network, since the entire banking industry is online now. That way, the speedy settlement of claims would earn customer delight.

3. Under many CPEC projects, financing requirements are in foreign currency that puts limitations on the banks of Pakistan. This situation gives rise to a dire need for evolving more financing instruments on both debt and equity side. Demutualization of stock exchanges in Pakistan could make it easier for the development of bond market, thereby raising the capital through debt instruments.

4. Most of the CPEC projects would be carried out through contracts. Therefore, special lending products for contractors should be introduced with soft terms and conditions, in order to sponsor large scale contracting business.

5. Transport, vehicle and carrier financing also require focused consideration of the lending institutions, since the Corridor is to be actually run by the transport wheels. Medium term transport loan products would be very popular.

6. Agricultural production is likely to get massive influence from the CPEC. A chronic problem of agriculture sector is marketing. Small growers are exploited by this lack of marketing. Economic Corridor with country-wide network of railways and roads would address the issue of agricultural marketing. Banks and financial institutions must capture this opportunity by developing effective agricultural products. An innovative product could be the Value Chain Financing whereby e.g. a sugar mill owner obtains a finance limit from the bank against certain collateral & then gets it disbursed to the sugar-cane supplier (farmer) for recovery from their receivables. Similarly, a Warehouse Receipt Finance could also be introduced as a new product.

7. CPEC coincides with the promulgation of Companies Act-2017 that enshrines provisions reducing the cost of incorporating and doing business, simplification of regulatory procedures, coping with the challenges of off - shore companies, scope for modern electronic means of communication and improved competitive legal framework for corporate sector etc. Being limited companies, financial institutions would also be more comfortable with the revised ordinance. Therefore, the banks must ensure that their field functionaries understand and implement the Ordinance in letter and spirit.

8. CPEC brings forth Himalayan scope of mobile banking that is a combination of Information and Communication Technologies (ICT) and the banking service. During 2015-2016 alone, mobile banking transactions of Rs. 1492 billion took place. This could contribute towards the cause of documented economy as well. Then, mobile banking could also take into fold the 85% unbanked masses of Pakistan. Once, the CPEC becomes operative, the improved liquidity may escalate the volume of mobile banking manifold. Therefore, regulations, documentation and compliance aspects of the mobile banking must be revisited.

9. Spillover or trickle down effects of CPEC would give rise to the growth of Small and Medium Enterprises all over the country. The management of CPEC also prioritizes the achievement of sustainable growth of SMEs. Hence, the regulators and the management of banks must sit together, to improve the capacity of financial institutions for evolving effective SME lending, to develop flexible form of collaterals, to introduce the use of group guarantors, and to establish cash flow basis for assessing borrowing needs and repayment capacity. In a nutshell, our comprehensive analysis evidences that China Pakistan Economic Corridor would revolutionize Pakistan's banking industry. Financial sector would be a prime beneficiary of CPEC when our local banks will be extending the required financial services to various sectors of economy like coal projects, road and railway networks, fiber optics, oil and gas pipelines, textile and garment parks and power houses etc. Heavy spending on internal systems, innovative digital solutions, market based products, financial coordination with Chinese banks, new vistas of business opportunity, intense competition, lucrative returns and syndicate financing etc. would transform our banking sector into a global standard banking practice. ■

This is one of the essays that received the first prize in IBP Essay Competition 2016.

TRADE-BASED MONEY LAUNDERING

Role Of Banks To Mitigate The Inherent Risks

By Muhammad Subtain Raza and Wen Xin

Money laundering can be defined, generally, as the process of concealing the existence, illegal source, or application of income derived from a criminal activity, and the subsequent disguising of the source of that income to make it appear legitimate. Deception is the heart of money laundering. The use of international trade to move money, undetected, from one country to another is one of the oldest techniques used to circumvent government scrutiny. International trade as a means of laundering money is also a technique generally ignored by most government law enforcement agencies.

The Financial Action Task Force (FATF) has declared that there are three broad categories for the purpose of hiding illicit funds and introducing them into the formal economy. The first is via the use of financial institutions; the second is to physically smuggle bulk cash from one country or jurisdiction to another; and the third is the transfer of goods via trade.

International trade is huge; world merchandise exports were valued at US$ 15.46 trillion and the growth rate is projected over 2% annually. Unfortunately, this also creates an environment that's rife for abuse – trade-based money laundering (TBML) accounts for hundreds of billions of dollars of illegal money flows annually.

The FATF defines the trade-based money laundering as the "process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimize their illicit origins."

Misuse of trade operations has been identified as an emerging form of money laundering that needs to be addressed by several anti-money laundering and counter-terrorism financing (AML/CTF) agencies around the world, including the Financial Action Task Force (FATF), Europol and the Bureau of International Narcotics and Law Enforcement Affairs.

The Magnitude Of The Problem

The International Monetary Fund has estimated that money laundering comprises approximately 2 to 5% of the world's gross domestic product (GDP) or approximately $3 trillion to $5 trillion per year. In very rough numbers, that is about the size of the U.S. federal budget. The United Nations Office on Drugs and Crime (UNODC) conducted a study to determine the magnitude of illicit funds and estimates that, criminal proceeds amounted to 3.6% of global GDP, or approximately $1.6 trillion being laundered. According to the U.S. Department of State's 2009 International Narcotics Control Strategy Report (INCSR), it is estimated that the annual dollar amount laundered through trade ranges into the hundreds of billions.

Global Hotspots

According to FinCEN, TBML activity is growing in both volume and global reach. In an analysis of SARs, TBML activity was most frequently identified in transactions involving Mexico and China. Panama was ranked third, potentially due to TBML activity linked to the Panama Canal Free Trade Zone, whereas the Dominican Republic and Venezuela were identified as "countries with the most rapid growth in potential TBML activity." According to the U.S. Department of State's 2016 annual report on money laundering and financial crimes, TBML concerns have surfaced in countries or jurisdictions including Afghanistan, Australia, Belize, Brazil, Cambodia, Canada, China, Colombia, Greece, Guatemala, Hong Kong, India, Iran, Iraq, Japan, Kenya, Lebanon, Mexico, Panama, Paraguay, the Philippines, Singapore, Sint Maarten, Switzerland, Taiwan, the United Arab Emirates (UAE), Uruguay and Venezuela.

Including all its varied forms, the argument can be made that TBML and value transfer is perhaps the largest and most pervasive money-laundering methodology in the world.

Techniques of Trade-Based Money Laundering

Techniques of TBML adopted by criminals/ money- launderers vary from jurisdiction to jurisdiction.

- **Over-invoicing:** The seller acquires surplus value for the goods at point of sale by overstating the price of the goods in the invoice or other documentation.

- **Under-invoicing:** The buyer acquires surplus value for the goods at point of sale by understating the price of the goods in the invoice or other documentation.

- **Multiple invoicing:** The seller can account for several payments by sending several invoices for one and the same trade transaction (either for goods or services).

- **Under-shipment:** The seller sends fewer goods, or goods of inferior quality, than stated in the invoice. The true value of the goods sent is thus lower, so that this method is, in fact, very similar to over-invoicing.

- **Over-shipment:** The seller sends more goods, or goods of superior quality, than stated in the invoice. The true value of the goods sent is thus higher, meaning that this method is, in fact, very similar to under-invoicing.

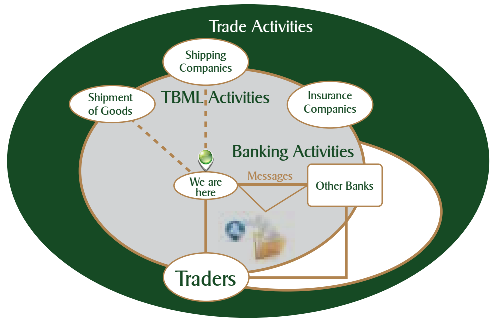
- **Phantom shipment:** No goods or services are supplied, and all documentation is false.

Role Of Banker To Mitigate Risks Of Trade-Based Money Laundering

Customer Due Diligence, Know Your Customer and Suspicious Activity Reports reporting protocols, which financial institutions and DNFBPs should be compelled to do under current AML/ CTF standards.

"It is best practice to include in training programs for banking supervisors, a focus on the importance of evaluating the adequacy of a bank's policies, procedures and processes for handling trade finance activities."

Role of Banks in International Trade



A few trade-based money laundering red alerts; a dealing banker should keep in mind:

1. Inability of a bank customer to produce trade documentation to back up a requested bank transaction.

2. Significant discrepancies appear between the description of the commodity on the bill of lading and the invoice .

3. Significant discrepancies appear between the description of the goods on the bill of lading or invoice and the actual goods transported.

4. Significant discrepancies appear between the value of the commodity reported on the invoice and the commodity's fair market value.

5. Shipment locations or description of goods that are inconsistent with the letter of credit.

6. Documentation showing a higher or lower value or cost of merchandise than that which was declared to Customs or paid by the importer.

7. A transaction that involves the use of amended or extended letters of credit that are amended significantly without reasonable justification or that includes changes to the beneficiary or location of payment.

8. A third party paying for the goods.

9. A consignment that is inconsistent with the business (e.g. a steel company that starts dealing in paper products, or an information technology company that suddenly starts dealing in bulk pharmaceuticals).

10. Customers conducting business in high-risk jurisdictions. Although not specifically identified by the US Federal Financial Institutions Examination Council or FATF, FTZs may be added to the list of high-risk jurisdictions given that there is an argument that FTZs exacerbate the risk.

11. Customers shipping items through high-risk jurisdictions, including transit through non-cooperative countries .

12. The commodity is transhipped through one or more jurisdictions for no apparent economic reason.

13. Customers involved in potentially high-risk activities, including those subject to export/import restrictions such as equipment for military or police organizations of foreign governments, weapons, ammunition, chemical mixtures, classified defence articles, sensitive technical data, nuclear materials, precious gems, or certain natural resources such as metals, ore and crude oil.

14. Obvious over- or under-pricing of goods and services.

15. Obvious misrepresentation of quantity or type of goods imported or exported.

16. A transaction structure that appears unnecessarily complex so that it appears designed to obscure the transaction's true nature.

17. A shipment that does not make economic sense (e.g. the use of a large container to transport a small amount of relatively low value merchandise).

18. Consignment size appears inconsistent with the scale of the exporter or importer's regular business activities.

19. The type of commodity being transported appears inconsistent with the exporter or importer's usual business activities.

20. The method of payment appears inconsistent with the risk characteristics of the transaction, for example the use of an advance payment for a shipment from a new supplier in a high-risk country.

21. A transaction that involves receipt of cash or payment of proceeds (or other payments) from third-party entities that have no apparent connection with the transaction or which involve front or shell companies.

22. A transaction that involves commodities designated as high risk for money laundering activities, such as goods that present valuation problems or high value, high turnover consumer goods.

> "Similarly, uncharacteristic business relationships, reversed flow of funds, incompatible business relationships or industries, and various other deviations from customer profiles should trigger additional monitoring and a review of potentially suspicious activity."

Effective Strategies Of Banks Against TBML

Providing services to their customers who are engaging in trade transactions, financial institutions also play an important role in the detection of TBML/FT. Consequently, it is best practice to include in training programs for banking supervisors, a focus on the importance of evaluating the adequacy of a bank's policies, procedures and processes for handling trade finance activities. Specific aspects to cover include:

a) Assessing the adequacy of a bank's systems for managing the risks associated with trade finance activities, including whether the bank effectively identifies and monitors its trade finance portfolio for suspicious or unusual activities, particularly those that pose a higher risk for money laundering.

b) Determining whether a bank's system for monitoring trade finance activities for suspicious activities, and for reporting suspicious activities, is adequate, given the bank's size, complexity, location, and types of customer relationships.

c) Sample testing trade finance accounts with a view to verifying whether the bank is meeting its customer due diligence, record keeping, monitoring and reporting obligations.

d) Providing AML training to financial institutions' global trade services departments and personnel.

EDD as a Strong Line of Defense

Bear in mind that the purpose of TBML is to obscure the source or destination of funds, and to remove the majority of the transactions from the customer's account history. Although invoicing irregularities can be used as a strong indicator of TBML or at the least, some attempt at fraud, it is by no means to be considered as the primary or sole indicator of TBML activity. Additionally, monitoring for the above red flags can be difficult for analysts employed in the AML space. Clients value their privacy, and AML analysts have limited access to invoices, bills of lading, or other documentation involving the suspect transactions.

Transactions in the TBML space tend to vary from the customer's established KYC profile. High volumes of unexpected cash transactions should trigger additional monitoring, and if found to be in conjunction with other pertinent risk factors, should lead to Suspicious Activity Report (SAR) filings. Similarly, uncharacteristic business relationships, reversed flow of funds, incompatible business relationships or industries, and various other deviations from customer profiles should trigger additional monitoring and a review of potentially suspicious activity. Robust EDD programs and well defined KYC policies are the financial industry's strongest tools to combat TBML. Since much of the TBML transaction scope occurs outside of account transfers, AML analysts have limited opportunities.

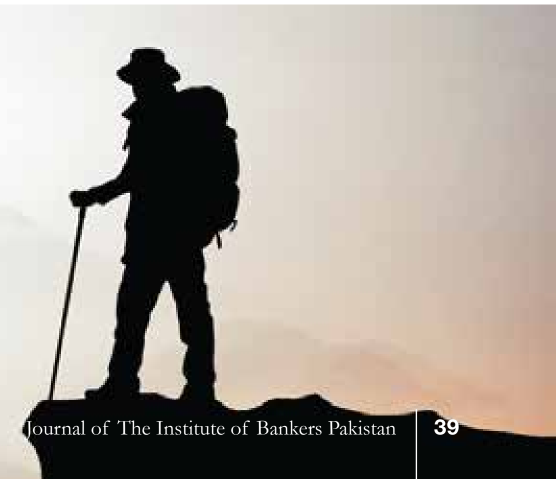
To monitor customer transactions against this type of money laundering scheme, AML analysts must pay special attention to alerted transactions that indicate a deviance from the customer's KYC profile.

Conclusion

TBML poses a legitimate risk to the international financial community. TBML transactions have the potential to easily obscure the source and legitimacy of funds, making this an attractive process for terrorism financiers and money launderers. Additionally, because TBML involves cash intensive products, it is easy for criminal enterprises to integrate illegitimate funds into the purchasing process without attracting too much attention. Since this process affords few intra account transactions, there are limited resources available to AML analysts to effectively monitor against this form of money laundering. Therefore, good communication between lines of business and between banks will provide financial institutions with strong tools to mitigate their risks. Effective KYC and EDD policies will further strengthen an institution's ability and avoid involvement in TBML activities. ■

VALUES OF LIFE...

The Value Of Time – The Virtue Of Patience- The Success Of Perseverance – The Pleasure Of Working – The Dignity Of Simplicity – The Worth Of Character – The Power Of Kindness- The Joy Of Origination- The Improvement Of Talent- The Sense Of Commitment – The Wisdom Of Economy- The Influence Of Example.



Blockchain & AML The Yin & Yang

By: Syed Hassan Talal

In today's world, the leading concerns of financial institutions revolve around strengthening of regulations pertaining to Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT); and improving compliance of existing Know-Your-Customer (KYC) and Customer Due Diligence (CDD) protocols.

The increasing focus on the latter, especially, is due to the enactment of similar regulations in Western (US, UK, and EU) as well as emerging Asian economies .

However, implementing such measures tend to be highly cost-intensive. Banks and other financial institutions have to invest significantly in technological infrastructure in order to ensure security and compliance. Alongside that, the institutions also incur indirect costs arising from the impact of AML compliance on productivity, customer acquisition and business growth.

Global spending on AML processes were expected to grow beyond $8 billion in 2017. The areas of high AML budget investment since 2014 include enhancement of transaction monitoring systems; reviewing, updating, and maintaining KYC; and implementation of FATCA, among others. Moreover, according to a survey conducted by LexisNexis in Asian Markets, 14% of the AML compliance costs comprised of KYC/CDD processes, Despite such heavy investment in personnel, technology and processes; the regulators do not seem satisfied as fines and monetary settlements for banks are not in compliance with such regulations surpassed $13.4 billion in 2014.

This is mainly due to fundamental problems of non-standardization of KYC/CDD processes and non-availability of a comprehensive and verifiable customer information base (CNIC, Social Security, Taxation No. etc.). Banks do not share the customer's data with each other due to regulatory or business constraints; hence, different data on KYC/CDD forms of a customer at different banks is a normal observation. Furthermore, banks do not rely upon such documentary verification only; they routinely have to go beyond the paperwork to meet the expectations of the regulator as well as to comply with AML/CFT regulations & guidelines. However, reality check enquires about the necessary tools and technology provided to the banker to ensure effective compliance. Moreover, collection and maintenance of customers' data at such a level requires substantial investment, maintenance, security costs along with risk management protocols to deal with failure, attacks, and downtimes, etc.

> **"Blockchain is a decentralized ledger that is secured by highly sophisticated cryptographic algorithms, which keeps records of all transactions/updates. The decentralized nature of Blockchain enables it to be theoretically hack-proof, tamper-proof, and cost effective."**

When Bitcoin's white paper was released in Oct 31, 2008, it explained the working prototype of a technology for peer-to-peer electronic cash system. The technology claimed to enable smooth P2P (person-to-person) payment operations without the need of a third party intermediary. The technology further boasted of 'triple entry' accounting system presented by Wei Dai in 1998. The technology in discussion was termed as 'Blockchain', with Bitcoin becoming its first application.

Blockchain is a decentralized ledger that is secured by highly sophisticated cryptographic algorithms, which keeps records of all transactions/updates. The decentralized nature of Blockchain enables it to be theoretically hack-proof, tamper-proof, and cost effective. The whole concept of Blockchain is to circumvent the banks, central banks, and financial intermediaries such as the PSOs and PSPs (Payment System Operators and Payment System Providers) when carrying out transactions. There are good reasons to believe that Blockchain may become the most likely solution to the AML/CFT compliance conundrum.

> **"There are good reasons to believe that Blockchain may become the most likely solution to the AML/CFT compliance conundrum."**

In Chinese philosophy, the concept of 'yin and yang' describes how opposite or contrary forces may actually be complementary, interconnected and interdependent in the natural world. Blockchain and AML are the perfect example of Yin & Yang: the technology will likely be the stepping-stone in the historical innovation application for the very banking sector it aspires to replace.

Several companies are currently working on Blockchain technology for commercial banks to develop an efficient KYC/CDD system. The system would include an exhaustive customer database, incorporating details from citizenship to education, employment related records to credit history and financial records, etc. The data on the Blockchain would not be accessible except by the authorized

"Blockchain and AML are the perfect examples of Yin & Yang: the technology will likely be the stepping -stone in the historical innovation application for the very banking sector it aspires to replace."

financial institutions. Such institutions would be able to access real time information of its clients with minimum costs. Furthermore, instead of filling out a whole set of documents with plethora of formalities, the customer would simply enter its unique ID and all of the information would be made accessible to the bank. Lastly, the smaller financial institutions would be able to achieve a level-playing field, courtesy of low upfront and variable costs of maintaining and accessing such a database. Resultantly, effective compliance of AML/CFT regulations would serve as a stepping stone for the institutions to expand their operations locally and globally by introducing a range of innovative products and services. The standardization and reliability of the customer information would allow regulators to implement an effective AML regulatory infrastructure.

Now, some would argue that Pakistan has eCIB, which can be upgraded to such purposes theoretically. Nevertheless, eCIB is only limited to credit scoring and updating it would require substantial investment – not to mention the hardware upgradation and high maintenance costs due to increased traffic on servers. Moreover, the risk of 'single point of failure' still persists in this scenario. In the long run, a more cost effective solution is required to address the current as well as anticipated challenges in the future. In this regard, Blockchain presents itself as a viable contender. ■

This article first appeared in State Bank News (February 2018).

FinTech Funding

UK FinTech firms saw record venture-capital investment last year, attracting a total of £1.34 bn in funding in 2017. This impressive figure was more than four times the amount invested in Germany's FinTech sector, and more than the combined total for Ireland, France and Sweden.

Some of the biggest beneficiaries included peer-to-peer lender Funding Circle (£81.9 mn) and digital bank Monzo (£71 mn). With 90% of investment raised going to FinTech firms in London, the capital has established itself as a leading global hub for all things related to financial technology.

The Mayor of London, Sadiq Khan, said: "Today's record investment figures are further proof that London is the undisputed tech capital of Europe, and I am committed to ensuring we take over from Silicon Valley as the world's leading tech hub.

"Technology entrepreneurs and businesses are attracted to our great city for its diverse talent pool and unique business ecosystem, and I am determined that London remains open to investment and the best tech talent from all over the world." ■

Courtesy: Chartered Banker magazine (February/ March 2018).

COMPENSATION & BENEFITS STRATEGY

By: Syed Yasir Hussain

Employee attrition cost organizations dearly, not just the hiring and training itself, but the productivity, team dynamics, continuity, institutional knowledge and most importantly opportunities that could not be seized. Efficient compensation and benefits strategy coupled with conducive company culture and employee engagement play a vital role in receding employee turnover and creating a proud workforce.

Here are a few recommendations for a comprehensive compensation & benefits strategy:

Pay Bands

Structured pay grades are an important and integral part of the compensation strategy, as it ensures competitiveness and cultivates high workforce morale. It is essential to benchmark like jobs within the industry along with other industries your talent may land into. Develop pay bands by ranking jobs by experience, education and responsibility. Having unstructured pay bands is lethal to departmental synergies & teamwork, and leads to resentment among employees which no organization can afford.

Performance Management & Pay-for-performance

It is essential to have a systematic performance management plan in place to ensure corporate objectives are met and employees are assessed on a regular basis. The process should encompass annual goals, annual or bi-annual performance appraisals as well as an organized process for evaluating coaching and mentoring needs of employees. To motivate and engage employees, Pay-for-performance programs are an increasingly popular mode of compensation and can be used in a business context for how an individual, a team and the company performs during a given time frame.

> "Having unstructured pay bands is lethal to departmental synergies & teamwork, and leads to resentment among employees which no organization can afford."

> "Managers can play a key role in communicating and implementing but HR needs to ensure management teams have a firm grasp on the organization's compensation and benefits programs, along with how to communicate and share with employees before pay and benefits discussions take place."

Benefits Management

Benefits along with competitive pay play a vital role in attracting and retaining star performers. The key here is to be sharply competitive with the modern-day benefits which may include health insurance for self, family & parents, tuition reimbursements, leave encashment, loan, retirement contributions, flexible working hours, day care centers, life insurance and others since it can be the determining factor for an employee who is deciding whether to accept or decline a position with an organization.

Communication

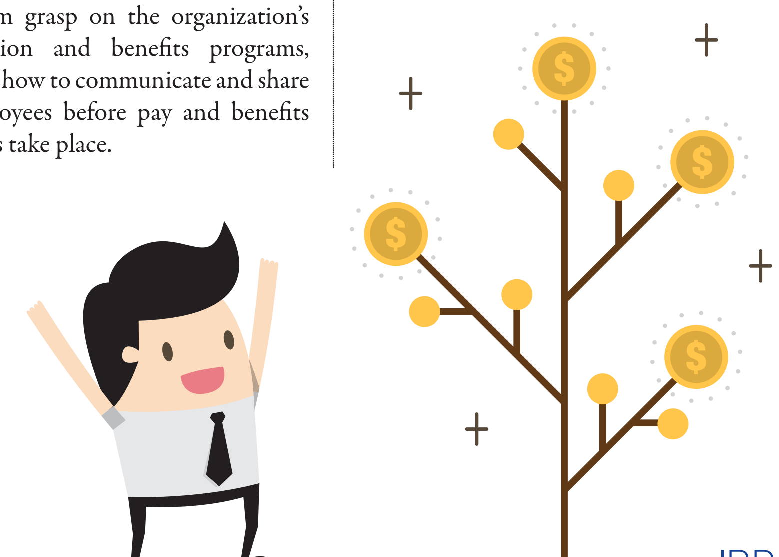
More and more companies are moving to push for a culture that effectively promotes openness and transparency when it comes to explaining pay and benefits to employees. Management should ensure that every employee is paid fairly and provided with all the facilities and benefits he is entitled to. Managers can play a key role in communicating and implementing but HR needs to ensure management teams have a firm grasp on the organization's compensation and benefits programs, along with how to communicate and share with employees before pay and benefits discussions take place.

Health And Wellness

Offering health and wellness programs for the employees that support a healthy workforce is the new trend in many modern organizations. These programs can include incorporating the health-related metrics into the performance management system and assign goals to employees to improve their health, for example if an employee is overweight, he can be given a target to shed few kilos and link it with his increments. This strategy is very powerful since it enforces the importance of healthy workforce and radiates positive energy in its entirety.

Get Creative

If your competition has much better compensation and benefits programs, you should be creative in your strategy. For example, implementing flexible working hours' policy does not cost anything but has a positive impact on the employees. Similarly, look for creative and cost effective ways to compensate employees.



IBP

Legal Compliance

Make sure your compensation structure is consistent with the existing legislation in the areas of Labor Standards, equal pay, Human Rights, Employment Insurance, pension or retirement benefits, labor relations and Occupational Health and Safety. Subscribe and regularly visit related government websites, and get legal advice whenever deemed necessary, by connecting with a senior HR or legal professional that can help you ensure that your organization's compensation practices are in compliance with the legislation in your country.

Develop Customized Rewards

An innovative way to motivate and engage employees is by putting employees in charge of their target achievements and rewards selection by introducing customized rewards mechanism. Organizations can design a self-service portal where reward preferences are listed and can be chosen by the employee depending on his/her preference. This will help to customize and personalize rewards to the individual needs of each person. For example, younger employees may not want to have the provident fund or gratuity, instead, they may opt to have that adjusted in their monthly salary. This approach makes employees better engaged and committed to the company. This must be complemented with transparent access to the development and growth opportunities in the organization.

> "Developing and implementing the salary review process, annual surveys, audit, raise & promotions by HR team along with making sure an HR resource is accountable to meet timelines, is the recipe of an efficacious compensation management system."

Organized Administration and Implementation

Just like in any business process, structured administration is critical. Developing and implementing the salary review process, annual surveys, audit, raise & promotions by HR team along with making sure an HR resource is accountable to meet timelines, is the recipe of an efficacious compensation management system.

Implementing the compensation plan requires writing it out and educating employees along with incorporating it into an updated employee manual. Although the compensation numbers are confidential but the rules to receive benefits and perks must be listed for every employee to review. ■

What is Disruptive Technology ?

When TV came to my house, I forgot how to read books. When the car came to my doorstep, I forgot how to walk. When I got the mobile in my hand, I forgot how to write letters. When computer came to my house, I forgot spellings. When the AC came to my house, I stopped going under the tree for cool breeze. When I stayed in the city, I forgot the smell of mud. By dealing with banks and cards, I forgot the value of money. With the smell of perfume, I forgot the fragrance of fresh flowers. With the coming of fast food, I forgot to cook traditional cuisines. Always running around, I forgot how to stop. And lastly when I got WhatsApp, I forgot how to talk.

IBP

A Young Idealist Codes His Way to His Dreams

By: Mutaher Khan

Like its American role-model, Pakistan's start-up scene has also moved in herds — online retail and ride-hailing services being the two recent hot favorites. But things are not as routine for Perihelion Systems.

This is more of a social start-up — an enterprise that uses high tech solutions to help address social problems. If you are a little confused by what that means you are not alone, but it also means you are not challenged by society in ways many others are. Founded in Karachi by Syed Faizan Hussain, 24, as a not-for-profit organization, Perihelion has launched five products over its life — some more successful than others.

The journey began five years ago when Faizan, along with a friend, developed his first social innovation project, Edu-Aid: an American Sign Language Translator that takes gestures as input from camera and converts them into a corresponding voice. Initial success followed when they won the regional finals of Microsoft Imagine Cup 2014 but were unable to attend the nationals.

The company then built PoolIt, a ride-hailing service, before Careem and Uber made their way into the Pakistani market. But due to logistical constraints, the product had to be abandoned; just like another one, Glove Gauge — a wearable tool aimed at speeding up production processes through integrating working steps into natural movement of the hand.

In a world of stampeding herds, Faizan was different, the lone wolf perhaps, seeking his own way, following his own instincts, and suffering his own setbacks. Innovative as his apps were, none of them took off. But this couldn't bring him down as he went on to build OneHealth — a disease surveillance and tracking system that uses medical data to not only predict an individual or group's susceptibility to diseases given certain demographics but also forecast epidemic outbreaks. It started when an NGO approached him to create a simple application for digitizing its survey methods.

During the course of the development, he and his team realized they had data which could be analyzed systematically for far more meaningful purposes. The NGO agreed to run the pilot project and the application was launched.

OneHealth is particularly targeted at policymakers and can be a game-changer in the way health policy is devised. But it is not surprising in a country where public healthcare has been in a pathetic state for years, the application has struggled to get attention from those in charge of making decisions.

Unlike most Pakistani start-ups that seek to directly target consumers with easy day-to-day use solutions, Perihelion is far more sophisticated in its technology and has a different pool of clients — such as government bodies or NGOs.

> "The journey began five years ago when Faizan, along with a friend, developed his first social innovation project, Edu-Aid: an American Sign Language Translator that takes gestures as input from camera and converts them into a corresponding voice."

But that has only made things more difficult for Faizan; especially while pitching ideas to investors and clients who almost never have the technical domain to grasp the viability of his products. "In 2015 when I tried to pitch 3D printer to an investor, he asked me how it's different from a lathe machine and what's the utility if he can use that instead?" he recalls with amusement.

Perihelion's story is one with Faizan's, who has been its only constant member since inception. A machine geek who had a hard time adjusting to the standardized educational system of learning, it is no surprise that even now, he has taken the road less travelled.

Leaving a job with Microsoft, Faizan embarked on his entrepreneurial pursuits. But being a raw talent, he was clueless about all things business-related, for which he rightly blames the country's outdated and pedantic education system.

However, things changed for the better when he earned a scholarship to study entrepreneurship at Indiana University. Upon return, he launched Venture Dart in 2016, a for-profit technology consultancy and outsourcing company that works on a freelance basis for small clients. To this day, this entity finances Perihelion Systems.

Recognition followed when he was awarded the Queen's Young Leaders Award in 2017 by Queen Elizabeth. Just this year, he was named in Forbes 30 under 30. Faizan is optimistic that these will help him create an international network through which he can penetrate other regions as well.

> "In a world of stampeding herds, Faizan was different, the lone wolf perhaps, seeking his own way, following his own instincts, and suffering his own setbacks."

Operating in a relatively untapped industry both globally and locally, with a few major players penetrating only recently, Faizan is ambivalent about what the future holds for him. While the entry of these giants might pose an existential risk to his business, he thinks it would at least create awareness and set the wheels in motion for artificial intelligence (AI) and machine learning in Pakistan. "AI domain in which we operate is fairly new where I can't see any local threat in the near future. But as IBM with their Watson and Google through its Deepmind continue to invest and research on AI technology, it can potentially draw us out of the market and make us dependent on their solutions," he notes.

Philanthropic at its core and backed by hi-tech, Perihelion Systems has immense challenges ahead in gathering more interest from clients and investors alike. But with Faizan's resilience and Iqbal's motivational poetry guiding him through, the company is likely to stay in the game and carve the path for tech-oriented social start-ups. ■

This article first appeared in DAWN.

Cash Retraction & Stale Cheque

Q. What is Cash Retraction in Automated Teller Machines?

Ans. Whenever a person visits an Automated Teller Machine (ATM) to withdraw cash, as soon as the transaction is complete, first the ATM Card pops out immediately, followed by the cash through the respective slots. We normally have only a few seconds — say 30 or so — or less than a minute to take hold of our currency notes. This time lag differs from bank to bank. However, if during the transaction your attention is diverted due to any reason and you are unable to gather your cash within that stipulated time duration, the ATM retracts or takes back the cash and keeps it in a separate tray in the machine. The amount is re-credited to your account after a while. So you have to be very careful, otherwise it would cause a lot of embarrassment to you, as the ATM might be off-site or the branch is closed. Even if the branch is open, it takes quite a lot of time to visit the Branch Manager, file a form and then you will be called back after some time till the ATM is balanced. However, you can insert you card once again after some time, and use the balance confirmation option to ascertain if the cash has been re-credited or not.

In neighboring India, its Central Bank RBI has instructed the banks to disable the cash retraction option at ATMs. But against this scenario, there is another likely risk to ensue; the money will remain at the ATM cash slot and if the customer forgets to collect the cash for some reason, the other person to come after your turn might take away the amount. So the only remedy is that one must be fully alert and mindful during the entire process and avoid all diversionary acts, concentrate only and strictly on the immediate job-at-hand, which means obtaining cash from ATM, as no one knows who might be lurking behind to take hold of the cash on a ready platter.

Q. We have very often heard of the term Stale Cheque, but it is not clear — what does it mean?

Ans. In the Banking parlance, when a cheque is presented six or more months after date, marked out of date, it is termed as Stale and not honoured, this means if the cheque is dated July 1, 2017 and presented for payment on January 1, 2018 , it is a stale cheque and cannot be paid by the concerned banker. A cheque would be overdue or stale when it appeared on face of it to have been in circulation for an unreasonable length of time. A period of six months is allowed for presentation according to practice of banks.

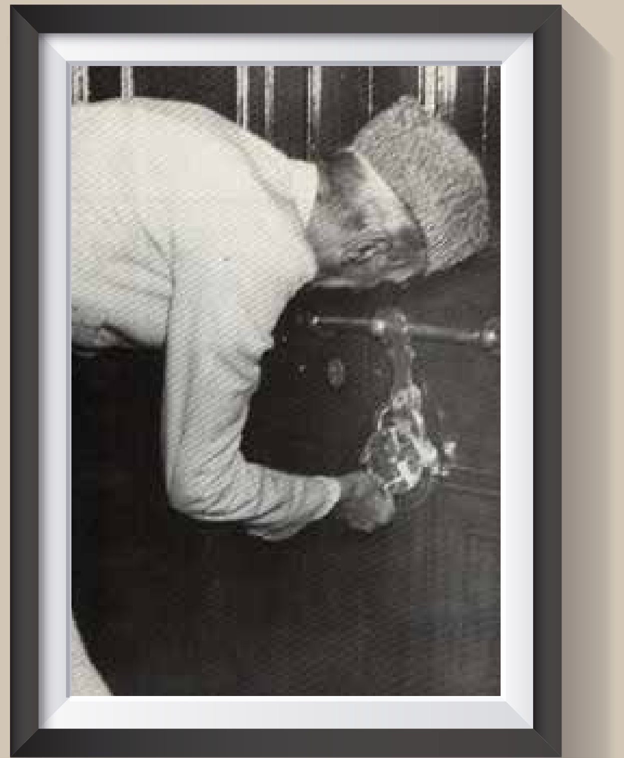
Perhaps this is best illustrated in the reported case of NLR 1993 CLI 752 in the matter of Habib Bank Ltd vs Jamilur Rahman, reliance is held by Justice Syed Haider Ali Pirzada that "Cheque / draft not presented within six months of its issue would become out of date or stale. Suit based on out of date or stale cheque and draft cannot be decreed and defendant's revision against decree passed in a suit based on cheque which had become stale," the High Court accepting revision , setting aside decree and dismissing suit.

Banks, as the current practice, do not cash stale cheques, but some out of consideration and for the sake of better customer service allow the bearer/ payee of the cheque to have the date changed and authenticated with the signature of drawer/ account holder. But some banks insist on having a new cheque as a matter of precaution.

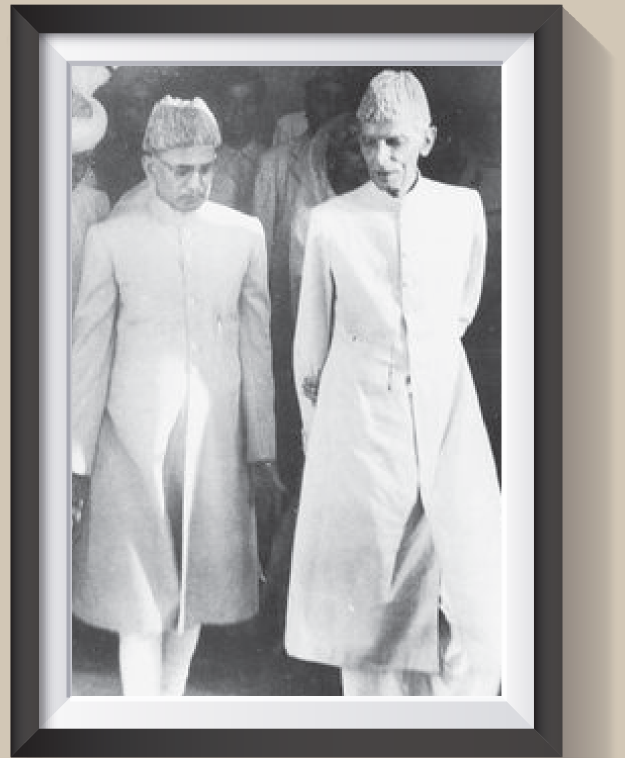
A Leaf from our Glorious Formative Years

The Great Leader with the Key to our Financial Sovereignty

The Great Leader with the Architect of Central Banking



The Great Leader opening the door of State Bank of Pakistan, July 01, 1948



Mr. Jinnah with Mr. Zahid Hussain, Governor State Bank of Pakistan-1948

The Great Leader Muhammad Ali Jinnah Motivated Youth to Join the Banking Profession

"Banking will provide a new and wide field in which the genius of our young-men can find full play, I am sure that they will come forward in large numbers to take advantage of the training facilities which are proposed to be provided. While doing so, they will not only be benefitting themselves but also contributing to the well-being of our state."


DAWN

"STATE BANK SYMBOLISES OUR FINANCIAL SOVEREIGNTY"

Quaid-i-Azam's good wishes at opening ceremony: State Drive thrills thousands

'Complete independence now in the domain of banking and currency', says Zahid Husain

A Clipping from the Daily DAWN of Friday, July 2, 1948 – Clamour for Financial Sovereignty. It must be remembered that DAWN was the Brainchild of the Great Leader, who founded it on October 26, 1941 at New Delhi , later on it became a champion of our freedom movement.

Time Management

Time Management is defined as the practice of organizing and planning of utilizing one's time to obtain optimum results within the time constraints and using it as a mechanism for Work Smarter rather than Work Harder, so that more tasks are performed in the least possible time.

By: Khawaja Naveed Ahmed

> "Time is a created thing. To say 'I don't have time,' is like saying, 'I don't want to.'"
>
> ~Lao-Tzu

Failure in time management leads to damaging results and may cause inefficiency and stress leading to job demotivation. Since time is the only commodity which is always fleeting and ephemeral, so it has to be managed in a pragmatic way to arrive at a better work-life balance and achieve maximum results. Better time management enhances the productivity, efficiency, professional reputation and advancement, appraisal ratings besides giving you an aura of satisfaction, and as they say, job satisfaction is the best satisfaction. It also relieves us of job-related stress, if one is adept in managing time appropriately, then greater opportunities are generated for accomplishing important life and career goals. A good time manager contributes best of his/her efforts for personal and professional life.

There are five unique features about time:

- The supply is totally inelastic, no matter how great the demand, the supply never increases.
- Time is totally irreplaceable.
- Yesterday's moment is gone forever.
- It is totally perishable, for it cannot be stored.
- You cannot rent or buy it and it is always in short supply.

Effective managers start with their time. They start by finding out where their time goes. Most managers want discretionary time, the time to do what you wish. The time categories are personal, supervisory and executive. Managers work in the executive time category because getting results effectively through others is what they are paid for. This can only be done through assigning responsibilities and delegating the commensurate authority to go with these responsibilities. Managers allow subordinates to take discretionary time from them. As you rise in the managerial hierarchy, more of your time should be spent in managing through delegating and less in operating through doing tasks personally.

> "Effective managers start with their time. They start by finding out where their time goes. Most managers want discretionary time, the time to do what you wish."

Three steps to better time utilization are:

Record time,

Analyze it so you can manage it...

And consolidate time.

Make a plan for the day, set deadlines, concentrate on doing one thing at a time, balance between important jobs and necessary jobs and take a break every now and then.

There are many effective matrices and models which could be adopted for improved time management. One of them which is quite practical and easy is the famed Eisenhower Matrix of Time Management which could be applied in our office life.

The Eisenhower Matrix for Efficient Time Management.

In 1954, President Dwight D. Eisenhower (the then American President) gave an address wherein he referred to a former college president who once said, "I have two kinds of problems, the urgent and the important. The urgent are not important and the important are never urgent." This statement quickly became associated with Eisenhower's own ability to get a lot of important things done around the Oval Office. The Matrix is reproduced here for the benefit of our readers.

Eisenhower Matrix of Time Management

IMPORTANCE \ URGENCY	High	Low
High	1 Urgent and important Do it now	2 important not urgent Decide when to do it
Low	3 Urgent not important Delegate it	4 Not important not Urgent Dump it

Implementing the Matrix is not a difficult job. On serial number 1 is mentioned as of High Priority, under which Urgent and important Tasks are to be listed, since the tasks are urgent and important, they have to be done at once. Similarly, on Low Priority at Number 2, are tasks which are important, not urgent, so decision can be taken at one's discretion when to do the same. On Number 3 – Low but important priority, are tasks which are Urgent Not Important, so the same can be delegated. Lastly on Number 4 with Low Priority are tasks which are Not Important, Not Urgent, so dump these tasks. The only thing you have to do is to categorize all the Tasks at hand on these lines to succeed as a better time manager. If you master the skills or art of time management you will never cut a sorry figure with missed deadlines, inefficient work flows, shabby quality of work and high stress levels.

Remember Time is Money and Money is Time. So do not waste it, it is the most important asset in the world. Work Smarter. As the German Statesman Johann Wolfgang von Goethe had quoted: "One always has time enough, if one will apply it well". ■

> "I have two kinds of problems, the urgent and the important. The urgent are not important and the important are never urgent."

BANK JOKES

A man visits his bank manager and asks:
– "How do I start a small business?"
The manager replies:
– "Start a large one and wait six months."

FITNESS WATCH

Compiled by: Sidrah Jamail

DESIRED WEIGHT CHART

Height	Weight-Women (Pounds*)	Weight-Men (Pounds)
4 ft 10 inch	90-98	95-105
4 ft 11 inch	93-102	98-108
5 ft	95-105	100-111
5 ft 1 inch	97-108	105-117
5 ft 2 inch	100-111	110-123
5 ft 3 inch	105- 118	115-128
5 ft 4 inch	110-123	120-133
5 ft 5 inch	112-126	125-138
5 ft 6 inch	117-130	130-143
5 ft 7 inch	120-134	133-148
5 ft 8 inch	125-139	137-153
5 ft 9 inch	130-144	143-159
5 ft 10 inch	135-149	148-164
5 ft 11 inch	140-154	152-168
6 ft	144-158	155-171
6 ft 1 inch	———	163-179
6 ft 2 inch	———	167-183
6 ft 3 inch	———	170-188
6 ft 4 inch	———	172-195

* 1 Kg = 2.2 lbs

REDUCE YOUR SALT INTAKE

Even if you rarely season your food with it, you are probably still consuming too much salt, say the people at the Institute of Medicine (IOM), USA, the group that recommends nutrient intake levels. Thanks to processed foods, most of us eat double the upper limit of salt, raising the risk of hypertension, heart attack, stroke, kidney disease and stomach cancer. The IOM has issued new guidelines. The newly recommended amount is 1500 mg per day for healthy 9 to 50 year olds, even less for others. 1500 mg salt amounts to 0.75 teaspoon or 3.75 gm per day. The previous upper limit of 2300 mg of salt per day is equivalent to one teaspoon or 6 grams of salt per day. However, most people today are eating much more than that.

NEVER SAY STRESS AGAIN

Managers are responsible for taking decisions that can make or break the organization. They contribute to the creation of wealth on which the survival of a community may depend. They also significantly affect the environment in which the rest of the staff work.

Those who have achieved the skills needed to manage must recognize the potential stress that goes with the challenging job. They must learn to cope with their own and others' stress in order to remain effective.

Managers need challenges to stimulate them and add zest to their lives. A challenge successfully dealt with is satisfying. Only when it cannot be met, when pressures become too great, does it become successful. Stress reflects a failure to cope with certain situations. Reactions to stress are either predominantly related to mood and behavior or they can manifest themselves in physical symptoms such as dyspepsia, skin eruptions, headaches and so on. But because of level, the symptoms are seldom seen as directly related to the cause.

Like everyone else, managers function as whole beings and not, as they may like to think, separate selves at work and at home. In practice, good relationships are the key to minimizing stress. Conflict and frustration can be work or home-based and each affects the other. It is thus essential that your job is structured to provide defined and achievable targets. You must be willing to discuss difficulties before they become problems.

At home, as at work, understanding each other and the way people interact are the key to minimizing stress.

A reasonable degree of physical fitness helps to keep work and home in balance, and the time needed to get fit ensures that you take time out from work. Well-balanced managers are likely to be more successful at work, happier at home, and therefore, less vulnerable to stress than narrow –minded workaholics who neglect relationships. This calls for practicing work-life balance in case of both work and home lives.

Equally, managers should ensure that their part of the organization symptoms that could be stress related. Encourage staff to achieve a balance between home and work so that they are better to deal with challenges.

There are certain ways to manage stress effectively.

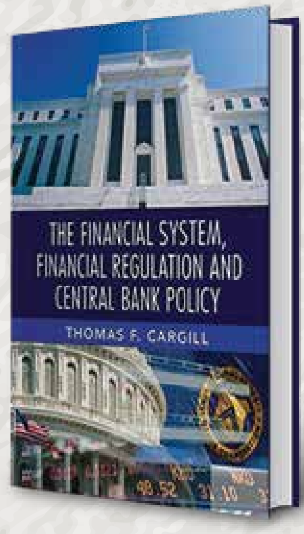
- Know yourself: List your strengths and weaknesses, consider what you are likely to work for.
- Make sure your job allows you to concentrate on your talents.
- Know what you are meant to be doing, where you are going, how you fit into the organization and what the future might hold.
- Discuss your grievances and difficulties with a sympathetic colleague or friend or your partner.
- Encourage your colleagues and subordinates to do the same.
- Review your priorities regularly, change them and delegate wherever possible. Learn to say No.
- If you are not succeeding with one approach, do not try harder. Think of a better way.
- Accept that you cannot do everything. Apply principles of time management.
- Plan holidays and leaves in advance; protect this time and relinquish it only after all other avenues have been considered. If you have to let it go, reschedule it immediately.
- List your outside activities and interests and plan them into your diary.
- Set predetermined eating rules for yourself. Determine your optimum weight. Take action when you stray from what you know is good for you.
- Decide your minimum sleep requirement and ensure you get it.
- Ask yourself whether you are having fun. If the answer over a long period is NO, try to work out why.
- Try to identify what is causing you to feel stressed.
- If work is the prime cause of stress be prepared to change your life style.

In the end please remember this quote:

> “Stress is not what happens to us. It is our response to what happens. And response is something we can choose.”
>
> Maureen Killoran

THE FINANCIAL SYSTEM, FINANCIAL REGULATION AND CENTRAL BANK POLICY

By: Thomas F. Cargill



Traditional money and banking textbooks are long, expensive, and full of so much institutional and technical modelling detail that students cannot understand the big picture. Thomas F. Cargill presents a new alternative: a short, inexpensive book without the 'bells and whistles' that teaches students the fundamentals in a clear, narrative form. In an engaging writing style, Cargill explains the three core components of money and banking, and their interactions: 1) the financial system, 2) government regulation and supervision, and 3) central bank policy. Cargill focuses on the interaction between government financial policy and central bank policy and offers a critique of the central bank's role in the economy, the tools it uses, how these tools affect the economy, and how effective these policies have been, providing a more balanced perspective of government policy failure versus market failure than traditional textbooks.

Reviews

"This text is truly an original approach to the topic. Cargill analyses the role of markets, regulation, and monetary policy to illuminate the financial system for students. His inclusion of Public Choice Theory is innovative. He unites the work of thinkers as diverse as John Taylor and Hyman Minsky to produce a coherent analysis of the modern financial system. I highly recommend it."

— Gerald P. O'Driscoll, Jr, Cato Institute, Washington, DC, and former vice president at the Federal Reserve Bank of Dallas, and Citigroup

"Professor Cargill's book offers a refreshing new look at the US financial system, regulation, and operations of the Federal Reserve System. By emphasizing political economy and historical aspects, this book encourages students to look beyond traditional macro models and into the actual formulation, working operations and limitations of financial and monetary policy." **—Michael M. Hutchison, University of California, Santa Cruz Advance praise.**

"Combining a nice mix of economic theory, institutional analysis and historical perspective, and bringing to bear a life-time of research and study, Thomas F. Cargill explains in a very comprehensive and clear way how the modern financial system works to support the real economy and how it is influenced by government regulation and monetary policy. Not only teachers and students of money and banking, but any engaged citizen wishing to bolster their financial literacy will find this authoritative volume tremendously valuable."

— Paul Sheard, Chief Economist, S & P Global

"This book is a great introduction to basic concepts about money and banking in a real world context of politics and regulation. Students in my financial regulation courses will now have a non-technical book they can read as background to regulatory and policy debates."

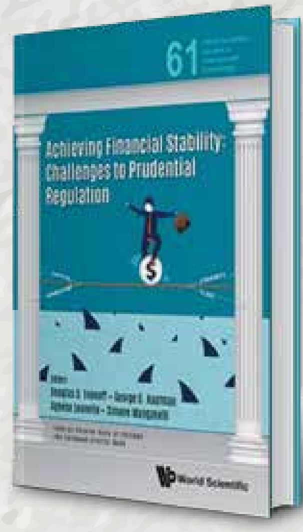
—Hal S. Scott, Nomura Professor and Director of the Program on International Financial Systems (PIFS), Harvard Law School

About the Author

Professor Thomas F. Cargill has taught and conducted research on financial and monetary economics at the University of California, Davis; University of Hawaii at both Honolulu and Saigon (Ho Chi Minh City), Vietnam; California State University, Sacramento; Purdue University, Indiana and since 1973, the University of Nevada, Reno. He has written extensively as a single and joint author of US financial and central banking issues and has also conducted similar research on China, Korea, Japan and Vietnam. His work has been published in the Journal of Economic History, Journal of Money, Credit and Banking, the Journal of Finance, Journal of Political Economy, Review of Economics and Statistics and International Finance. His work has been published by Cambridge University Press, Hoover Institution Press, the MIT Press and Oxford University Press.

Achieving Financial Stability: Challenges to Prudential Regulation

Edited by: Douglas D. Evantoff; George G. Kaufman; Agnese Leonello & Simone Maganelli



The Great Financial Crisis of 2007–2010 exposed the existence of significant imperfections in the financial regulatory framework that encouraged excessive risk-taking and increased system vulnerabilities. The resulting high cost of the crisis in terms of lost aggregate income and wealth, and increased unemployment has reinforced the need to improve financial stability within and across countries via changes in traditional microprudential regulation, as well as the introduction of new macroprudential regulations. Amongst the questions raised are:

- What are the challenges to prudential regulation?
- How has the regulatory environment changed in recent years?
- How do the reforms interplay with market discipline, risk-taking incentives and risk management arrangements?
- Does the new regulatory framework allow for the introduction of financial innovation, and the associated benefits, without increasing disruptive financial risk?

About the Author

Douglas D. Evanoff is vice president and senior research advisor for banking and financial institutions at the Federal Reserve Bank of Chicago. He serves as an advisor to senior management of the Federal Reserve System on regulatory issues and chairs the Federal Reserve Bank of Chicago's 'International Banking Conference. He holds a PhD in economics from Southern Illinois University.

George G. Kaufman, at the time of the conference, was the John F. Smith Professor of Economics and Finance at Loyola University Chicago and a consultant to the Federal Reserve Bank of Chicago. From 1959 to 1970, he was at the Federal Reserve Bank of Chicago. Kaufman holds a PhD in economics from the University of Iowa.

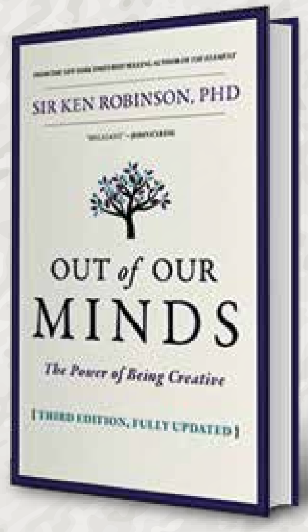
Agnese Leonello is an Economist in the Financial Research Division at the European Central Bank. She conducts her research in the areas of financial intermediation, financial crises, financial regulation, and competition policy. Prior to joining the ECB, she was a postdoctoral research fellow at the Wharton Financial Institutions Center. Leonello holds a PhD in economics from the European University Institute.

Simone Manganelli is Head of the Financial Research Division at the European Central Bank, where he has worked since 2000. Manganelli's main research area is financial econometrics, with a focus on risk management, forecasting, and asset allocation. Manganelli holds a BA in economics from Bocconi University and a PhD in economics from the University of California, San Diego.

OUT *of* OUR MINDS

The Power of Being Creative

By: Sir Ken Robinson, PhD



Out of Our Minds explores creativity: its value in business, its ubiquity in children, its perceived absence in many adults and the phenomenon through which it disappears — and offers a groundbreaking approach for getting it back. Author Sir Ken Robinson is an internationally recognised authority on creativity, and his TED talk on the subject is the most watched video in TED's history. In this book, Sir Ken argues that organizations everywhere are struggling to fix a problem that originates in schools and universities. everywhere are competing in a world that changes in the blink of an eye – they need people who are flexible enough to adapt, and creative enough to find novel solutions to problems old and new. Out of Our Minds describes how schools, businesses and communities can work together to bring creativity out of the closet and realise its inherent value at every stage of life. This new third edition has been updated to reflect changing technologies and demographics, with updated case studies and coverage of recent changes to education. While education and training are the keys to the future, the key can also be turned the other way; locking people away from their own creativity. Only by actively fostering creativity can businesses unlock those doors and achieve their true potential. This book will help you to:

- Understand the importance of actively promoting creativity and innovation.
- Discover why creativity stagnates somewhere between childhood and adulthood.
- Learn how to re-awaken dormant creativity to help your business achieve more.
- Explore ways in which we can work together to keep creativity alive for everyone.

Modern business absolutely demands creativity of thought and action. We're all creative as children — so where does it go? When do we lose it? Out of Our Minds has the answers, and clear solutions for getting it back

Reviews

"It is often said that education and training are the keys to the future. They are, but a key can be turned in two directions. Turn it one way and you lock resources away, even from those they belong to. Turn it the other way and you release resources and give people back to themselves. To realize our true creative potential—in our organizations, in our schools and in our communities—we need to think differently about ourselves and to act differently towards each other. We must learn to be creative." — **Ken Robinson**

"Ken Robinson writes brilliantly about the different ways in which creativity is undervalued and ignored . . . especially in our educational systems." — **John Cleese**

"*Out of Our Minds* explains why being creative in today's world is a vital necessity. This book is not to be missed." —**Ken Blanchard, co-author of The One-Minute Manager and The Secret**

"If ever there was a time when creativity was necessary for the survival and growth of any organization, it is now. This book, more than any other I know, provides important insights on how leaders can evoke and sustain those creative juices."

—Warren Bennis, Distinguished Professor of Business, University of Southern California; Thomas S. Murphy Distinguished Research Fellow, Harvard Business School; best-selling author, Geeks and Geezers

About the Author

Sir Ken Robinson, PhD is an internationally recognized leader in the development of creativity, innovation and human resources in education and in business. He is also one of the world's leading speakers on these topics, with a profound impact on audiences everywhere. With over 37 million views, his 2006 TED Talk is the most viewed in the history of TED.