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ABA E-Newsletter

Upcoming Events

Third Access to Finance Exhibition

2015

Kabul, Afghanistan

ABA Conducts Access to Finance Business to Bank Roundtable in Mining Sector in Kabul

Afghanistan Banks Association (ABA) with support from USAID's FAIDA project, and in collaboration of USAID's Mining Investment and Development for Afghan Sustainability (MIDAS) project, organized a one-day ABA-Access to Finance Business to Bank Roundtable event for Financing in Mining Sector in Kabul on February 17, 2015.

The roundtable targeted both national and international mining companies operating in Afghanistan by facilitating access to finance through linking them with potential and available lenders. The roundtable provided the companies with the opportunity to exchange ideas in identifying challenges and opportunities in improving their productivity and linkage to finance.

In this event, the government high officials namely H.E. Minister of Mines and Petroleum Dr. Dawood Shah Sabah, H.E.

Deputy Minister of Finance, Dr. Mustafa Mastoor, H.E. DAB Acting Governor, Mr. Khan Afzal Hadawal, ABA Chairman Mr. Siar Khoreishi, ABA Deputy Executive Director Mr. Najibullah Amiri and other ABA staff, government officials, FAIDA staff, representatives from MIDAS/USAID, International Finance Corporation (IFC), ABA 12 Member banks, Microfinance Institutions, other financial organizations, Insurance companies, media, private mining sector representatives from the Afghanistan Marble Association, Afghanistan Gemstone Association, and other national and international organizations,

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the individual companies and businesses involved in mining sector (in total 165 male/female) attended.

The H. E. Minister of Mines, H.E. Deputy Minister of Finance, DAB Acting Governor and ABA Chairman delivered speech on various aspects of mining sector included challenges, opportunities, threats, strengths and weaknesses. Moreover, ABA Chairman, presented a speech on financing of the mining sector, banks' capacity of lending, different types of loan risks and other challenges faced by the banks for investment in mining sector. ABA Member banks (out of 15 member banks 12 banks took active part in this event), by which 10 of them had table for showcasing promotional material, 6 of them delivered presentations on their products and services especially on their loan portfolios, loans schemes and procedures. Moreover, ABA member banks had roundtable discussions with mining sector businesses, explaining banks loan size, procedures, criteria, repayment, interest rate and other specifications and learned about mining sector markets and their challenges. During the business to bank round table discussions, 35 potential loans were discussed with estimated worth of \$ 16.8 million in (Marble, Gypsum, Geo-Science, Jewelry, Mineral Extraction, Oil and Gas, Precious Stones, Stone and Coal, Mining and Construction.

Following to the session, a panel discussion on Financing in Mining Sector was arranged where ABA's chairman was member of panel discussion. He answered all the questions raised by the mining businessmen on financing of mining sector by the banks and its circumstance.

At the end of the program, appreciation certificates were distributed to companies and members who took part in the event. From ABA, Mr. Najibullah Amiri, Deputy Executive Director and Acting Director of ABA distributed the certificates to the companies.



Event: Access to Finance Business to Bank Roundtable in Mining Sector

Venue: Kabul Star Hotel, Kabul

Date: February 17, 2015

Photo by: Mr. Jamal Naser, ABA IT Officer

ABA and its member banks met with US Department of the Treasury at the US Embassy, Kabul

On February 08, 2015, ABA organized a meeting among representatives of the US Treasury Department and ABA member banks at the US Embassy in Kabul. The general topics covered in the meeting included the Afghan banks' correspondent banking situation, as well as other challenges and obstacles faced by member banks in Afghanistan. Seven ABA member banks, along with ABA's Deputy Executive Director, attended the meeting. From the US Treasury Department were Mr. William Larry McDonald, Deputy Assistant Secretary; Mr. Richard N. Seaman, Senior Economic Crimes Adviser; and Ms. Amy E. Holman, Economic Counselor. Mr. Daniel D. Rountree, the US Embassy's Financial Attaché, also attended.

The meeting participants discussed the current economic situation within the banking community, the banking sector's economic outlook over the next 12 months, the regulations that hinder growth, banks' impressions of working with Da Afghanistan Bank (DAB), and what issues US Treasury technical advisors may be able to help with. During the meeting Mr. Ahmed Siar Khoreishi, CEO of Ghazanfar Bank and Chairman of ABA, briefly talked about the history of ABA and the importance of an active association for the banking sector. He also provided information about the overall economic situation of the country, explained the current status of the banking sector, and outlined the current challenges faced by the Afghan banking sector:

The actual source for economic growth has been the service sector, which over 12 years has yielded benefits; Inflation and debts are low and international reserves are high. There are four major economic problems: unemployment, poverty, corruption and drug production.

Four major sectorial contributors, as percentage of GDP, are: Agriculture (Minimum Contribution 26.98% Maximum Contribution 33.6%), Service Sector (Minimum 38.7% Maximum 50.29%), and Industry (Minimum 21.4% Maximum 25.5%).

The discussion also was about the challenges faced by the ABA member banks and the modifications needed in the banking law.

Firstly, ABA members were keen to point out that the banking sector's relationship with DAB, and, in particular, FSD, is very positive.

Banking Law of Afghanistan need improvement and review, as this was written in 2004.

Certain percentages regarding management of asset risk diversification and limitations on large exposures of banking organizations should be changed from 15% to 30%. Circular 62/ (29/44) require change.

Circular 1450/136 and 1481/1388 regarding insurance of collateral. This is not possible.

Repossession of collateral is nearly impossible, despite provisions of law that provide for it. The courts are simply unwilling to interpret and enforce the laws. Establishment of a commercial court for financial institutions such as a Debt Recovery Tribunal and Debt Recovery Appellate Body are required.

Re-establishment of correspondent banking relationships between U.S and Afghani banks is essential to the survival of the sector. Afghanistan imports 90% it's of goods from overseas. DAB's Financial Supervision Department (FSD) should undertake capacity building programs in order to make sure FSD team is more analytical.

Asset concentration ratio of 40% should change from Regulatory Capital to Gross Loans.

Correspondent Relations

The issue of correspondent banking relation was discussed at length.

One of ABA member bank noted that private banks' loss of their USD correspondent relationships has caused the Hawala industry to boom. . He stated that, "If Afghanistan and its partner nations want Afghans to engage legitimate trade, the correspondent relationships should be reestablished."

At the end of the meeting, ABA members also expressed their gratitude and appreciation to USAID for is funding of ABA through the FAIDA project. This funding allows ABA to hire technical

staff, as well as to organize the Access to Finance Exhibition and Roundtables, to mention few. The continuation of such support will not only help ABA but banking industry as whole.



Event: ABA Member Banks Meeting with US Treasury department on Corresponding Banking Relation

Venue: US Embassy, Kabul

Date: February 08, 2015

Photo by: ABA

ABA's Member Banks Meeting with PAHNA Group on Mortgage Regulations

Afghanistan Banks Association (ABA) organized a meeting of its member banks with Mr. Philip Walter Smith, Senior Mortgage Specialist of PAHNA Group. Eleven representatives including (CCO, Deputy CCO, Head of Credits, Credit Mangers, and Head of Compliance) from seven ABA member banks (Afghanistan International Bank (AIB), Afghan United Bank (AUB), Arian Bank, Bakhtar Bank, Ghazanfar Bank, and Pashtany Bank) participated in the meeting. During the meeting, Mr. Smith delivered a brief presentation on mortgage law, regulation and guideline (both for Islamic & conventional) and mortgage market/practice in the world. He indicated that, PAHNA's main objective is to revise the mortgage regulations that are enforced by the Central Bank (DAB), and to provide trainings to the Mortgage Directorate of DAB to expand banks investment/profitability. Moreover, he added that PAHNA will standardize mortgage documents for the ABA member banks/MFIs for better securitization of loans. ABA member banks appreciated PAHNA group's initiative and asked Mr. Smith to focus on the implementation of mortgage law which already available in Afghanistan. At the end, it was concluded that, PAHNA will share the revised regulation with ABA member banks for their comments/suggestions once received from

DAB. The draft of mortgage regulation has been sent to DAB for its review. PAHNA Group has received funding from HAKARAT to work with DAB to review the current Mortgage law, regulations and to set up the necessary guidelines.



Event: ABA's Member Banks Meeting with PAHNA Group

Venue: ABA Office, Kabul

Date: February 25, 2015

Photo by: Mr. Jamal Naser, ABA's IT Officer

Afghanistan Payment System (APS) Coordination Meeting with DAB, ABA and Mobile Network Operators (MNOs)

On February 9, 2015, ABA and APS organized a coordination meeting between ABA member banks, MNOs and DAB in DAB conference hall. The meeting was chaired by H.E Acting Governor Khan Afzal Hadawal, DAB

During the meeting, APS, Banks and MNOs discussed about enhancing the coordination. ABA suggested formation of a committee from Banks, MNOs and APS to have better coordination and address the challenges if any. H.E Acting Governor welcomed the suggestion from ABA and asked all the banks, MNOs, and APS to meet on February 18, 2015 at ABA and form a committee to address all the issues within ABA.



Event: APS, DBA, MONs and ABA Member Banks Coordination Meeting

Venue: Da Afghanistan Bank- Kabul

Date: February 09, 2015

Photo by: DAB

Following the decisions made in the ABA-APS-MNOs coordination meeting, ABA organized a meeting of its member banks, MNOs and APS at ABA office on February 18, 2015. Fourteen representatives - CEOs, CCOs and IT Managers from 11 ABA member banks [Afghanistan Commercial Bank (ACB), AUB, Arian Bank, Azizi Bank, Bakhtar Bank, Bank Alfalah Ltd, Habib Bank Ltd, The First Micro Finance Bank (FMFB), Ghazanfar Bank, New Kabul Bank (NKB), and National Bank of Pakistan] participated in the meeting. Three representatives from two MNOs (Roshan and Etisalat) and three APS representatives also participated in the meeting. The meeting was to form a committee to address the challenges and issues of between banks, MNOs and APS in regards to operating the APS technology (National Switch). As most of the banks did not have enough information about APS and its services, it was agreed that APS will share its business plan, bylaw and give a comprehensive presentation about APS to ABA member banks. Once ABA member banks received all the requested information ABA will host a subsequent meeting between its member banks and APS to come up with formation of steering committee for APS.

At the end Mr. Zaheer Bawar, Managing Director of APS, thanked all ABA member banks and mentioned that APS membership is open to every bank and every bank can be part of it.



Event: APS and ABA Member Banks Coordination Meeting with APS

Venue: ABA Conference Hall, Kabul

Date: February 18, 2015

Photo by: Mr. Jamal Naser, ABA's IT Office

Other News Highlights

ABA's Participation in Women in Business Conference in Kabul

On February 23, 2015, Mr. Najibullah Amiri ABA Deputy Executive Director participated in the "Women in Business" Conference and two-days Handicraft Exhibition for 50 companies, at Kabul Serena. The event was organized by Afghanistan Women Business Federation (AWBF) in collaboration with ACCI and financial support from European Union, American Chamber of Commerce in Afghanistan and GIZ's New Market Development Program. The conference and exhibition were attended by chief guests Mr. Atiqullah Nusrat, CEO of ACCI Mr. Baz Mohammad, Vice-Chairman and Mr. Mohammad Dawood Yousufzai, Board Member of ACCI, Ms. Najla Habibyar, Director General of Export Promotion Agency of Afghanistan, H.E. Franz Michael Mellibin, EU Special Representative to Afghanistan and Mr. Abdul Rahim Saeedi, Director General of Private Sector Promotion of MoCI.



Event: ABA Participation in Women in Business Conference

Venue: Kabul Serena Hotel, Kabul

Date: February 23, 2015

Photo : Taken from the site of ACCI

Afghanistan's Central Bank signs MOU with UAE's Central Bank

On Wednesday, 4th February, the UAE's Central Bank and Afghanistan's Central Bank signed a Memorandum of Understanding (MOU) regarding supervisory co-operation and exchange of information.

Mubarak Rashed Al Mansoori, Governor of Central Bank of the UAE, signed the MoU on behalf of Central Bank of the UAE, and Khan Afzal Hadawal, First Deputy and Acting Governor of the Central Bank of Afghanistan, signed the MoU on behalf of the Central Bank of Afghanistan.

This MoU between the central banks is aimed at enhancing cooperation on providing training and technical assistance to the employees of the Central Bank of Afghanistan, as well as putting into place a mechanism to cooperate on regulatory matters, supervision of banks and other financial institutions operating in both jurisdictions, and exchange of supervisory information. In a statement, the UAE's Central Bank, said that this will be in line with local laws and regulations of each jurisdiction and within the rules of the Bank for International Settlements. In his opening remarks at the signing ceremony, the governor of the Central Bank of the UAE welcomed the Afghan bank's delegation.

In a statement, he emphasized the need for cooperation and coordination with supervisory and monetary authorities to ensure the stability of the financial system.

Hadawal said, "I am delighted to sign this Memorandum of Understanding with the Central Bank of the UAE. It is a very important addition to the existing MoUs established between the

Bank and other regulators around the world and reflects the Bank's commitment to cross-border regulatory co-operation. The UAE has become a hugely important financial center and an area with which we see increasing levels of financial business being undertaken. Our two institutions have had a developed association for some time and regular cause for dialogue. The MoU will serve to enhance this relationship." The MoU was signed to emphasize the importance that Central Bank of the UAE attaches to the subject of banking cooperation with international supervisory and monetary authorities.



Event: DAB Sign MOU with UAE's Central Bank

Venue: DAB Governor Office

Date: February 04, 2015

Photo by: DAB
