



د افغانستان بانکونو تړونخواه  
Afghanistan Banks Association

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# ABA E-Newsletter

## **ABA Forms GRC Standing Committee**

Today, compliance, risk management and corporate governance plays a dynamic role in vitality as well as growth of the businesses especially in financial sector.

On March 19, 2017, Afghanistan Banks Association (ABA) conducted member banks meeting, the purpose of the meeting was formation of standing committee of Corporate Governance, Risk Management and Compliance (GRC) under ABA supervision.

The goals of the GRC standing committee is to collaborate collectively for empowerment of the corporate governance, risk management and compliance of member banks, address challenges, enhance uniformity, adopt international best practices and recommend capacity building programs as effective tools for having sound banking system and maintaining good corresponding banking relation.

In this meeting, thirteen senior officials of member banks including chiefs of risk management, compliance and operation attended.

Mr. Najibullah Amiri Executive Director ABA chaired the meeting by updating members bank's officials on importance of GRC committee for improvement of the current scenario of the banks and focused on building effective coordination of the banks with DAB – Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA) for implementation of Anti Money Laundering (AML)/Countering Financing of Terrorism (CFT) and other related regulations.

Mr. Amiri added that, Financial Action Task Force (FATF)'s on site team will visit Afghanistan banks in near future to inspect implementation of AML/CFT and Corporate Governance, So, the banks should try their level best to fulfill FATF requirements. GRC committee will help banks to address deficiencies in concerned fields to be in parallel with international practices.

Member banks appreciated ABA initiatives and committed to support the committee. Furthermore, member banks exchanged their views regarding importance and structure of the committee, FATF issues etc. At the end, it was decided that, those member banks who are not appointed as regular members shall also be invited as special invitee/members. Draft Charter of the committee will be prepared by ABA and shall be shared with members for their review and comments.



### **ABA Met DAB First Deputy Governor on Islamic Banking**

In order to address member banks (Islamic banking) challenges, ABA arranged Islamic Banking Committee meeting with H.E. Mr. Wahidullah Nawsher First Deputy Governor, Da Afghanistan Bank (Central Bank) on March 07, 2017.

The meeting was attended by with H.E. DAB First Deputy Governor, Mr. Akhond Jan Rustaqi, Deputy DG (Islamic Banking) Financial Supervision Department, Bakhtar Bank CEO, Chiefs of Islamic Banking and Mr. Najibullah Amiri ABA Executive Director.

The following agenda points discussed in the meeting.

1. **Support from IsDB:** Request for Islamic Development Bank's Group Support and Assistance for the Islamic Republic of Afghanistan
2. **Emoving Anomalies in Asset Classification Regulations:** Islamic vs Conventional, It is requested by ABA that Islamic Banking should at least be treated on the same basis, as conventional banking for Asset Classification.

3. **Methodology for Use of weightages in Profit Distribution:** As long as weighted average balances are used, the end result should be the same. Since all banks are using different Core Banking System, then, specifying method(s) for calculation need not be made a condition, as long as the end results are the same”ABA proposed”.
4. **Shari’ah Compliant alternates (e.g. Sukuk) to Afghan Capital Notes (ACN) required:** Till this happens, banks need to place surplus idle funds, locally, or abroad, in Sukuk. Banks can assist in Sukuk issuance, with ACN matching returns. These can be subscribed to not just by Islamic Bank(s) / Islamic Banking Windows, but also by conventional banks. “suggested by ABA”
5. **Regular (preferably Monthly) Meetings for Shari’ah Consultative Process:** It was requested by ABA that, this regular interaction will provide mechanism for facilitating smooth resolution and clarification of routine matters which arise, or may arise, in implementation of Islamic banking regulations.

**In conclusion**, profit Distribution based on weightage and other some reasonable suggestions of ABA were initially accepted by DAB for support of Islamic banking.



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### **Access to Finance Exhibition in Construction Sector held in Kabul**

Afghanistan Banks Association (ABA) in collaboration with USAID’s Financial Access for Investing in the Development of Afghanistan (FAIDA) project, the Ministry of Urban Development and Housing (MUDH), organized a one-day Access to Finance (A2F) Business to Bank (B2B) Roundtable and Exhibition Event at Safi Land Mark Hotel, Kabul on January 8, 2017.

The roundtable specifically targeted the construction sector enterprises functioning in Kabul city by facilitating access to finance through linking them with potential lenders and insurance companies. The roundtable provided the Construction Enterprises with the opportunity to exchange viewpoints in identifying challenges and opportunities to improve their productivity and access to finance. The attendees were from the public and private

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companies, construction and housing sector, representatives from Afghanistan Banks Association (ABA), Afghanistan Builders Association (ABA), insurance Companies, commercial banks, government officials and Non-governmental organizations.

**The main objectives of the event were as below:**

- To improve access to finance for the construction and housing sector through targeted roundtable discussions and meetings between relevant stakeholders
- To link private construction and housing sector businesses with the financial institutions
- To create new jobs and enhance housing sector services for Afghans
- To provide construction and housing enterprises a platform to promote their products or services to a broader group that may have little or no knowledge of their products and services as well as reaching out to their existing clients

During the Exhibition, ABA's member banks delivered presentation on their products and also provided with a free space to showcase their products and services. Moreover, banks had opportunity to interact directly with construction companies discussing on types of financing including loan, loan procedure, bank guarantee, letter of credit etc. In this exhibition, government high officials included H.E. Minister of Urban Development, H.E. Minister of Public Works, representative from Kabul Municipality, other high rank government officials took part.

Mr. Najibullah Amiri Executive Director ABA delivered a presentation on ABA activities, banking sector challenges, opportunities and encourage companies to expand their business by acquiring loans from banks (conventional as well as Islamic).



## **ABA Held Access to Finance Exhibition, Health Sector**

USAID's Financial Access for Investing in the Development of Afghanistan (FAIDA) in partnership with USAID's Health Sector Resiliency (HSR) in collaboration with Ministry of Public Health, Private Health Sector Associations and Afghanistan Banks Association (ABA) organized a one-day Access to Finance (A2F) Business to Bank (B2B) Roundtable and Exhibition Financing Businesses in the Health Sector at Kabul on January 16, 2017.

### **The main objectives:**

- Improve access to finance for private health sector through targeted roundtable discussions and meetings between relevant stakeholders
- Link private health sector with the financial institutions and mobile network operators
- Create new jobs and enhance private health services for Afghans
- Provide health enterprises a platform to promote their products or services to a broader group that may have little or no knowledge of their products and services as well as reaching out to their existing clients.
- Provide opportunity for financial institutions to update health companies on their products/services for absorption of potential customers and expansion of lending.

The roundtable specifically targeted the health sector enterprises functioning in Kabul city by facilitating access to finance through linking them with potential lenders and insurance companies. The roundtable provided the private health enterprises with the opportunity to exchange viewpoints in identifying challenges and opportunities to improve their productivity and access to finance. The attendees were from the public and private health sector, representatives from Afghanistan Private Hospital Associations (APHA), Afghanistan Medicine Services Union (AMSU), Afghan Midwives Associations (AMA), Afghan Society of Obstetricians and Gynecologists (AFSOG), Labs Association, Insurance Companies, Afghanistan Banks Association (ABA), Commercial banks, Mobile Network Operators (MNOs), Government Officials and Non-Governmental Organizations.

Banks, Insurance Companies and Mobile Network Operators (MNOs) provided with a free space (a desk) to showcase their products, marketing promotions and to meet potential clients. At the end Mr. Edrees Alimy Research and Communication in charge took part in panel discussion and answered businessmen questions on banking products and services.

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## **ABA Contribution in Financial Inclusion**

Afghanistan Banks Association (ABA)'s management had meeting with DAB on February 28, 2017, on Financial Inclusion. The aim of this meeting was to work together with DAB on fulfilling World Bank Doing Business Indicators (DBI) for the purpose of expansion of financial inclusion in Afghanistan. The goal of DBI is rising Afghanistan's rank from 177 to 70 among 189 economies and its objectives is Providing Ease of Business Environment by promoting regulatory reforms that make it cheaper, faster and easier to do business in Afghanistan. In this meeting, Representatives from Ministry of Commerce and Industries (MoCI), Handicraft Association and DAB financial Inclusion, financial supervision Department attended. Subsequently, on March 27, 2017, ABA participated in Financial Inclusion committee Meeting held under Chairpersonship of H.E. Mr. Khalil Sediq DAB Governor. The committee comprise of DAB, ABA, The Microfinance Investment Support Facility for Afghanistan (MISFA), Ministry of Finance (MOF) and around 20 governmental and non-governmental organizations. In the meeting, H.E. Governor stated that: recent research on economic shows that financial inclusion (access to banks services included accounts, debit, credit cards, insurance services, pension, mobile banking, etc) have very positive impact on reduction of poverty, so DAB with all stakeholders work together to increase financial inclusion in the country by removing the barriers and taking certain steps for the purpose of poverty reduction and expansion of businesses.



## ABA Signed MOU with ACE II

ABA signed a Memorandum of Understanding (MOU) with Agricultural Credit Enhancement (ACE) II on February 18, 2017. The Memorandum of Understanding (MOU) sets the terms and understanding between the Agricultural Credit Enhancement (ACE)-II Program and the ABA to work closely on the National Survey of Demand and Supply (ABA involvement will be in supply side) of Agricultural Financial Services in Afghanistan which will be conducted by ACE-II Program in collaboration with ABA.

There are numerous reasons why agricultural credit and financial services are important to Afghanistan

- To improve household incomes/welfare of the majority of Afghans who are working in agricultural/rural areas (70% of Afghans are employed in agriculture and livestock activities)
- To increase agricultural productivity and thereby to improve livelihoods
- To enhance food security
- To improve economic opportunities for agribusinesses working in the sector
- To improve levels of formal and informal financial intermediation to fund growth in the sector.

The aim of the Survey is to provide data needed for decision makers by key stakeholders in the agricultural financial services (especially credit) community. The National Survey intends to provide data with sufficient detail to facilitate improved financial intermediation in the sector.

