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ABA Takes Up the Banking Sector Concerns with the Central Bank

Afghanistan Banks Association (ABA) with collaboration of Da Afghanistan Bank (The Central Bank) organized Commercial Banks Consultative Group (CBCG) meeting on August 08, 2017. The meeting aimed to address commercial banks main challenges in order to pave the way for smooth running and growth of the banking sector throughout the country. The meeting was attended by H.E. Mr. Khalil Sediq DAB Governor, H.E. Mr. Wahidullah Noshier First Deputy DAB, Mr. Mohammad Salim Salah, Director General, Financial Supervision Department, ABA Chairman, Vice Chairmen, CEOs of Member banks and ABA Executive Director.

Agenda:

1. Delisting Afghanistan from Grey list & Correspondent banks relations
2. DAB's support on committee submission on resolving Credit problems
3. Risk Weighted Asset
4. Problem facing banks due to restriction of forging currency in provincial offices
5. Credit Guarantee
6. APS (Afghanistan Payment System)

Discussion and Conclusion:

Delisting of Afghanistan/Correspondent Banking Relationships: H.E. Governor updated banks on recent achievement (Delisting of Afghanistan from FATF) and appreciated efforts made by the central bank, banks, ABA and Afghan government in this regard. Further, he advised banks to take ultimate measures in

implementation of Anti Money Laundering (AML), Combating Financing of Terrorism (CFT) and Corporate Governance compliance.

He added that , in the month of October there will be IMF Annual meeting, delisting Afghanistan from grey list is one of the main issue of discussion , further DAB is committed to lobby with big banks like City bank, Commerzbank, others to establish correspondent banking relation with Afghan banks, taking advantage of delisting.

Regarding 2nd agenda Mr. Amiri updated Mr. Governor on submission of ABA's presentation to H.E Frist Deputy Governor related to mitigation of problems of Credit portfolio of Banks mostly related to the Asset Classification Regulation of DAB, he requested support and kind attention of DAB. H.E. First Deputy Governor stated that, ABA recommendation is under review, most of the ABA recommendations will be addressed, and taken forward for approval by DAB Executive Board. During CBCG meeting few other points were also discussed, i.e. Standardization of Loan Documents, Risk Weighted Asset, Acceptance of foreign currency in provincial offices of DAB and credit guarantee. During concluding remarks of the meeting, H.E. Governor, thanked ABA for arranging the meeting, he also urged banks to join/support APS, as national switch, use what services APS offers.



Afghanistan Economic Growth through Islamic Banking Conference

Afghanistan Economic Growth through Islamic Banking Conference was held in Kabul on September 19, 2017 by EmendGroup with co-support from Afghanistan Chamber of Commerce and Industries (ACCI) and contribution of following entities.

- Bakhtar Bank - Lead Sponsor
- Etisalat Afghanistan - Platinum Sponsor
- Ariana News - Media Sponsor
- Afghanistan Banks Association (ABA) - Event Partner
- Afghanistan Microfinance Association (AMA) - Event Partner

The objective of this conference was to link business with the Islamic Banking services and to exchange ideas, introduce Islamic banking preferences and benefits as reasonable source for growth of business/individual financing and ultimately economic growth. The agenda of the conference mainly focused on introduction to Banking, benefits of banking for general business, introduction to Islamic banking, products of Islamic banking, difference between Islamic banking and conventional Banking.

Afghanistan Bank Association (ABA) played event partner role in the conference, coordinated with member banks (Islamic & conventional) as well as represented the banking sector (concentered on Islamic Banking). The conference was attended by high officials from the Ministry of Commerce and Industries (MoCI), Afghanistan Chamber of Commerce and Industries (ACCI), Da Afghanistan Bank (DAB), Islamic Scholars, Afghanistan Banks Association (ABA), Afghanistan Microfinance Association, Afghanistan Industrial Association, businesses and individuals.

Delegates from the Ministries of Commerce & Industries, ACCI, DAB, ABA & Shariah Scholars, Bakhtar Bank and Emend Group presented their views on the importance of Islamic banking for the growth & prosperity of Afghan Economy and panel discussion was held at the end of the conference to respond participant's questions. Mr. Alkozai ACCI Vice Chairman started his speech with highlighting the importance of Islamic banking for the promotion and growth of Commerce & Industries in Afghanistan. Emphasize shall be put in place by the Central Bank, the Law Makers and the Commercial bankers to ensure that proper policies & systems are there to restrict the potential infringement of trust of different stakeholders, "Mr. Alkozai suggested". Mr. Noshier, DAB First Deputy Governor re-emphasized on the importance of Islamic banking for the Financial Inclusion of the Afghanistan, growth of business and strengthening of Afghan economy. Mr. Noshier invited the members of private sector to his office to discuss the main issues faced by them.

Mr. Najibullah Amiri ABA Executive Director delivered a speech on importance of the Islamic Banking, opportunity for growth of the Islamic banking and encouraged business to expand their business through using

Islamic banking services. He further added that, ABA formed Islamic Banking Standing Committee which conducts regular internal and external sessions with Da Afghanistan Bank (DAB) in order to address Islamic Banking obstacles.



ABA Raises Banks Problems with the Central Bank

In order to address member banks credit problems, ABA conducted a meeting with First Deputy Governor DAB (H.E. Mr. Wahedullah Nosher) on September 24, 2017 in ABA Office. The main objective of this meeting was to pursue on submitted below points that was previously presented to DAB for amendments and consideration.

1. Asset Concentration
2. Asset Classification
3. Overdraft Mandatory Cleanup
4. Rescheduled and restructured credit
5. Property evaluators
6. Provisioning
7. Exposures
8. Public Credit Registry

The meeting was attended by H.E. First Deputy Governor DAB, Mr. Abbas Deputy Financial Supervision DAB, ABA Chairman, Vice Chairman, Board Members, the banks CEOs and ABA Executive Director. During the meeting, H.E. was requested by ABA on progress of the credit points submitted to DAB for amendments.

H.E. First Deputy Governor updated member banks on favorable amendments made by DAB on Asset clarification, overdraft mandatory cleanup and other regulations, based on banks demands. The final draft of amendments will be shared with ABA and finally with DAB's Executives for approval. The new changes to the regulation will bring positive changes encourage lending, promote banks and other business growth "H.E Said". Mr. Najibullah Amiri thanked H.E. for joining the meeting and extended sincere regards to DAB for supporting ABA and the banking sector.

At the end, an appreciation award was extended to H.E. Deputy Governor DAB on the account of his contribution for the banking sector and ABA.



Initiating Capacity Building Program for the Member Banks

In order to enhance capacity of Islamic Banking employees, ABA organized Islamic Banking workshop for the 7 banks (Islamic Windows) on September 17, 2017 at ABA Office.

The workshop was delivered by Mr. Amer Khalil ur Rahman Bakhtar Bank CEO/ Chairperson of ABA Islamic Banking Committee.

In this workshop, 37 employees of ABA's member banks (Islamic Banking) participated. The workshop being conducted by ABA on monthly basis.

Mr. Najibullah Amiri started the workshop by encouraging the Islamic bankers and added that, ABA fully supporting Islamic banking and there is good opportunity for Islamic banking/finance in the country. In order to improve the current scenario, member banks should have more coordination with ABA and have to meet international best practices. "Mr. Amiri added"

The workshop topic mainly focused on introduction of Islamic banking, removing misconceptions about Islamic banking and convincing of the customers. Based per feedback of the banks employees, the session was productive, participants thanked ABA for organizing such kind of capacity building programs.



Banks and MFIs Sensitization and Interface Round-table

Commercial Banks and MFIs in Afghanistan are currently working in isolation and there has not been any operation related interaction- except simple banking relationship, among them. While as per the prevailing practice in other similar countries, they need each other for their businesses, thus proper working relationships should be established among them. The MFIs need to diversify their sources of fund and local commercial banks could be a good and reliable source for them. Similarly, the banks as per new regulation from DAB, need to

invest a considerable percentage of their portfolio domestically and MFIs could be the best option to invest in terms lending to them. Further, since banks are liquid, so, this is good opportunity to utilize their liquidity with low risk. The Banks currently are not interested to lend to MFIs, due to lack of awareness about MFIs operations, their products and services.

Keeping this in mind, ABA and AMA organized a roundtable on September 20, 2017 in Kabul to establish working relationship between commercial banks and MFIs in Afghanistan. The objective of the round table was as follows.

- To increase awareness among senior bankers regarding status, business model and operations of MFIs for facilitating debt flow from banks to the MFIs for onward lending to the clients to improve financial inclusion in Afghanistan.
- To discuss what will make the Banks comfortable to lend to MFIs including collateralization as per prevailing DAB norms.

• To discuss business models which the Banks are likely to accept for onward lending to MFIs

The roundtable was attended by H.E. Mr. Qasim Rahimi, DAB Second Deputy Governor, Mr. Haseeb Financial Supervision, Team Leader, ABA Board of Directors and Management, AMA Board of Directors and Management, CEOs/Top Management of Microfinance Finance Institution (MFIs) and ABA member banks CEOs, /Top Officials attended.

Mr. Frank van der Poll, the Chairperson of AMA/Board member of ABA commenced the meeting by welcoming remarks.

H.E. Mr. Qasim Rahimi Second Deputy Governor of the Da Afghanistan Bank (DAB) talked about the role and importance of Banks and MFIs in the economic development of Afghanistan. He added that Central Bank of Afghanistan is fully supporting any investment by banks in MFIs, what is in favor of business and the economy. Subsequently, a comprehensive presentation was delivered by ABA Executive Director Mr. Najibullah Amiri on ABA activities and achievements, recent status on banking sector in terms of asset, deposits, Non-Performing loan etc. Thereafter a presentation on AMA activities and update of on Micro finance status, business model and operations was delivered by Mr. Najibullah Samim AMA Executive Director. ABA member banks (Bakhtar Bank CEO and Ghazanfar Bank CCO presented presentations on debt financing of banks to MFIs experienced in Pakistan and India respectively.

Finally, after exchange of Ideas and discussions between banks and MFIs, considering the current status of the two parties business and Da Afghanistan Bank Regulation, it was agreed that a joint committee comprise of ABA and AMA should be formed. The committee shall do feasible studies and share their views with members for further action.



Banking and Finance Working Group Meeting (Pri-Sec Committee)

Mr. Najibullah Amiri Executive Director ABA, attended the banking and finance meeting under financial inclusion program in DAB on July 29, 2017. The meeting was attended by H.E. DAB Second First Deputy Governor, other Senior Officials from DAB, the Ministry of Commerce and Industry (MoCI), Afghanistan Financial Dispute Resolution Committee (AFDRC), ACCI and ABA. The following problems of banking sector was raised by Mr. Amiri to be addressed by the committee what is in favor of banking sector and the Afghan economy.

1. Movable property as collateral: The barriers should be removed.
2. 120% of immovable as collateral: If possible, some alternative of reduction on Debt-Collateral should come. I.e. under guarantee scheme
3. Security expense : The security expense of member banks is high, efforts should be made to reduce the cost as factor of higher interest rate
4. Loan guarantee: The guarantee provider donors should be seek in order to facilitate guarantee of loan portfolio.

The above-mentioned points noted by financial inclusion sector of DAB, to be incorporated in Pri-Sect committee recommendations.

The Pri-Sec Executive Committee works under supervision of the ministry of Commerce and industry, works to meet World Bank Doing Business Indicator (DBI) and remove the barriers from private sector businesses, reports to the Afghan Unity government.



ABA Conducted Credit Standing Committee Meeting

On July 19, 2017, ABA organized the seventh meeting of Credit Standing Committee at ABA's Office. The aim of this meeting was to discuss on loan Guarantee, acceptance of top up Card as collateral, developments and progress on the presentation to the DAB Board, Progress made by the Committee on the TOR's and the way forward and discussions on further problems faced by the Banks in different areas of Credit and the recent developments in the light of emphasis of USAID on SME lending and Agricultural lending. The meeting was attended by all the credit steering committee members with high attendance by the special invitees from the member banks.

After introduction by the participants; Mr. Amiri formally started the proceedings of the meeting. He informed the participants with delight that as per Global AML/CFT Compliance, Afghanistan has been delisted from "Grey" and is no Longer Subject to the FATF's On-Going Global AML/CFT Compliance Process, opening the doors for correspondent banking which is very beneficial for the economy. He informed the participants that the Credit Standing Committee was formed in the year: 2016 to address the issues in the Credit Side faced by the banking industry and take-up the issues with the Central Bank for its resolution. The abovementioned points were discussed in details and certain decision was made.



Islamic Banking Standing Committee Meeting

The Islamic Banking (IB) Standing Committee meeting was conducted by ABA on August 23, 2017 to address problems pertaining in regulatory area of IB. Chiefs, Heads of almost all Islamic Banks (Window) including Bakhtar Bank, AUB, GB, BMA, AIB and Maiwand Bank attended the meeting. Agenda of the meeting focused on the following issues.

Profit calculation based on Weightage method

Mr. Faizan Ahmad Bakhtar Bank's CFO highlighted the mathematical and conceptual problems of DAB's presentation about the weightages. He also concluded that, it is not possible to run the profit distribution model from one single pool and it's nowhere the practices.

Finally, after long discussions among the forum it's decided by the forum to meet with the first deputy governor and DAB's Islamic team which will be arranged by ABA. Asset Classification Regulation: it was agreed that, DAB should consider some relaxation, in respect to the Islamic Banking Asset Classification.

SUKUK: Sukok Facilities as a dire need for Islamic Banks and the country as a whole, “Committee members added”

Selection of Vice Chairperson of Islamic Standing Committee

Mr. Mohammad Hakim Farighi Afghan Mili Bank's chief Islamic Banking officer was elected as vice chairperson of the Islamic standing committee due to absence of former Vice Chairperson.

Capacity Building Programs by Standing Committee

Mr. Chairman proposed a training program by the committee members for the employees of Islamic banks including junior officers and the higher level authorities of the banks. The first training session by chairman of the committee Mr. Amer Khalil Rahman president and CEO of Bakhtar Bank under the name of “REMOVING MISCONCEPTIONS ABOUT ISLAMIC BANKING ” shall be on 13th Sep 2017, from 1.30PM till 4.30PM (3 hours). Mr. Chairman also added that, there should be regular training programs on 15th of each month and all committee members should cover a session in local and English languages. “Members agreed”



CEOs Coordination Meeting

Afghanistan Banks Associations (ABA) organized member banks' Chief Executive Officers (CEOs) coordination meeting on August 06, 2017 to address member banks issues and recommendations. The CEO

level meeting is being conducted by ABA in order to tackle the banking sector common problems, identify opportunities, improve and strengthen inter-bank collaborations.

In this meeting, CEOs of member banks and ABA management attended. Banks and MFIs round table, Presentation on Security Expense of the Banks, Update member banks on Banking and Finance working Group, Credit Guarantee Opportunity by, ADF, USAID, DCAs, ACGF, Profits distribution based on weightages – Related to Islamic Banking, Membership of Financial services with ABA i.e. VFS (Vision Financial service), De-listing Afghanistan from Grey list & Correspondent banks relationship, PRMIA Local Chapter for Afghanistan and other issues were agenda of discussions. The relevant important points finalized to be taken with Da Afghanistan Bank (Central Bank).

During the meeting, Mr. Alimy Research and Communication Officer, ABA delivered a presentation on reduction of security expense of member banks through ABA lobbying. ABA previously, took steps for reduction of the security expense with Afghanistan public Protection Force (APPF) which in result, millions AFN security expense of banks reduced.

Beside other agenda, Mr. Amiri updated members that ABA and AIBF tried their level best for opening of PRMIA Local Chapter in Afghanistan. As a result, the PRMIA Chapter was launched in Afghanistan and recently Mr. Najibullah Amiri Executive Director ABA and Mr. Lutfullah Pasaarly CEO of AIBF was approved as co-regional Directors by PRMIA respectively, "The members appreciated ABA-AIBF efforts"



SWIFT New User Group Chairperson in Afghanistan was elected

Afghanistan Banks Assertion (ABA) organized a meeting of member banks on September 13, 2017, to elect New SWIFT User Group Chairperson in Afghanistan.

The Chairperson shall be working with the ambition to promote the industry and be responsible for reporting/updating of all SWIFT (Society for the Worldwide Interbank Financial Telecommunication) related matters of the member banks through ABA as per agreed terms and conditions. This meeting was chaired by Executive Director ABA. He discussed about the importance of the issue and stated that unlikely there was no committee and proper procedure for appointment of Swift User Group Chairperson in the past, now ABA decided to form a committee and adopt certain rules in this respect. As a result, based on relevant experience, qualification and expertise, Mr. Asadullah Fayzi Chief Operation

Officer (COO) of AIB was elected as Chairperson of SWIFT in Afghanistan through voting process, where he will be officially introduced to SWIFT by ABA.

At the end, SWIFT ad hoc committee was formed by ABA to have meeting on need basis and address SWIFT related issues. The TOR/Charter will also be developed and varied by the committee members during upcoming meeting.



Effective Compliance and Risk Management Should be in Place

To ensure effective Compliance and Risk Management within the banking sector and to address deficiencies in the concerned area, Afghanistan Banks Association (ABA) conducted Corporate Governance, Risk Management and Compliance (GRC) Committee Meeting in August 02, 2017. The meeting was attended by Mr. Najibullah Amiri Executive Director ABA, GRC chairperson, Vice Chairperson, the committee members and special invitees from member banks.

Agenda

1. Bench marking for number of staff at Compliance
2. Internal Audit and Risk functions
3. Verification of Documents
4. Correspondent Banking Relationships

The above points were discussed in details and certain actions were suggested to be accomplished by the committee members-ABA for the improvement of current scenario of the risk management and compliance within the banking sector.



ABA Strives for Enhancement of Capacity Building of Members

To enhance capacity building of ABA member banks (Human Capital), Afghanistan Banks Association (ABA) with coordination of Afghanistan Institute of Banking and Finance (AIBF) conducted HR Working Group Meeting on September 26, 2017.

In this meeting, the banks HR Heads/ Chiefs, Mr. Najibullah Amiri Executive Director ABA, Mr. Edrees Alimy Research and Communication Officer ABA, Mr. Zia Ul Haq Waziri Program Head-AIBF Mr. Silab Sahak Marketing and Public Relation Manger AIBF attended.

At the beginning, Mr. Amiri put light on AIBF's progress and performance, encouraged member banks on mass participation in AIBF programs. He further added that, AIBF as national institute committed to provide quality services for the financial sector.

Later on Mr. Zia Ul Haq Waziri Program Head-AIBF updated the members on AIBF's progress, international collaborations and upcoming quarter plan.

At the end of the meeting the HR member of the banks appreciated ABA for organizing the coordination meetings and AIBF's performance throughout the quarter, requested some training programs and had some suggestion and recommendations which are pointed out as follows:

- AIBF to send the feedback and training materials of the short term, mid-term and long term programs to the banks
- AIBF to prevent trainers turnover in Diploma in Banking and Finance program
- AIBF to manage the timing of Diploma in Banking and would not allow the late comers in the class
- AIBF to increase the duration of short term trainings
- AIBF to keep up and improve the quality of trainings
- Banks to increase nomination for AIBF's short term, medium term and long term training program



Launch of PRMIA New Chapter in Afghanistan

To promote risk management professions in the country, Afghanistan Banks Association (ABA) with cooperation of Afghanistan Institute of Banking and Finance (AIBF) strived to convince PRMIA to open new chapter in Afghanistan. As a result, Professional Risk Managers International Association (PRMIA) announced the launch of PRMIA Afghanistan and the appointment of Co-Regional Directors Mr. NajibUllah Amiri and Mr. Lutfulhaq Noor Paserly and on 8 August 2017.

The main goals of the PRMIA chapter in Afghanistan are to:

- Promote risk management practices,
- Enhance the capacity of financial sector officials in risk management through PRMIA certifications,
- Develop risk culture through risk awareness campaign, and
- Support local members in networking for knowledge sharing, risk awareness, risk cultures etc.

Under the chapter, the Executive Committee comprise of Risk professionals was formed. The Executive Committee acknowledges the opportunity for PRMIA certification to become the standard for banks and institutions to ensure sound practices in the RM community in Afghanistan. By following through with the goals that are set out, the chapter aims to cover the gaps in risk management for the institutions operating in the geography of Afghanistan.

