

Converting to financial hub status with competence

Association of Professional Bankers readies to capitalise on post-war opportunities

By UDITHA JAYASINGHE

POST war Sri Lanka is gearing up to become a financial hub, but this comes with its own set of challenges for upgrading professional standards that the Association of Professional Bankers (APB) is tackling through its 22nd Anniversary Convention.

The event, which was kicked off a dozen years ago, to celebrate its 10th Anniversary in 1998 has gradually become the main event of the APB calendar and the event is looked forward to by the Bankers and the Professionals in the Financial Services Industry as a whole.

This year they are focusing on a title aptly fitting for the future. "Gear up - Sri Lanka, the Next Financial Hub" with Governor, Central Bank of Sri Lanka Ajith Nivard Cabraal as the Chief Guest, and President, Asian Banker, Emmanuel Daniel due to make the key note speech at the inauguration scheduled on 3 September.

A host of speakers including Treasury Secretary Dr. P.B. Jayasundera, IMF Country Representative Dr. Koshi Mathai, MTI Consulting Chief Executive Hilmy Carder, and IBM's Global Industry Leader in Banking and Financial Markets, Likhit Wagle are due to make technical presentations followed by a Panel Discussion chaired by the Advisor to the President on Banking, Dr. Ranee Jayamaha on the second day of the Convention. The APB Conference targets banking professionals from middle management upwards as well as other stakeholders interested in the financial sector.

"The reason we picked this theme is dualistic," began APB President Dimantha N. Seneviratne who is also the HSBC's Chief Risk Officer, Sri Lanka and Maldives, explaining that sessions were planned out with the intention of upgrading knowledge,



APB President Dimantha N. Seneviratne

skills and professionalism of bankers to meet the task of catapulting Sri Lanka to the international Financial Hub stage.

"Whilst we fully acknowledge that our country has the capacity to become an international financial hub we must also understand what this would entail in terms of rules and regulations. These frameworks must be adjusted so that international players are encouraged to enter the industry and our own local financial institutions can take the lead by expanding in to regional markets."

There are lot of gaps to be filled to achieve this status which would be deliberated in technical sessions. Becoming a Financial Hub has been a talking point for decades, but after 30 years of political instability, we are now faced with a golden opportunity to realise this goal.

Seneviratne remarked that while the banking industry in Sri Lanka has grown steadily over the past few years it is yet to make a quantum leap into the proverbial "big time." one of the reasons for this being that Sri Lanka still lacks home ground "big" banks

that has the capacity to compete at international level. Even though the banks, especially the State owned ones, have been making strong inroads into enlarging the industry the logistical and regulatory challenges remain.

"One problem that we have is the high tax rate. Banks are taxed as high as 62% and this makes it very challenging for them to expand," he acknowledged adding that perhaps there are too many smaller players in the market and consolidation is necessary if Sri Lanka is to establish itself as a financial hub. Such a move would also free up capital for the banks to invest and expand. Without these structures in place competing on a global scale would be challenging at best.

Setting up of international Banking Centres (IBCs) investment Banking operations, Capital market developments are all part of these requirements to reach Financial Hub status and we see the need now, as never before with Sri Lanka advancing on several fronts to get into a shipping and logistical Hub, he commented.

Bank consolidation would also have the added beneficial effect of reduc-

ing infrastructure expenditure, thus passing on the benefit to the depositor. "If banks could merge their services either by adopting new technology or branch services then the expense that each organisation has to foot in order to engage their customer would be less. It could also make the system more efficient."

Banks form the heart of an economy, a fact that was further underscored by the recent global recession; so do banks in Sri Lanka contribute sufficiently to rural development? "Banks have to also reduce their Non-Performing Loans (NPL) ratio and increase their SME portfolio to cater to this demand," he stressed adding that reduction in interest rates, which is stabilising were a positive sign in this regard.

Brushing up services, range of products and channels to customers by using innovative methods such as mobile banking was also seen as necessary by the president, APB who insisted that State banks were better equipped to take banking to the masses.

Seneviratne maintained that banks should list more on the Stock Exchange as not only would this provide more capital, it would also develop professional standards by increasing transparency. "Trust is key in banking and if Sri Lanka wants to achieve its dream then it must approach with confidence and competence."

He also stated that APB is playing its part as the main professional organisation for Banking and Financial services industry by arranging several evening seminars to upgrade the knowledge of bankers in line with latest developments in the industry. Referring to the upcoming Convention, he extended an open invitation to interested professionals to join the Conference and deliberate on the issues.