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THE PROFESSIONAL BANKER

ASSOCIATION OF PROFESSIONAL BANKERS-SRI LANKA

OUR VISION

The power of Professionalism in Banking in Sri Lanka

OUR MISSION

To sustain the highest standards of professionalism and Integrity among Bankers

To Advance the Public Interest

To Influence the Achievement of the Highest Ethical Standards and Governance in Banking Industry

Table Of Content

ASSOCIATION OF PROFESSIONAL BANKERS – SRI LANKA
OFFICE BEARERS – 2018 / 2019

Association of Professional Bankers of Sri Lanka (APBSL) at its 29th Annual General Meeting held on 21st March 2018, elected its new Council for the year 2018 / 2019.

Standing : L to R

Mr Dishan Perera(Member of the Council), Mr Anton Arumugam(Member of the Council), Mr Dilshan Rodrigo(Member of the Council), Mr B A H S Preena(Member of the Council), Mr Jagath Gamanayake(Member of the Council), Ms Manjula Herath(Member of the Council), Mr E A P Sisira Kumara (Assistant Secretary), Mr Nishan Perera(Member of the Council), Mr Thejaka Perera(Member of the Council), Mr K B Rajapakse(Member of the Council).

Seated : L TO R :

Mr Halin Hettigoda (Secretary General) , Mr Aruna Fernando(Vice President), Mr Bahanu Wijayaratne (Senior Vice President), Mr Asanka Ranhotty (President), Mr Senarath Bandara(Immediate Past President), Mr C Amarasinghe(Vice President), Mr Jeremy De Zilva (Treasurer).

COUNCIL OF ADVISERS 2018 – 2019

SEATED FROM LEFT :

Mr. Aravinda Perera, Mr. Deepal Abeysekara, Mr. R Nadarajah (Deceased), Mr. Parama Dharmawardene, Mr. Asanka Ranhotty, Mr. A Kathiravelupillai, Mr. Hennayake Bandara, Mr. Piyal Hennayake, Ms. Shashi Kandambi Jassim

FUND MANAGEMENT COMMITTEE 2018 – 2019

SEATED FROM LEFT :

Mr. Halin Hettigoda, Mr. R Nadarajah (Deceased), Mr. Parama Dharmawardene, Mr. Asanka Ranhotty, Mr. Nimal Dias, Mr. Piyal Hennayake, Mr. Jeremy De Zilva

INTERVIEW WITH MR DIMANTHA SENEVIRATNE DIRECTOR / GROUP CHIEF EXECUTIVE OFFICER NATIONAL DEVELOPMENT BANK PLC.

1. Just over one year at the helm National Development Bank of Sri Lanka (NDB) has been crowned the Best Bank in Sri Lanka by Global Finance of USA. You have given Leadership to one of the leading Financial Services Group of the country.
Secret behind this Success?

It indeed was a great feat to be recognized as the Best bank in Sri Lanka 2018, by the prestigious Global Finance Magazine of USA.

NDB is one of the most respected institutions in Sri Lanka, with a history spanning nearly 40 years. It has a number of innate strengths such as a strong corporate and retail orientation, a robust product portfolio, expertise in development financing, the unique financial services group proposition in both banking and capital markets and a talented, qualified and passionate team, whom I have the pleasure of leading.

Recognizing this potential, what I brought in, is the clear direction and execution skills to unleash that potential. We came up with a new strategic plan in mid-2017 dubbed Transformation 2020 taking the Bank on an aggressive trajectory. All these constituents, projected in the right direction under this ambitious strategy and "One NDB Vision" have propelled us towards generating greater results to all our stakeholders, and in becoming one of the best in the industry.

In doing so we aligned our culture "The one NDB" and carried that message to all levels of staff through Town hall meetings, televised interviews, Let's Talk, Coffee with CEO sessions to eliminate any doubts and build trust across all staff. The team work and growth we are seeing today is as a result of these efforts.

2. "Digitalization" is a phrase more often than not used in the Banking Industry today. **How is NDB positioned to move forward in this area?**

NDB has made significant strides in the digital arena over the past few years. One of the main channels of digitization introduced by the Bank was the NDB Mobile Banking app which was launched in 2016. This app enables customers to carry out many of their banking transactions from the comfort of home. Additionally the Bank has its Online Banking facility which also enables customers to carry out transactions without visiting branches. Further, the Bank is currently installing Cash Recycle Machines (CRMs) in identified locations. These machines have enabled the Bank to move many deposit and withdrawal transactions away from the traditional branch. Customers can use the CRMs to deposit and withdraw cash, 24 x 7. NDB has introduced more than 10 digital channels where our customers can carry out transactions in a convenient, secure and speedy manner. I am happy to note that, today over 90% of bank's total payment transactions are now handled through digital channels; this clearly shows the bank is in the right path towards 'digitization' and we are currently working on many other new digitization solutions, including introduction of phy-digital branches.

As a midsized commercial Bank, I think, NDB has the right size and capabilities to transform Digitalization more efficiently and productively across business compared to some of the larger Banks. We are quite nimble to change and being a mid-sized, can make a meaningful impact.

3. NDB over the past 15 years have gone through amalgamations acquisitions mergers viz. National Development Bank the then Development Bank taking over operations of ABN Amro Bank, The merger between the NDB the Development Bank and the Commercial Banking arm of the group, the merger between National Development Bank PLC and the NDB Housing Bank. **Your views on consolidation and the impact on the industry as a whole?**

As you've rightly pointed out, the entity we have today as National Development Bank PLC is the successor to a number of different institutions amalgamated. Through consolidation, we have acquired expertise in a number of banking aspects, which were the core strengths of those individual entities, such as development banking, commercial banking, housing financing, trade financing, etc.

I firmly believe that consolidation can bring in a host of benefits to the industry. It is a common belief that the Sri Lankan banking and financial services sector is overpopulated, with over 30 banking institutions and over 40 non-bank financial institutions, catering to a population of just over 20 million. As per latest Census & Statistic Dept data, out of this population, those economically active are around 9 million. Hence, consolidation can lead to an optimum number of institutions within the industry and result in a better choice for customers and promote healthy competition among entities by way of offering Banks products and services at a much cheaper and efficient ways as the scale advantage can manage the cost benefit.

Given the implications of recent developments affecting the banking sector, such as Basel III guidelines, implementation of IFRS 9 and budget proposals such as the Debt Repayment Levy, banks and financial institutions are facing challenges in raising capital. Consolidation could prove as an effective solution in enabling certain entities to be compliant in these new capital requirement regimes and grow together.

Having said that, such consolidation should take place in a manner to enhance shareholder value and benefit to the employees, customers and other stakeholders. We must not do that in a haphazard way. I think the increase in regulatory capital requirement (almost doubled in 3 years) is a signal that the Regulator is also expecting some form of consolidation.

4. Organization culture is an important and an integral part of any organization. As an organization that has gone through many changes please enlighten us how the different cultures have been integrated for the benefit of NDB?

Different cultures bring in diversity to any organization, and in diversity, there is strength. The organizational culture should be one that aligns these different cultures in to one stream and brings out the best of diversity. At one point, NDB did comprise of few distinct cultures, predominantly due to having merged between a couple of entities, and due to more than 30% YOY staff recruitment over the past couple of years to support the rapid business expansion of the Bank.

Last year, as a part of our strategic transformation process, we reached out to all our employees, through a bank-wide survey, in understanding their work experience at NDB. The results of this survey revealed a host of valuable information which was used in defining a new culture identity for NDB. Dubbed as ONE NDB, this culture strengthens the unity amongst our staff members.

We have also rolled out a structured "Change Connect Program" which helps all employees align to the overall strategic transformation that we are going through, and also to the new culture identity.

All new staff members are introduced to this culture identity at the induction. The ONE NDB culture is further embedded through visual reinforcements, inclusion of behavioral assessments in the form of annual performance review and soft skill assessments. The ONE NDB culture identity is also promoted and practiced across the bank through the values that form the culture. This has united our staff as one team, without the stereotyped divisions that you may see in bank of 'head office staff' and branch staff', or 'front line staff' or 'back office staff'.

5. As the Group CEO of NDB Group Your Vision & strategy in taking NDB to greater heights?

NDB is one of the most renowned and respected entities in the country. It has a rich history in playing a major role in the development of the country as well as its people. The Bank also possesses a number of strengths such as strong retail banking orientation with a full spectrum of lifestyle banking solutions, perfected competence in corporate and project financing and capital market services offered through the NDB Group companies. The talented and qualified human capital and the relatively new branch network with great potential to expand our business are also our strengths.

My vision for NDB Bank would be to lead it to become a systemically important bank in the country within the next 3 years. We have embarked on an ambitious strategy towards this goal with the professional input of one of the leading international advisories, the International Finance Corporation. In the medium term, we will aspire to become one of the top tier banks in the industry.

Further, NDB is the only financial group in the country that offers full spectrum of financial solutions, commercial banking, project finance, retail products and also wealth management, investment banking, stock brokering and equity investment! My vision is to take these group synergies works within "One NDB Group" culture and offer spectrum of services to our clients under one entity.

Large Institutions in the region DBS Singapore, CIMB in Malaysia, ICICI Bank in India, all these have used their group synergies to be dominant players and bring scale advantage to our clients and stakeholders.

Whilst doing so, we will make our contribution to the development of the country's national economy and the prosperity of its people, which has been a part of our mandate since the inception of NDB. In the longer term we would like to play a regional role. Already we have the Investment Banking entity (the only foreign Investment Bank) in Bangladesh and have to look out for opportunities using these group strengths and other expertise in Commercial Banking and Project Finance.

6. You started your career with an International Bank and count abundance of experience both locally and internationally. So far you have given leadership to two local private banks in Sri Lanka

What are positives that a local bank can take from an international bank in Sri Lanka or overseas?

I am fortunate to work for one of the leading global financial group HSBC where they have very well laid down procedures and strict discipline maintained at all levels including, good credit risk management and operational risk management procedures. Apart from that, foreign bank such as HSBC, continuously invest on people, their training and development. There are some very good qualities that we can adopt in local banks, good procedures, strong risk and control frame work etc so when you grow big, you need not worry of operational control aspects, when the platform is strong.

International Banks also have the practice of cross posting for their talent pool as a part of staff development. At NDB, We are in a unique position as a group where we can provide cross posting opportunities to the talented staff making use of our strong presence in Corporate Banking, Retail Banking, Business Banking, Project Finance, Investment Banking, Wealth Management, stock brokering, and also our Bangladesh operations.

7. Some of the challenges faced by the banking industry today are

- The Impact of European Union labeling Sri Lank as a money laundering risk Country,
- Navigating the ever changing regulatory and compliance landscape
- The successful implementation of the new Foreign Exchange Act,
- Artificial intelligence used to automate many traditional banking functions and threat of redundancy.

Your expert views on how we as an industry should be geared for the consequences?

Managing the impact of global and regulatory change is not a new phenomenon for Bankers. Over the past twelve months, the burden of compliance in the areas of AML Regulations, Foreign Exchange Regulations and other banking related regulations has grown, and this is set to continue or even increase in the future.

The country downgrade was largely due to the fact that AML infrastructure and regulatory supervision required to mitigate AML and CFT Risks from a national perspective was found to be lacking. Whilst being placed on the FATF and EU watch list carries no direct legal implications, it will result in additional scrutiny on Sri Lanka from regulators and financial institutions. However, Correspondent Banks have been retreating from high-risk countries in recent years due to intense pressure from global regulators to guard against money laundering and terrorist financing. Therefore the country down grade has added pressure on the banking community as correspondents are now required to carry out Enhanced Due Diligence on transactions carried out with Sri Lanka. Correspondent Banks are as a result evaluating their banking relationships and exiting those that are considered to be higher risk.

As an industry we must all do that we can to work towards a stronger AML Regime for the benefit of our individual Banks and the country.

Compliance is not a competitive advantage and therefore I believe there is much that we can do as a community to strengthen both the Regulatory Compliance and AML regimes within our Banks.

Standardized KYC and CDD procedures across banks can support a stronger AML Regime. Customers will then get accustomed to providing the KYC information requested and responding to CDD/EDD queries on transactions that are being carried out. Setting up a KYC Registry is perhaps another initiative that can be led by Banks to ease the burden on the Customers.

Enhancing knowledge through continuous professional development programs on the changing regulatory landscape can be carried out through a common industry platform. This has always been one of APB's main agendas. Also a common platform to work with global banks that have a knowledge of both domestic and international regulations, and that can share best practices of how they overcame AML and compliance challenges can be a valuable way of prioritizing compliance tasks and refining processes and reporting and improving standards in this area. If standards improve across the entire industry, there will definitely be a positive impact on individual banks and the country.

The Regulator too can support in overcoming some of the challenges faced by Banks when implementing new regulations by adopting a consultative approach when implementing new regulations. Havinga continuous dialogue through the SLBA and other industry related associations such as Forex Association, Compliance Officers Association would result in Banks' having a better understanding of the regulators expectations whilst at the same time communicating any challenges faced by Bank's in implementation etc.

8. Many technological innovations are reshaping the Banking Industry, Fin Tech though used to explain technology applied to financial sector more often than not is used today to highlight the disruptive innovations affecting the banking industry globally. We are in a period of transformation with many non-bank players i.e. TELCO's providing services affecting bankers' traditional playing fields.

The Banking Industry as you see ten years hence?

Nowadays customers expect convenience and flexibility from their banks. This trend is ever increasing, and in the near future, tying up with fintechs will become a necessity for banks to collaborate and grow in an extremely competitive market, where customers look for the easiest possible ways of getting things done. Telcos are a major player in the fintech arena, as they have access to a majority of customer information, and are able to provide flexibility in delivering services through mobile devices. The combined strength of a bank and a telco or other fintech would pave the way to delivering convenient and secure banking services like never before. Banks should be flexible and open towards entering into such synergistic partnerships. It should be noted that the support of relevant regulators plays a key role in enabling Sri Lankan banks and telcos to join together to leverage the advancements and reap the benefits that can be garnered as a nation in order to remain competitive in the global market.

9. Your association with APB dates back to many years you have also been one of the dynamic Presidents of APB

Recollection of your times with APB?

Yes my association with APB commenced in 2000 when the then President – Mr Sisira Herath encouraged me to join in the counsel, representing a foreign bank (HSBC). Since then I was fully engaged with various sub-committees and took up and held positions such as Assistant Secretary, Secretary General, Vice President and Senior Vice President etc., and also as the project coordinator, for APB Journal.

I was one of the longest serving council member when I was elected as the President APB in 2009/10. During my tenure, we had one of the most successful convention, on the theme "Sri Lanka – the next Financial Hub" which we are seeing now progressing with the launch of Colombo International Financial Centre. We initiated a CPD programme in collaboration with Institute of Bankers and had very active lecture programmes to build up the skill set of young bankers. At APB, I also had the privilege of working closely with most of the senior bankers and learned. APB is one of the great places to improve your network and we had many events organized to keep the comradeship growing.

I now see APB progressing from strength to strength. Glad to see the involvement of passionate young set of bankers in taking APB to greater heights.

I think apart from member activities, APB should act as a strong opinion body to make effective policies for the betterment of the Industry.

10. Tell us about your family, A Family Man, A busy CEO, the secret behind work life balance?

I am married with two children. Both our children are currently studying overseas. Son - Binura is doing his Masters in Economic policy at the Australian National University (ANU) Canberra and daughter - Nethmi is doing her Bachelor Degree in Hong Kong University of Science & Technology. My wife - Binaka has been an immense strength to me, in sharing the greater load of domestic responsibilities and providing me more time and focus at the high work responsibilities and commitments I carry. Our children when they were young often used to wonder why I was so busy, but they have now realized and adapted to that. However, work –life balance is an area I am trying my best to improve, at least finding some quality time with family when they are around on holiday.

11. You are one of the youngest CEO's to head two leading private Banking Institutions in the country within a very short period of time and also known as a turnaround CEO.

Secret of success and your message to young and up and coming Bankers in the country?

The secret to success is nothing but commitment and the passion to achieve the best possible results. In doing so, one has to work with your team, who brings in different skills and values, so building a team capable to deliver the demands of a larger corporate is important. For that I believe in continuous professional development for me and my team, and building up a pool of talent to take up the organization to the next level.

In all those places that's what I did, building the talent getting everyone to work as a team towards our goals, provide team opportunities to grow / think and providing strategic directions, and when necessary be decisive and firm on those stands taken.

My message to young and upcoming bankers is; do have the desire to learn. Broad base your leaning without restricting to a single or few areas that you are handling. The banking industry is undergoing rapid changes with technological advances and changing customer demographics. Always stay abreast with these developments and stay relevant. In turn, as the new generation who has and is growing up with greater exposure to technology and global developments, be innovative in your thinking. Share new ideas which could change processes and ways in banking in to better ways.

Be bold, be daring to take up new opportunities and challenges in your careers and add the learning and experience from them to life. Whilst you do all that, enjoy life to the fullest.

And also uphold the virtues of integrity, honesty, perseverance and dedication. These will take you a long way in your careers and in life.

Market Update – January to August 2018

Dilani Ratnarajah

In 2017, the Sri Lankan economy was affected by the inclementweather and the growth decelerated to a 16 year low of 3.3%. According to the latest data released by the Department of Census and Statistics, economic growth in the first quarter of 2018 has slowed to 3.2%. Even though the agriculture sector recovered and grew by 4.8% and service sector grew by 4.4% in the first quarter, lackluster investment along with subdued government spending continued to drag the growth figure.

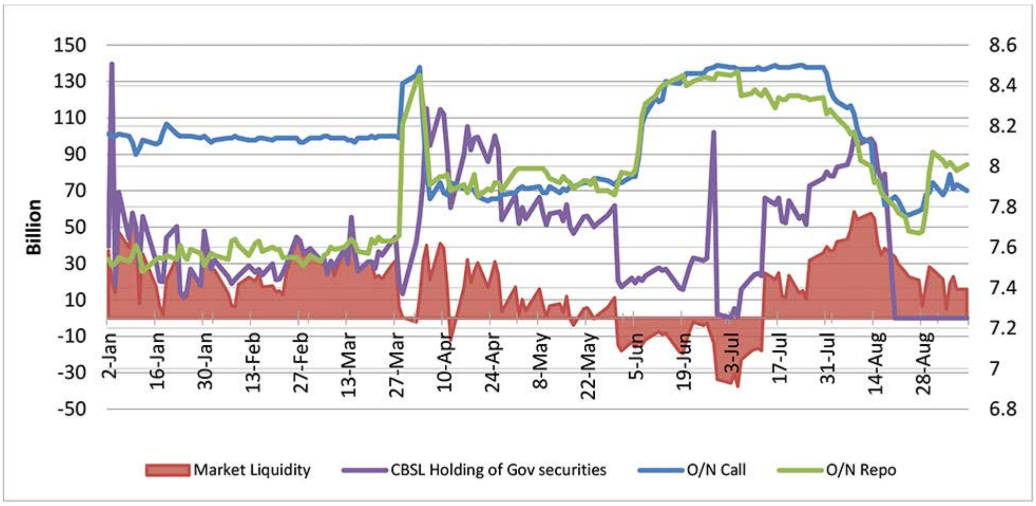
The Central Bank expects the economic growth to be in the range of 4.6% by the end of the fourth quarterof this year supported by the improvement in the performance of the agriculture sector.However if sufficient rainfall is not experienced in the last quarter of the year, the projected growth in the agriculture sector will not materialize.Even though analysts anticipate that the Government spending will continue to contract as the government implements an IMF programme and focuses on fiscal consolidation, it is questionable whether the Government will reduce spending as the PresidentialElection is scheduled to be held in 2020. An expected acceleration in export growth in the second half of 2018 will also support higher levels of manufacturing output.

The fourth review of the IMF Extended Fund Facility program was successfully completed with the implementation of the cost reflective fuel price formula in May 2018.

Interest Rate

In April ,the Central Bank reduced the standing lending facility rate by 25 basis points to 8.50% considering the favourable developments in inflation and inflation outlook as well as lower than expected real GDP growth that further widened the prevailing gap between actual and potential GDP growth. At this meeting the standing deposit facility rate was kept at the same level.

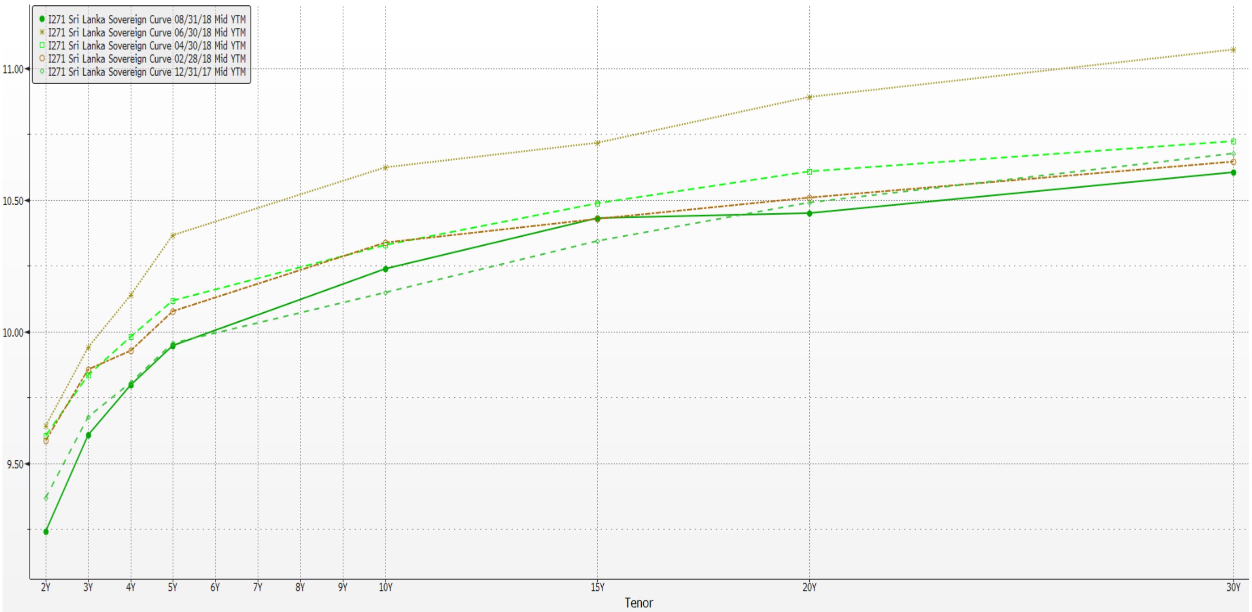
Considering the current and expected macroeconomic developments, the Monetary board at its meetings held in May, Julyand August 2018 decided to maintain the policy rates at the current levels as they were of the view that the continuation of the current monetary stance is appropriate. Accordingly Standing Deposit rate and Standing Lending Facility rate were kept at 7.25% and 8.50% respectively. The growth of private sector credit by commercial banks continued to decline gradually towards the desired level of the Central bank.



Source: Central Bank of Sri Lanka

The surplus liquidity condition prevailed in the interbank market in August helped overnight call money rates and Repo rates to stabilize around 7.95% and 8.00% levels respectively.

The yields of government securities in the primary and secondary market increased gradually till June and recorded a declining trend subsequently responding to the surplus liquidity position in the interbank market. With foreign investors exiting from government security investment, the rates began to pick up in September.



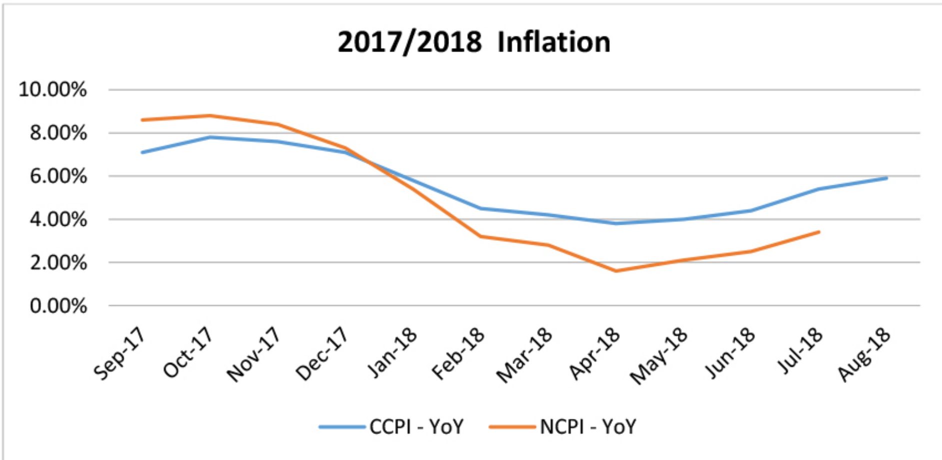
Source: Bloomberg

In order to curtail further depreciation of local currency, it is expected that short termrates will be increased during last quarter of the year.

Inflation

As per the data released by the Department of Census and Statistics , Colombo Price Index rose by 5.9% year on year in August. Pressures on consumer prices strengthened in the third quarter of 2018 due to an increase in food prices as a result of flooding in May. Year on year inflation on food price averaged at 3.1% in the second quarter but rose to an average of 6.6% in the period July to August.

Consumer Price Index and National consumer price index increased consecutively during last four months in 2018.



Source: Department of Census and Statistics

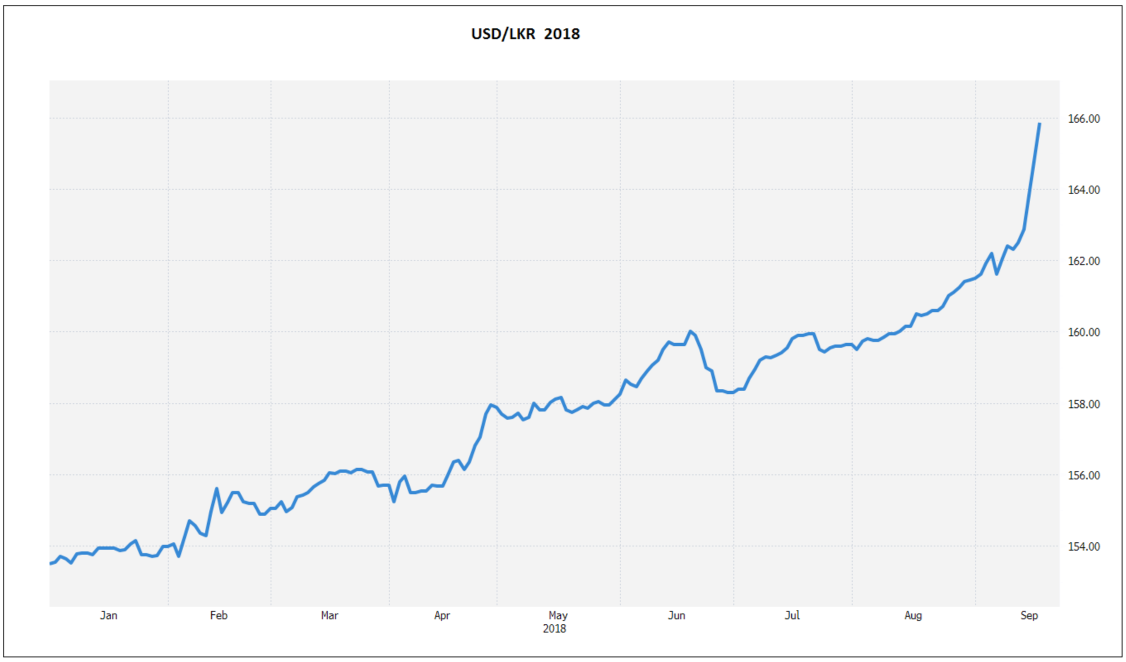
The Central Bank projects the inflation to remain at mid-single digit levels in the medium term.

External Sector

According to official data available, the deficit in the trade account expanded significantly during the first half of 2018 in comparison to the first half of 2017 as the growth in imports expenditure outpaced the increase in exports.

Gross official reserves increased to USD 9.3 billion in June 2018 mainly supported by the proceeds of the third tranche from the long lease of Hambantota port amounting to USD 585 million and receipts from fifth tranche under IMF Extended Fund Facility program.

While the Sri Lankan rupee depreciated by 2 percent in 2017, elevated pressures were seen in 2018 and has declined 8% during the year up to 18th September 2018. Foreign investors sold government securities worth 2.6 billion in the week ended 12th September 2018 extending the net outflow so far this year to 55.9 billion. Banks buying dollars to facilitate bond outflows and importer demand weighed on the currency. Local currency was hurt further by weakness in the Indian rupee. India is Sri Lanka's biggest trading partner. Sri Lankan rupee will be under pressure during the fourth quarter of this year due to year-end seasonal dollar demand from importers.



Source: Bloomberg

Tax

The new Inland Revenue Act that was passed in 2017, came into effect in April 2018. This law aims to broaden the tax base by removing the excessive tax exemptions and simplify the tax system. The new law does not provide notional tax credit for interest income of government securities. This will have an adverse impact on Net interest income of financial institutions. Further reforms to the VAT Act and the Excise law and implementation of the new Inland Revenue Act are expected to expand Government revenue.

In August the Ministry of Finance raised lump sum import duty on Vehicles with engine capacity of less than 1000cc to LKR 1.5 million from LKR 1.15 million to surge imports. It is expected that Government might raise import duty on other Vehicle categories in order to discourage imports and contain the widening trade deficit.

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ABOUT THE AUTHOR

Dilani Ratnarajah, Currently works as the Treasury Sales Manager at DFCC Bank Treasury.
She is a charterholder of Association of Chartered Certified Accountants (ACCA-UK).
She holds a BBA in Finance and an MSc in Financial Mathematics from University of Colombo.

From a "People's Currency" to a Global Currency

Rashmin Lokubandara

A less well known fact about China is that they invented the first paper or fiat currency in the 7th century. As per the Financial Times lexicon, a fiat currency has "no intrinsic value in themselves and not convertible into gold or silver, but made legal tender by fiat(order) of the government". The key word here is "by legal tender by fiat(order) of the government", though China did have the obvious advantage of having invented printing first. The paper money of the 13thcentury Yuan Dynasty (no pun intended) was backed both by the ruler's reputation and the threat of execution for any subject who refused to accept it as legal tender. The modern day currency of China is called the "Renminbi" and loosely translates into English as the "people's currency", keeping well with the official communist ideology of the country. More importantly, the threat of execution for those who refuse to accept the "people's currency" as legal tender is absent. The latter day progeny of the first fiat currency rules not by terror but by the reputation of its issuer.

And what a reputation China has: despite hairsplitting on the accuracy of data on the Chinese economy, China has established itself an undeniably central role in the global economy – first as the low cost factory to the world and now as its second act, the transition to an economy driven by domestic consumption. When the economist Jim O'Neill coined the term BRICS in the early 2000s, he estimated that it would at least be the end of 2015 before China overtakes Japan. However by 2018, China's economy is already two-and-a-half times larger than Japan's, five times the size of India and larger than the entire Eurozone. The USD 1.5 trillion expansion (in nominal terms) of the Chinese economy in 2017 alone is sufficient to create an economy the size of Korea and is equivalent to three times the size of the Swedish economy. Another interesting metric is that the Chinese consumer, making up 40% of the Chinese GDP, has added USD 2.9 trillion to the world economy since 2010. The entire output of the UK in nominal terms was only USD 2.56 trillion in 2017.

Notwithstanding these positive developments, the "go to currency" for thedrug dealer and gun smuggler in movies and the large global investor during jittery times is the USD and US Treasuries. When will the "people's currency" take its rightful place in the global financial stage? The main reason for the renminbi's continued weakness in international finance is that, despite progress it remains a half-baked international currency due to its inconvertibility outside designated offshore markets.As a result, its weight in international investors' portfolios is miniscule. However Chinese foreign policy is clearly directing its energies on this. Despite the absence of mortal threats unlike during the Yuan dynasty, China already settles a quarter of its exports in renminbi, and has established renminbi clearing banks and swap lines abroad, including in New York. South Korea, Polandand Hungary have issued renminbi-denominated sovereign debt and Sri Lanka too plans to follow suit. Even the venerable Bundesbank has announced plans to include renminbi in its currency reserves.In 2016, the International Monetary Fund agreed to include it among the major currencies that make up the value of the IMF's international reserve asset, the Special Drawing Right.

The progress of the "people's currency" is still in its nascent stage but has a long way to go to be a contender for the reserve currency of the world, the USD. For the renminbi to become a true global currency, it needs the support of deep, liquid financial markets, which may take decades to develop, even if the Chinese economy continues to grow without interruption.

ABOUT THE AUTHOR

Rashmin Lokubandara is attached to Standard Chartered Bank, Sri Lanka as a Senior Dealer, FX & Rates Trading. He is a Chartered Financial Analyst with a Masters in Financial Economics from the University of Colombo. His undergraduate studies are in Computing & Information Systems from the University of London.

Digital Transformation: The Growth Engine for Business in the Modern Day and Age

Hasrath Munasinghe

Digital Transformation

Digital transformation is the evaluation of an organization's business models, activities, processes and supporting systems to compete more efficiently in a digitally enabled business world to increase customer interaction and satisfaction, profitability, for new markets and to improve employee relationships. More than automation, digital innovations are utilized to add value , to improve customer experience , to find and retain customers in a new way and to create a total new eco system of informed, empowered, connected and discerning customers including network of peers , influencers and audiences. Digital transformation involves a change in leadership styles, and thinking patterns, the encouragement of innovation by adopting new business models, incorporating digitization of assets and an increased use of technology to improve the experience of an organization's employees, customers, suppliers and other stakeholders.

A digital transformation strategy aims to create capabilities by fully leveraging the opportunities created by of new technology and their impact faster, better and in more innovative manner in the future. A digital transformation journey needs a staged approach with a clear roadmap, with identified milestones, involving a variety of stakeholders, beyond internal and external limitations. Digital transformation is not merely adapting new technology: changing business processes and adapting a new corporate culture are just as vital for the success of digital transformation. Digital transformation can involve many different technologies and the hottest topics now are Cloud Computing, the Internet of Things, Big Data, and Artificial Intelligence.

It is digital strategy that drives digital transformation and not mere technology. Technology though important , is just one element of the digital strategy. Digital strategy should be part of an organization's overall strategy, closely entwined with each other. Therefore it is important to develop the correct strategy in order to make digital transformation successful.

To succeed in digital transformation it requires a shift in skill sets, and embracing a collaborative culture where people pool ideas and share expertise. External stakeholder interaction and engagement is a key element in digital transformation where engaging customers, regulatory bodies, analysts, consultants, technology specialists, vendors is vital. The organizations that are outwardly focused and are willing to take risks are most likely succeeded in digital transformation.

Digital transformation is not only about outwardly focused customer experience but also about inwardly focused productivity, cost controls and employee leverage. Digital is not limited to technological companies or B2B businesses but are applicable to all types of businesses be it from the service industry or the product industry.

Digital Transformation Areas

Digital transformation in the integrated and connected form touch upon the transformation of:

- **Business activities/functions: marketing, sales, finance, operations, human resources, administration, customer service, etc.**
- **Business processes: connected operations, activities and sets to achieve a specificbusiness goal, whereby business process management, business process optimization and business process automation come into the picture.**
- **Business models: how businesses function, from the go-to-market approach and value proposition to the ways it seeks to increase revenue and effectively trans forms its core business, tapping into new revenue sources and approaches.**
- **Business ecosystems: the networks of partners and stakeholders, as well as factors affecting the business such as regulatory or economic priorities**
- **Organizational culture: whereby there must be a clear customer-centric, productivity enhancing, cost saving objectives across the organization**
- **Ecosystem and partnership models: creation of collaborative and new business ecosystem approaches, leading to new business models and revenue sources.**
- **Customer, worker and partner approaches: putting people and strategy ahead of technology.**

Therefore digital transformation is certainly not just about disruption or technology alone. It is also not about transforming for a digital age. It is organizational business transformation backed by selective and deliberate adaptation of technology.

Broadly the digital transformation could be applied on following disciplines and practices across the organization

- **Product and service innovation: digitally enabled products and services**
- **Distribution, marketing and sales: automation and value addition through digital**
- **Digital fulfillment, risk optimization, enhanced corporate image: greater control through digital**
- **Customer relationship, customer experience and customer service management : seamless uniformed multichannel experience**
- **Marketing communications: digitally enabled advertising & promotions Management information systems : Intelligent information management**
- **Human resources and administration : digitally enabled workforce engagement**
- **Learning and education: digitally powered training and development**
- **Procurement, supply chain management and supplier relationships: digitally empowered supply chain eco system**

By enacting digital transformation in above mentioned areas, an organization could build digital synergies between various business units enabling end to end digitalization of business processes thus improving an organization's customer satisfaction and engagement, employee satisfaction and productivity, leading to higher profitability and better competitive advantage.

Digital Transformation Success Factors

There are three important elements in successful digital transformation

People: People are the most important element and change is the most important aspect in digital transformation. Before an organization embrace digital transformation its employees have to accept the change and transform. However it is not easy as change is hard. But what is important is that people transformation should happen at all levels and across all business units of an organization for digital transformation to be more effective and successful. Finding right people with the right attitude and right skills set is key in successful digital transformation.

Products: Nowadays the product is not really about the tangible product alone, but is product plus the experience it provides, the combination of both tangible and intangible offering . Therefore as much as organizations concentrate on product innovation, new product offering and product value addition they also must look in to customer experience, customer service and customer relationship management.

Intelligent customer data and real time customer relationship management data are very useful to dynamically market the product to potential customers and also to improve their experience thereby increasing their loyalty to the organization and its products.

Processes: Digital transformation must happen across the organization, but it doesn't have to happen all at once. Organizations must start where it will make the greatest impact coupled with a high probability of success .Also it's not IT who should drive digital transformation in an organizations but the business units. IT should be the enabler providing the required technical knowledge and expertise. Simply the decision making in digital transformation should be from the business with the support of IT .The processes an organization uses to drive digital transformation must be carefully balanced with the technology and the systems they are currently using and the maturity of the technologies and systems they are planning to implement.

Drivers of Digital Transformation

As the traditional guardians of technology and technological systems, Chief Information Officers (CIO) tend to have a big say in digital transformation activities. However since of late organizations world over has created C-suite level digital specialists in Chief Digital Officers (CDO) to drive digital from a business perspective. The role clarity of the CIO and CDO as well as the engagement between the two is vital for well managed digital transformation. The line of business executives are good at identifying the business scope and the business requirement the CIO's have the expertise in finding the right technological solution and integrating it across the organization.

Also many Chief Executive Officers (CEO) are choosing to lead the digital transformation themselves. This happens mostly in industries that are being heavily disrupted and competitive. CEOs also drive the digital transformation as it involves organization-wide integration across all functions impacting the overall business. One such example is in the banking industry where creation of seamless customer experience across all channels involves digital transformation covering the branch network, corporate banking, business units (cards, remittances, trade finance, investment banking etc) core banking system , operations, IT, marketing , product management etc. However the challenge CEOs have in hand is dedicating enough time for this additional role within their already busy schedule. In some instances the CEO's commences the digital transformation process in an organization and once it' s established hands it over to the CDO to take it forward together with the core management team .

It is evident that digital transformation is a must for any organization if they are to succeed in the modern day and age of well informed, well conversant, demanding, value seeking consumers. For digital transformation to be a success, it needs to be driven by the business, covering all functions of an organization and should be driven from the top be it the CEO or a C-suite officer. Digital transformation impacts the overall organization and its performance hence the digital strategy should be part of the organization's business strategy closely entwined with each other. As much as adapting new technology, adapting a new corporate culture and new processes are very important in digital transformation. It is also important that employees of all levels of the organization embrace digital transformation and become catalysts for the digital drive across the organization thus bringing a competitive edge for the organization in the heavily competitive business environment.

ABOUT THE AUTHOR

Hasrath Munasinghe currently serves as the Deputy General Manager , Marketing at Commercial Bank of Ceylon PLC.

SLFRS 09- Impact and Guidance for Non Financial Managers

Charith Leelarathne

Introduction

Despite professional accountants and International Accounting Standards Board (IASB) efforts to reflect the best possible outlook of a financial institution in its financial statements, the 2008 credit crisis was never foreseen and it created the biggest economic impact globally in financial markets ever since Great Depression. While the Great Depression was mainly fueled by an inflated stock market in a less globalised economy, 2008 credit crisis was propelled by failure of financial institutions to withstand materializing risks. Though this took many by surprise it was not a surprise to many critics who were of the view that Accounting standards were not geared enough to handle the innovative financial market instruments that were used by global lenders. End of the crisis in 2008 finally proved that critics were correct and IASB took immediate measures to rectify deficiencies by issuing exposure draft ED/2009/7 Financial Instruments: Classification and Measurement in July 2009.

By this time everybody understood that IAS 32, IAS 39 and IFRS 7 were not adequate to capture the risks in financial instruments faced by businesses in their financial statements .Six years after the financial crisis, in 2014 IASB, replaced IAS 39-Financial Instruments: Recognition and Measurement in full with the issuance of IFRS 9 full standard mandatorily effective from 01st January 2018 onwards subject to endorsement by Local standard setters. Despite this being issued in full in 2014 since 2009 IASB has been taking measures to issue versions of the standard since its first Exposure Draft in 2009. Sri Lankan Accounting Standard setter Institute of Chartered Accountants of Sri Lanka introduced the standard as SLFRS 09 which is the local version of IFRS 09. The effective dates for the local adoption were set at the same with few exceptions.

Measurement of Loans and Receivables

SLFRs 09 definition on application of Amortized Cost method is a straightforward approach stemming from the Business Model Test. The first stage is to identify as to whether financial assets are generating principal and interest payments. If the answer to this is "Yes" then it needs to be assessed whether the financial institution needs to assess the business models objective to hold in to contractual cash flows from the asset. If the answer to this too is "Yes" then the financial asset would be measured at amortized cost.

Changes to the Impairment Charge

SLFRS 09 brought many significant changes to the way financial instruments are presented in the financial statements however as far as the financial institutions are concerned the biggest impact will be resulting from impairment charges on financial assets measured at amortized cost. It is important that the changes that the standard is going to bring about is understood not only by Accountants, CFOs, CROs and Internal Auditors as these are solely not embedded in the organizations financial statements. The impairment charge that will be reflected in the financial statements under SLFRS 09 will be a pure reflection of the robustness of its business processes and risk management strategy.

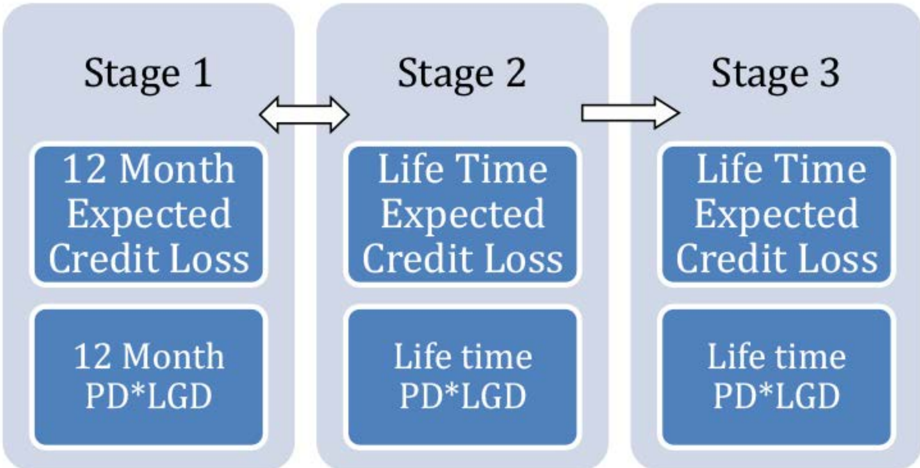

Table 1- 03 Stages identified under SLFRS 09

There are three major changes that will impact the impairment charge of a financial institution with the adoption of SLFRS 09

- Impairment Charge for Facilities at Amortized Costs
- Applicability of Impairment charge for the forward period of the facility
- Impairment charge on off balance sheet items formally known as contingent assets.

Impairment Charge for Facilities at Amortized Costs

SLFRS 09 identifies 3 stages of advances based on the level of credit risk deterioration.

Stage 01 recognizes loans that are originated or purchased during the financial period and those that have been purchased previously but with no significant increase in credit risk, In principle loans with a past due dates of less than 30 days are considered under stage 01 with this presumption being rebuttable provided that organization is able to prove that credit risk deterioration is not evident even with a higher past due period. For the purpose of determination of significant increase in credit risk the best measurement would be the assessment of change to the risk of default during the expected life of the facility.

Stage 02 identifies advances where credit risk has significantly increased since the original position. Typically this belong to facilities with past due dates between 31-90, whereas stage 3 identifies all advances that are delinquent as per the organizations own credit risk management framework and in the absence of such a rebuttable presumption of 90 days is applicable for determination of credit as impaired. Further once an asset is identified as stage 3 despite its performance entity will have to recognize expected lifetime credit loss until its full settlement. It must also noteworthy to understand the impact of recognizing interest income with the implementation of SLFRs 09 however since it is beyond the scope of this article no further analysis is carried out.

In principle SLFRS 09 recognizes a credit as impaired when the following have taken place.

- **Significant financial difficulty of the issuer or borrower;**
- **A breach of contract, such as a default or past-due event;**
- **The lenders for economic or contractual reasons relating to the borrower's financial difficulty granted the borrower a concession that would not otherwise be considered;**
- **It becoming probable that the borrower will enter bankruptcy or other financial reorganization;**
- **The disappearance of an active market for the financial asset because of financial difficulties; or**
- **The purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.**

Applicability of Impairment charge for the forward period of the facility

SLFRS 09 introduces an expected loss model compared to previously used incurred loss model in LKAS 39. This means entities are required to forecast it's credit loss that is expected in the future and charge this Expected Credit Loss in to Income Statement. The other important factor that needs to be taken in to account is the probable impact on the financial institutions Expected Credit Loss due to change in macroeconomic environment in the economy or economies that such financial institution operate. As per the guidance issued by IASB, an organization will need to carry out its own internal economic outlook and evaluate the performance of its portfolio against these economic outcomes, it also requires an organization to evaluate possible scenarios with different probabilities in determining the impact of the macroeconomic environment on various scenario based outcomes. This will require the expertise in the fields of accountancy, statistics, economics and risk management to work collaboratively to ensure objectives of SLFRS 09 is met.

SLFRS 09 introduces two key words with respect to impairment which are known as 12 month Expected Credit Loss applied for stage 01 advances and Lifetime Expected Credit Loss for stage 2 and stage 3 advances. For the purposes of computation of 12 month Expected Credit Loss the organization requires to assess the Probability of Default of a credit facility during the next 12 months from the reporting date. The computation of Lifetime Expected Credit Loss (ECL) requires the estimation of Lifetime Probability of Default for a credit facility, indicates that higher the tenor of the facility a higher Probability will be associated with the product.

It must also be noted that for the modeling purposes during the adoption of SLFRS 09 Probability of default is computed as a point in time PD as recommended under Basel 2.This approach means higher PDs needs to be anticipated oppose to lower PDs under LKAS 39 under which organizations adopted net flow method which was favorable for organizations as the management of financial assets were mainly done on a portfolio basis and higher the facility amount more the concentration of the organization to avoid it being delinquent due to the fundamental principle of portfolio management. Point in time PD will consider all the facilities in a particular product class as equal weighted irrespective of the size of the facility and Rs 0.1mn facility and Rs 100mn facility will have the same impact during the estimation of probability of default.

Impairment charge on off balance sheet assets.

SLFRS 09 requires impairment charge to be made on financial assets which are contingent in nature. The requirement is in the light of protecting financial institutions in materializing off balance sheet credit risks abruptly and running in to unexpected financial crisis. This requires financial institution to convert all off balance sheet exposures to on balance sheet exposures by applying the respective credit conversion factor (CCF).CCF was introduced to the banking domain with the implementation of Basel 2 and it was already being charged in the capital computation purpose. However CCF under SLFRS 09 is different from the Basel 2 based CCF computation due to the latter being adopting a regulatory guided CCF for different products in the initial phases. CCF is defined as the portion of current undrawn model that will be utilized or drawn at the time of default. Once applied the relevant CCF should be used to convert all undrawn commitments in the relevant class and the respective expected credit loss needs to be computed and charged in to the financial statement. This means financial institution will need to take in to account the possible impact on financial statement at the time of granting an unfunded facility such as guarantees, Letter of Credits etc. Traditionally banks have backed bulk of their Letter of Credit issuances with Import Loans or short Term Loans which means the ECL applicable for a Letter of Credit facility will be derived from the ECL of Import loan or short Term Loan which means if the institutes' PD or LGD is significantly high in the concerned corresponding on balance sheet figure the commission income generated from the product may not necessarily be adequate to offset the resulting impairment charge.

On the other hand on balance sheet facilities that carry an element of off balance sheet items too require careful analysis with respect to both on balance sheet charge and the off balance sheet charge. Classic example of this nature is an overdraft facility that carries a limit of Rs 100Mn with an utilised component of Rs 80Mn. What is important to note is that previously financial institute would have charged the Credit Loss only for Rs 80 Mn however with the implementation of SLFRS 09 impairment charge is expected to be attracted on undrawn Rs 20Mn too depending on its CCF which in the case of Overdrafts is expected to be in the range of 100% always due to products' inherent characteristics.

Conclusion

It is evident from the foregoing discussion that significant complexities have been introduced by the new standards. To resolve these complexities often the financial institutions turn to external consultancies and audit firms, and tend to feel complaint and relieved.

However engaging services of external consulting firms for the implementation of SLFRS 09 does not guarantee all the risks and challenges faced by Individual financial institutions are covered. It demands strong business acumen to be brought to the table by non financial managers and most importantly the financial managers to understand the nature of the business. Such reciprocity will ensure behavior of financial assets are measured at amortized costs and are adequately identified to minimize the impact on profitability of the financial institution.

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ABOUT THE AUTHOR

Charith Leelarathne is working as Head of Internal Controls Unit-Sri Lanka & Maldives of Habib Bank.

He is an Associate Member of Chartered Institute of Management Accountants-UK, and Certified Information Systems Auditor-USA.

He has also completed Diploma in Banking and Finance and Postgraduate Executive Diploma in Banking and Finance conducted by Institute of Bankers of Sri Lanka.

Currently he is reading for a MSc in Business Analytics at Robert Gordon University-UK.

Charith has over 13 years' experience in the field of Banking and Finance which include Operations, Credit, Risk Management and Internal Auditing, As an Internal Auditor he has lead teams in conducting various

Assignments in multiple disciplines across all domains in Banking and Finance.

Sri Lanka Sustainable Banking Initiative (SBI)

Senaka Jayasinghe

BACKGROUND

Financial Institutions around the globe are taking proactive steps to address Environmental and Social (E&S) risks within their business operations, as well as setting the agenda for local peers and regulators to create industry-wide level playing fields.

Keeping in line with local regulatory requirements, a number of financial institutions in Sri Lanka already show a solid track record in implementing Environmental and Social Management Systems (ESMS). The experience from other countries shows that adopting and adhering to such Sustainable Banking Principles usually provides benefits to all banks, their clients, the communities and to the environment.

Against this background, the Sri Lanka Banks' Association's **Sustainable Banking Initiative (SBI)** has been created, with the following aims:

- To create a platform where banks can work together on sustainability issues
- To provide for a platform that facilitates decision-making
- To coordinate efforts in order to increase efficiency and effectiveness
- To suggest and jointly agree upon minimum standards or principles for integrating E&S considerations into operations
- To level the playing field through joint principles or standards

The SBI is promoted by Sri Lanka Banks' Association (SLBA), funded by DEG of Germany, OeEB of Austria, Proparco of France and FMO of Netherlands. Innovativkonzept Ltd. – a German consultancy company specialized in setting up ESMS at banking level and coordinating countrywide sustainable banking initiatives is providing training under the SBI. A Coordinator appointed by SLBA is engaged in implementation of the SBI, assisted by a 'Core Group' of representatives from Hatton National Bank, DFCC Bank, Nations Trust Bank, Pan Asia Bank, Seylan Bank, Bank of Ceylon and Commercial Bank, with active participation of Secretary General of SLBA.

THE JOURNEY

On November 5, 2015, Chief Executive Officers (CEOs) from 18 Banks operating in Sri Lanka placed their signatures to a document containing the 11 Sustainable Banking Principles (SBPs) for Sri Lanka. These principles had been developed and jointly agreed upon in the months preceding this event through an E&S committee consisting of members from participating banks **(Phase I of SBI).**

Phase II of the SBI hence will focus on providing all the necessary "ingredients" for this endeavor in terms of guidance documents, training, coaching, E-learning and case studies. Phase II was launched in August 2017 and will be there for 18 months. Innovativkonzept Ltd. – a German consultancy company specialized in setting up E&S Management Systems at banking level and coordinating country wide sustainable banking initiatives will provide training under Phase II.

Following are the eleven Sustainable Banking Principles.

1. OUR BUSINESS ACTIVITIES - ENVIRONMENTAL & SOCIAL RISK MANAGEMENT
2. OUR BUSINESS OPERATIONS - ENVIRONMENTAL & SOCIAL FOOTPRINT
3. RIGHTS OF THE RESPECTIVE STAKEHOLDERS
4. FINANCIAL INCLUSION
5. E&S GOVERNANCE
6. PROMOTE ETHICAL FINANCE
7. PROMOTE "GREEN ECONOMY" GROWTH
8. CAPACITY BUILDING
9. COLLABORATIVE PARTNERSHIPS
10. PROMOTE TRANSPARENCY AND ACCOUNTABILITY
11. NO "RACE TO THE BOTTOM"

WHAT TO EXPECT

There are many challenges in implementing the SBPs in a developing country, such as Sri Lanka. There is a huge gap between our (local) understanding of the importance of Sustainability Aspects / SBPs, as compared to that of international financial institutions. For example, the importance given by project promoters, especially in the SME sector towards E&S aspects is poor, leading to many practical difficulties for financial institutions in implementing ESMS in their organizations.

In 2016, Central Bank of Sri Lanka (CBSL) joined the International Finance Corporation (IFC) supported Sustainable Banking Network (SBN) with a view to promote sustainable finance practices in Sri Lanka, so as to contribute to sustainable development of the Sri Lankan economy. Thus, implementation of the eleven SBPs under the SBI has become important for all banks.

Most importantly, SBPs will help to place all banks in a level playing field on E&S aspects. This will ensure that all banks will maintain minimum standards in E&S appraisal of projects they finance, thus preventing funds being granted to projects with questionable / negative E&S aspects, as well as projects without proper E&S approvals.

Principle 1 - Our Business Activities: Environmental and Social Risk Management

"We will integrate environmental and social considerations into decision-making processes relating to our Business Activities to avoid, minimize or offset negative impacts."

WHAT DOES THIS PRINCIPLE MEAN?

Business Activities in this context are "the provision of financial products and services to clients including, but not limited to: corporate finance, investment banking (corporate advisory, structured lending and capital, trading), equity investments, project finance, project finance advisory, structured commodity finance, small and medium business lending, trade and leasing, and other forms of direct lending".

Environmental and social (E&S) risks related to a Bank's business activities can translate into direct monetary losses for a Bank. Banks thus have not only an ethical but also an economic incentive to fully understand their clients' E&S performance.

Principle 2 - Our Own Business Operations: Environmental and Social Footprint

"We will avoid, minimize or offset the negative impacts of our Business Operations on the environment and local communities in which we operate and, where possible, promote positive impacts."

WHAT DOES THIS PRINCIPLE MEAN?

Banks will consider and manage appropriately the direct impacts on the environment and society arising from its own Business Operations (E&S Footprint).

Business Operations in this context are "*the undertakings of employees and the physical human capital, assets and infrastructure (e.g. offices, branches, equipment) that a Bank engages in the course of facilitating its Business Activities*."

Through this the Bank is playing its part in contributing to the more efficient use of resources associated with the operation of a Bank as well as ensuring the health, safety and welfare of its employees and the public. This telates to CSR initiatives of Banks as well as environmental and social procurement policies.

Principle 3 - Rights of respective stakeholders

"We will respect relevant human rights principles in our Business Operations and Business Activities."

WHAT DOES THIS PRINCIPLE MEAN?

A Sustainable Banking approach recognizes and respects stakeholder rights and concerns, as well as human and labor rights in Bank's Business Operations and in its Business Activities.

Stakeholders in this context are those people and groups that are **directly affected by the actions of a Banks business.** These can include employees, suppliers, clients, community residents close to the business of clients. Communicating with them is one of the best ways a business can find out whether it is doing a good job, and where it could improve. Although a Bank's objectives may be limited to the interests of its owners, members, customers or constituents, other individuals or groups may also have rights, claims or specific interests that should be taken into account.

Principle 4 – Financial Inclusion

“We will promote financial inclusion, seeking to provide financial services to individuals and communities that traditionally have had limited or no access to the formal financial sector.”

WHAT DOES THIS PRINCIPLE MEAN?

Financial inclusion means that individuals & businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance, delivered in a responsible & sustainable way. This needs to go hand in hand with financial literacy, i.e. a combination of awareness, knowledge, skills, attitude & behaviors necessary to make sound financial decisions & ultimately achieve individual financial wellbeing.

Financial access facilitates day-to-day living & helps families & businesses plan for everything from long-term goals to unexpected emergencies. As accountholders, people are more likely to use other financial services, e.g. credit & insurance, to start and expand businesses, invest in education or health, manage risk & weather financial shocks, which can improve the overall quality of lives.

Financial inclusion has several benefits for individuals and households and for the economy as a whole. Higher levels of financial inclusion increase both economic efficiency and equity.

Principle 5 – E&S Governance

“We will implement robust and transparent E&S governance practices in our respective institutions and assess the E&S governance practices of our clients.”

WHAT DOES THIS PRINCIPLE MEAN?

Governance is one of the most fundamental elements of sustainability and it is therefore important that Banks conform to internationally accepted standards on governance-related issues. Here we consider governance to comprise the rules, norms and processes for running a business including how they are structured, sustained, regulated and held accountable. As well as the board of directors and its responsibility for ensuring that these are fit for purpose and that there is accountability, fairness and transparency in a company’s relationship with all its stakeholders.

Specifically this Principle is concerned with ensuring that a Bank’s governance responds to the challenge of delivering banking practices that achieve business growth but not at the expense of human development and the natural environment. Thus, is super-ordinate to all other Principles. The basic principles of good governance are considered to be:

Accountability (ensuring people who act for the business are held responsible for their actions)

Transparency (openness in explaining how the business operates, makes decisions, etc.)

Ethical conduct (treating others with honesty and fairness),

Consideration of stakeholders’ interests and compliance

Principle 6 – Promote ethical finance

"We will not finance certain "excluded" activities, we will not tolerate unethical or criminal behavior."

WHAT DOES THIS PRINCIPLE MEAN?

A Bank should operate ethically. A Bank's behavior should be based on the values of honesty, equity and integrity. These values imply concern for and typically reflect a strong value position of people and the environment and a commitment to address the impact of its activities and decisions on stakeholders.

One aspect of an ethical approach to banking is to exclude particular activities and the proceeds of being financed or banked. Such an exclusion list might include activities involving the production and trade in production or trade in any products deemed illegal under national laws or international conventions, weapons and munitions, animal testing, harmful or exploitive forms of forced or child labor, commercial logging in primary tropical moist forest, etc. Another is the demonstration of a zero-tolerance policy statement on corrupt or criminal behavior and ensuring that sufficient risk frameworks and systems are in place to eliminate money laundering, anti-terrorism financing and corrupt business practices.

Principle 7 – Promote "Green economy growth"

"We will promote projects and other activities that contribute to a greener, cleaner economy in Sri Lanka."

WHAT DOES THIS PRINCIPLE MEAN?

In an economic system, a bank fulfils an important role: it is an intermediary between borrowers and lenders of money. This intermediary function centers on bringing together and coordinating savings and investments. As such, the financial sector as a whole (not only banks) is pivotal in either financing damaging activities, or in using the power of money to promote more positive practices or projects.

Thus, **sustainable finance** can be considered as "the provision of financial capital and risk management products and services in ways that promote or do not harm economic prosperity, the ecology and community well-being.5"

Principle 8 – Capacity Building

"We will develop individual institutional and sector capacity necessary to identify, assess and manage the environmental and social risks and opportunities associated with our Business Activities and Business Operations."

WHAT DOES THIS PRINCIPLE MEAN?

Capacity building is the process by which Banks obtain, improve, and retain the skills and knowledge needed to do their jobs competently.

In applying this Principle, a Bank **commits to developing the right skills, knowledge and capacity for management and employees to meet individual targets in connection with sustainable banking commitments including the 11 SLBA-SBP.** A Bank will need to provide the necessary resources and support to equip, coach and train employees as required to achieve more sustainable banking.

To successfully identify, assess and manage relevant E&S risks and opportunities, a Bank's employees must be able to understand how and when E&S issues may be associated with the Bank's Business Activities and Business Operations. Therefore knowledge, skills and capacity relating to the various Sustainable Banking issues must be built from top levels of management to all relevant employees.

Principle 9 – Collaborative Partnerships

"We will collaborate across the sector and leverage international partnerships to accelerate our collective progress and move the sector as one, ensuring our approach is consistent with international standards and Sri Lankan development needs."

WHAT DOES THIS PRINCIPLE MEAN?

Collaborative partnerships recognize and support the role the Banks can play in further developing the Sri Lankan economy and society whilst acknowledging that the Banks can do more together than they could acting alone.

In applying this Principle, the Banks should collaborate in a sector-wide effort to drive improved standards and progress of Sustainable Banking in Sri Lanka consistent with international standards and emerging industry best practice. The SLBA SBI Initiative would be considered to be the roof under which this collaboration is supposed to take place.

Principle 10 – Promote transparency and accountability

"We will promote transparency and accountability, regularly review and report on our progress in meeting these Principles at the individual institution and sector level."

WHAT DOES THIS PRINCIPLE MEAN?

A Bank should be **transparent** in its decisions & activities that impact on society and the environment. A Bank should disclose in a clear, accurate and complete manner, and to a reasonable and sufficient degree, the policies, decisions and activities for which it is responsible, including their known and likely impacts on society and the environment. This information should be readily available, directly accessible and understandable to those who have been, or may be, affected in significant ways by the Bank. It should be timely and factual and be presented in a clear and objective manner so as to enable stakeholders to accurately assess the impact that the Bank's decisions and activities have on their respective interests.

The principle of transparency does not require that proprietary information be made public, nor does it involve providing information that is privileged or that would breach legal, commercial, security or personal privacy obligations.

Principle 11 – No race to the bottom

"We will not compete with other banks on E&S issues, i.e. undermine our competitor on E&S requirements towards the credit taker."

WHAT DOES THIS PRINCIPLE MEAN?

Whilst a sustainable banking approach can drive growth and business opportunities for a Bank, the Principles are designed to encourage collaboration / coordination and movement as a whole rather than drive competition and distance between individual Banks.

This principle means that signatory Banks are committing towards fair play, i.e. by no means will a Bank lower / waive their E&S standards and principles (including the 11 SLBA-SBP) for competitive reasons, particularly, when it comes to the implementation of Principle 1 and the integration of E&S risk considerations in credit decision making processes.

ABOUT THE AUTHOR

Senaka Jayasinghe currently functions as the Assistant Vice President - Sustainability at DFCC Bank PLC, counts over 25 years of working experience in management consultancy, venture

capital and banking. Out of this, he has approx. 20 years of experience in the banking sector, mainly in Project Financing and Environmental Units. Senaka has been one of the key personnel at DFCC Bank involved in the Renewable Energy Sector, both in Sri Lanka and overseas. He is heading the Sustainability Unit at DFCC Bank since 2015 and was instrumental in developing and implementing the Social and Environmental Management System (SEMS) at the Bank. Senaka is also a member of the 'Core Group' in implementing the 'Sustainable Banking Initiative' of Sri Lanka, under the guidance of Sri Lanka Banks' Association (SLBA).

Senaka holds a BSc. in Business Management and a MBA from the University of Colombo, Sri Lanka. He is also an Associate Member of the Chartered Institute of Management Accountants, UK (ACMA).

Association of Professional Bankers Sri Lanka held its Bank Coordinators Forum & Fellowship on 26th June 2018 at "Pitch" restaurant , MC A

Standing:

From Left to Right:

Mr Rajaratnam Naguleswaran (DFCC Bank PLC), Mr Dinuke Priyantha Wijesinghe (Union Bank of Colombo PLC), Mr Vijaya Vidyasagara (Hatton National Bank PLC), Mr Indika Kudagamage (National Development Bank PLC), Mr Mangala Karunaratne (Seylan Bank PLC),

Mr Sumedha Alahakoon (MCB Bank Ltd), Ms Gunathma Niwanthi Dhanayake (Pan-Asia Banking Corporation PLC) Mr Ajith Peiris (National Savings Bank), Mr Theekshana Pandithasekara (HSBC), Mrs Madusha Gunasekara (Sri Lanka Savings Bank) Mrs Romanie Seneviratne (Axis Bank Ltd), Mr Eranga Bandara (Bank of Ceylon), Mr Bandula Perera (Indian Bank), Mr Asela Ratnayake (Citibank N.A), Mr Sohan Silva (Standard Charted Bank), Mr Nishantha Perera (State Mortgage & Investment Bank), Mr Jagath Karunathilaka (Regional Development Bank)

Seating:

From Left to Right:

Ms Mahesha Amarasuriya (Cargills Bank Ltd), Ms Pushpa Chandrasiri (Commercial Bank of Ceylon PLC), Mr Halin Hettigoda (Secretary General - APB), Mr Asanka Ranhotty (President – APB), Mrs Krishani Narangoda (Peoples Bank), Mrs Chanoori Jayasinghe (Central Bank of Sri Lanka), Ms Deepika Navarathne (Lankaputhra Development Bank)


ASSOCIATION OF PROFESSIONAL BANKE
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ASSOCIATION OF PROFESSIONAL BANKERS
-SRI LANKA

APB-Sri Lanka recognises three of its long standing members that have been elevated to the high office of Chief Executive Officer.

Following a tradition, Association of Professional Bankers Sri Lanka recently felicitated three of its members that were appointed as Chief Executive Officers.

At a gala event held at the Kingsbury Hotel on 02 August 2018, Mr. S Renganthan – Managing Director & Chief Executive Officer of Commercial Bank of Ceylon PLC, Mr. Nimal Tillekeratne, Director & Chief Executive Officer of Pan Asia Banking Corporation PLC and Mr. Senarath Bandara, General Manger & Chief Executive Officer of Bank of Ceylon were felicitated by APB-Sri Lanka.

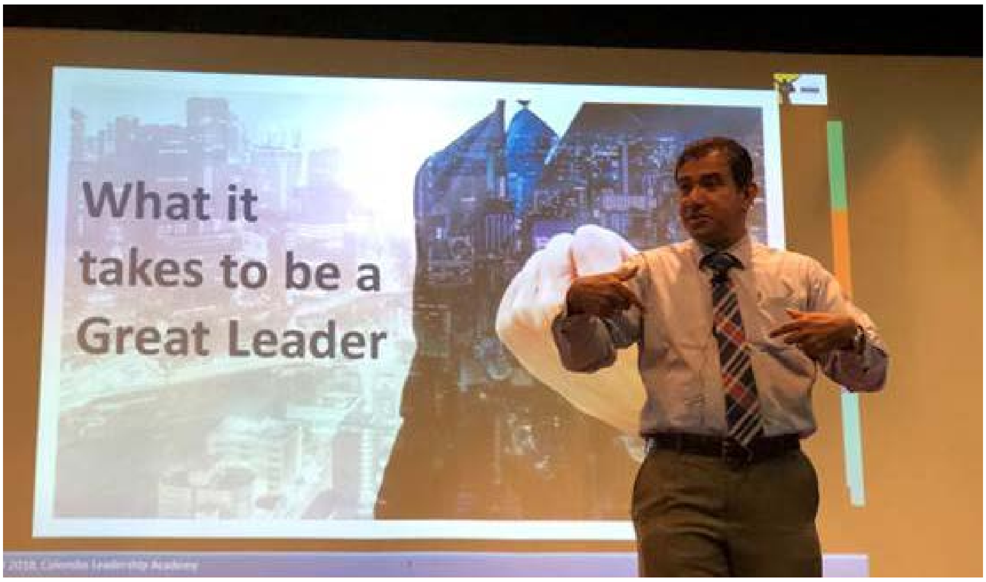
Speaking at the event, Mr. Asanka Ranhoty, President APB- Sri Lanka, welcomed the three new CEO's and their spouses and stated that APB-Sri Lanka is proud of its members that have reached the pinnacle of their profession. He further stated that peer recognition is the highest form of honour one can get in a profession.

The felicitation ceremony was followed by fellowship and dinner and was attended by the Executive Council and the Council of Advisors of APB- Sri Lanka.





Bankers evening forum on "What it takes to be a great leader"



The Association of Professional Bankers – Sri Lanka (APB) held a Bankers Evening Forum on Thursday17th May 2018. The event was held at the BOC Head Office Auditorium and a large number of participants including bankers, professionals and special invitees attended the event. On this occasion, the guest speaker Mr. Riaz Hassen, the founder CEO and Managing Director of Colombo Leadership Academy made a presentation on "What it takes to be a Great Leader". Mr. Hassen is a Leadership Transformation Specialist, Lead Strategist and an Employer Branding Advocate.

The presenter focused on the creative leadership competencies and how to become an effective leader. He highlighted the competency levels for future leaders showing a graphical diagram on each aspect within the organization. Theselevels include, Leadership of business, Leadership of Results and Leadership of Self & Team. He also emphasized on discovering the inner strengths by "Discovering DNA to Lead". He also focused on 8 essential points to achieve greater heights in leadership ladder by ensuring professionalism is maintained by building integrity and trust. He was of the view that the first point is to never compromise professionalism for personal loyalty. An individual should maintain a professional behavior in the work place. The next point he highlighted was to have the courage to abandon a practice that made you successful in the past and not rely on that in the present business model which constantly challenged with VUCA factors. Creating a culture to challenge the status quo and emerge as potential leaders is the third point he emphasized.

According to Mr. Hassen, the fourth most important aspect is to change from reactive tendencies of leadership to creative competencies to drive leadership effectiveness. The audience was able to grasp the essence of the features of the creative leadership competencies such as achieving results, bringing out the best in others, be a cross functional connector, lead with vision, enhance the effectiveness and integrity etc., He also mentioned about the reactive leadership tendencies (lagging indicators) such as The autocratic, controlling behavior, avoid taking risks, protecting yourself and complying which restrict the effective leadership of a potential leader.

Mr. Hassen pointed out that "Being entrepreneurial will help an individual to practice the leader in yourself", which is another vital fact towards achieving objectives efficiently and effectively. He further discussed about executing planned actions profitably according to the triple bottom line of the organization and the ability to develop a succession plan towards the career development within your own position.

Mr. Hassen discussed about the importance of "being an extraordinary connector" showing the way to become a champion among everyone through good network building. Mr. Hassen emphasized as the seventh point that "An effective leader should have a high diversity management index" enabling him to align with every diverse member in a team as the emerging banking HR trends indicate on-boarding of Marketers, IT professionals, Service Excellence people, FMCG sales professionals, Data scientists, Lean experts etc.

Being a certified organizational culture specialist with wide experience on various organizational cultures Mr. Hassen discussed about the importance of embracing a culture which is aligned with the millennials within the organization.

In his speech Mr. Hassen showed the way forwardto take the best out of the opportunities to become an effective leader. He wanted the participants to prioritize the tasks in their day today life and to maintain a to-do list which is realistic.He stressed that we need to be change catalysts and need to have a vision on how to see ourselves in another 6 months' time. He was of the view that in order to get the best out of every situation, we need to show the best version of ourselves without compromising on professionalism thus attracting the spotlight. Mr. Hassen highlighted that "Any individual who would like to become an effective leader should craft the brand he or she wants to become and should visualize the end result in the mind." This visualization is essential to drive the personal leadership branding that we desire to drive ourselves to the next level, said Mr Hassan.

The final point he emphasized was the "Power of Now". He stressed that everybody needs to set short term goals and reflect on them to achieve the "SMART" targets in life and become an effective leader. According to Mr. Hassen "you only live once but if you do it right once is enough". The presentation was concluded with a very interactive Q & A session.

Bankers Evening Forum on AML & KYC




The Association of Professional Bankers – Sri Lanka (APB) held the Second Bankers Evening Forum on Monday, 25th June 2018 with an inspiring panel discussion on an emerging topic on "Anti Money Laundering & Know Your Customer". The bankers need to keep a greater focus on the evolving topics as Anti Money Laundering and the Know Your Customer due to the escalating concerns arising from those areas in the day today banking operations. This is essential in order to avoid any risks and maintain the reputation of banks without incurring any financial losses.

Accordingly, this Panel Discussion focused on ***"Local/international Regulations pertaining to AML & KYC", "International Best Practices on AML & KYC" and "Challenges and Opportunities from AML & KYC regulations for local banks"*** in the context of digital transformation currently taking place. The event was held at the BOC Head Office Auditorium and a great number of participants including bankers, professionals and special invitees attended the event.

This Panel Discussion was moderated by Ms. Manique Kiriella Bandara who is the Compliance Officer at National Development Bank PLC. The eminent panel consisted of Mr. AyeshAriyasinghe, Senior Assistant Director- Financial Intelligence Unit, Central Bank of Sri Lanka, Mr. Inam Cassim – Head of Compliance, Standard Chartered Bank, Colombo and Mr. SureinRajakariar- Partner and Head of Audit for KPMG Sri Lanka.

The panel discussion was initiated by Ms. Manique Kiriellahighlighting the fact that Sri Lanka has been spotted as one of the countries with Anti Money Laundering(AML) deficiencies. She pointed out that this is a red light for the bankers and will be a greater national risk for the country as a whole. Mr. AyeshAriyasingheelaborated on "***Local/international Regulations pertaining to AML & KYC".*** In his presentation, he highlighted the fact that anti Money Laundering has been identified as a key aspect in the financial industry worldwide. He mentioned that Sri Lanka is in the Grey list of Financial Action Task Force(FATF) and in the Black list in the EU. There's an increasing threat from AML to most of the financial institutions around the world and new sanction regimes are in place with penalties for non-compliance of the AML to mitigate the risks arising.He emphasized that the board level of the banks need to place procedures for AML policies and review those regularly. The operational level of the banks also has a countless duty on managing the risk from AML in monitoring the suspect transactions arising from banking transactions. Finally, in concluding the presentation, he mentioned that in order to reduce the risk arising from AML, all the banks including all the financial institutions need to take precautionary measures refining the Suspicious Transaction Reporting.

Mr.Inam Cassim spoke on ***"International Best Practices on AML & KYC".*** He emphasized that "criminal proceeds of around USD1.6 trillion flows through the financial system" which shows that bankers need to be more vigilant in executing transactions through the financial system pipeline. Mr. Inam introduced the Standard Chartered Bank'sdirective towards managing the AML.The bank has financial crimes prevention from the Board Level and it has set out a framework to assess the risk in the portfolio. The product risk assessment, client risk assessment, country risk assessment, governance and reporting structures are checked to ensure the risk is within the risk appetite of the bank.According to Mr. Inam, the bank has also introduced a new decision tool to assess the clients called, E-CDD (Electronic Customer Due Diligence) as well. Overall presentation was well observed by all the participants as they all are involved in handling the transactions related to clients daily.

Mr. Surein Rajakarier spoke on the ***Challenges and Opportunities from AML & KYC regulations for local banks".*** He emphasized on the new avenue of banking through the use of Fintechs, Crypto currency, Blockchain technology which are emerging and currently used by most of the international banks such as JP Morgan, Goldman Sachs etc. According to Mr. Rajakarier the threat from these new innovative technologies are severe and it will have a huge impact on the current banking operations. There is a threat on the confidential data and the privacy of data since there is no owner of the data transmitted through the Blockchain technology. The ability to manipulate the data and corrupt the sensitive data is a major concern within the banks. Finally, he also highlighted the importance of AML independent audit and focusing on AML and KYC in conducting day to day banking operations. According to him AML audits should focus on assessment of the procedures available to check the money laundering activities, risk management, Customer Due diligence (CDD), detecting and reporting suspicious transactions and record keeping and retention.

Finally, the moderator Ms. Manique Kiriella, along with with the panel, opened up the forum to answer the questions raised by the audience. The questions were mainly on the innovative banking technologies. Mr. Ayesh Ariyasinghe stated that currently no infrastructure is available in our country to execute the blockchain technology. He highlighted the importance of the customer on boarding process to minimize the risks at the first sight. Mr. Inam and Mr. Rajakariar also expressed their own view points on the balancing of profit maximization and the investment on AML & KYC.

Bankers Evening Forum on "Blockchain & Cryptocurrency"

The 03rd Bankers Evening Forum of the Association of Professional Bankers – Sri Lanka (APB Sri Lanka) was held on Tuesday 14th August 2018 at the BOC Head Office Auditorium. APB Sri Lanka held this Forum in collaboration with the Sri Lanka Forex Association and on this day there was a presentation and a panel discussion on "**Blockchain & Cryptocurrency**". A large number of participants including bankers, professionals and special invitees attended the event.The speakers for the day were Mr. Stefan Moraes, founder and Managing Director of 3W Group, Mr. Champike Munasinghe, Director/CEO of Bitcoin (pvt)Ltd, and Mr. Harsha Wanigatunga, Chief Information Officer of Seylan Bank Plc.

The first presentation of the evening was done by the Founder and the Managing Director of 3W Group, Mr. Stefan Moraes. The 3W Group is specialized in business changeover and augments performance through innovative business solutions.Mr. Moraes highlighted the real world developments using the Internet of Things(IoT), big data, intelligent web, Cognitive AI, Blockchain and Cryptocurrency. He spoke widely on the digital disruption that is taking place in the complex business world. Mr. Moraes emphasized the fact that the world will be connected with the World Wide Web with 25 Billion devices by 2020. Mr.Stefan opined that the Brick & Mortar business will end in the future. Further, he presented some examples of the use of sensors and the emotional intelligence with the use of IoT. According to him, currently the A320 Airbus consists of 500+ sensors, 2Terabytes of data per flight and in-built passenger experience analytics. Another example is the Trenitalia using more than 1,000 sensors and reaching 5,000 data points in seconds. Alfa-Bank in Russia also uses a fitness banking system where the bank gathers details of an individual's fitness tracking devices and monitors the movements made each day and based on the analysis of the movements made on each day, small amounts of money are transferred to their savings account. He also mentioned that in this hyper connected world, the behaviour of human beings will be monitored by big data analytics every second.

In summary Mr. Moraes highlighted the opportunities available to the businesses in the digital space such as Blockchain and Cryptocurrency.He noted that the investments in digital marketing, innovation ability, "wow" factor, lean factor and employee engagement should be considered. According to him, the Digital Quotient(DQ) is also a vital aspect in creating a more digital organizational culture.

The second speaker Mr, Champike Munasinghe, a Pioneering Technologist, InvestorAnd Serial Entrepreneur-mainly deliberated on the Blockchain and Cryptocurrency. He spoke on the initial emergence of Blockchain and Cryptocurrency, uses in the industries, the risks and the practical use in Sri Lanka. He stated that Blockchain and Cryptocurrency is a niche market which has been mostly initiated by emerging financial companies and technological companies.According to him the Bitcoin is the first cryptocurrency in the market. Mr. Munasinghe stated that the Wallet is identified as the store for user's key for Blockchain and that the fiat currency can be converted to cryptocurrency. According to Mr. Munasinghe the biggest exchanges are named as Bitfinex, Coinbase, CEX, Poloniex and nowadaysgiant banks such as Deustche Bank, Northern Trust, Morgan Stanley, Galaxy and Barclays use these technologies to enhance their productivity in processes. In fact, NASDAQand New York Stock Exchange hasplans to open Cryptocurrency exchanges for trading as well. Mr. Munasinghe, emphasized that most organizations go forward with Cryptocurrency due to the flexibility built in and the growth potential identified in the market. He further mentioned that there are other types of crypto currenciesin addition to Bitcoin such as Ethereum, Ripple, Bitcoin cash, Cardano and Litecoin.

Mr. Munasinghe stated that there is another interesting concept called "ICO"(Initial Coin Offering) which is very similar to the Initial Public Offerings (IPOs) to raise funds from the potential investors for specific business needs. ICO sare used by many Companies all over the world due to the faster reach towards investors, faster execution ability than the IPO, no dilution of equity etc. He mentioned that opportunities such as Exchanges, ICO and Mining are available in Sri Lanka for these technologies. However, Sri Lanka needs to focus on the risks in mining and exchanges. He mentioned that the regulatory framework in Sri Lanka does not allow Cryptocurrency as a legal tender. He mentioned that there is an evaluation committee appointed by the Central Bank of Sri Lanka to evaluate the use of Cryptocurrency.

Finally, Mr. Harsha Wanigatunga initiated the panel discussion with some questions and opened up the Q&A session to the audience allowing them to verify their doubts on the Blockchain and Cryptocurrency.

This forum enabled the participants to focus more on the digital revolution which is identified as the 4th Industrial Revolution. APB Sri Lanka plans to hold similar forums in the future on topical themes to broaden the knowledge of the banking community.

(APB evening fora are held for the professional development of the bankers, conducted free of charge and participation is allowed on first come first served basis.)

APB to hold its 30th anniversary convention under the theme "Regional congruence: Harmonizing Policy & Economic Prosperity"

REGIONAL
CONGRUENCE
Harmonizing Policy & Economic Prosperity
Association of Professional Bankers - Sri Lanka
30TH ANNIVERSARY CONVENTION

Congruence means in general; harmony, compatibility, consistency, conformity, balance, consensus, unanimity and also congruence is the mathematical concept of absolute equality. Policy congruence in individual countries within a region will facilitate economic prosperity.

Countries and economies no longer work in isolation. Regional economies are interestingly intertwined. Economies are dynamic; they change, and change constantly.

The individual economies within the region move in their own cycle in individual wavelengths and frequencies. If these economies move against each other the resultant effect is destructive. However if the economies can move in harmony they will complement each other, build on each other, thrive together with resounding success. And the resonance and reverberations of the success will be felt and fruits of success could be enjoyed by the whole region. The resultant prosperity brought about by the harmonized regional economies will always be greater than the total of the isolated economies within the region.

Policy is the rein that governs the motion of the economy. Harmonized and consistent policy propositions enable harmonized economies. Embracing balanced and aligned policies that facilitate the transformation and integration with the region would make way for the economic prosperity.

Trade is the conduit that connects different economies. Asymmetrical trade channels breeds disharmony. Even the perceived asymmetry in trade channels creates disharmony and mistrust. Regional trade pacts are wound, unwound and rewound. Embargoes are imposed and revoked. Yet there are winners and losers. Just as MNCs capture a regional market, there are indigenous industries that venture out to the region to capture regional markets and may even create global niches. What makes the winner to win and the loser to lose?

Harmonized economic policies and harmonized trade create harmonious economic prosperity, just like a well balanced symphony. Can the banker be the composer or be the conductor? Or can a banker at least be a part of the orchestra?

Traditionally bankers have got accustomed to many harmonized cross border practices. Bankers use uniform customs and practices in facilitating international trade. Bankers use uniform and harmonized payment and settlement networks in facilitating cross border payments. Bankers use uniform customs and practices and even share jargon in international financial markets. The capital requirements for banks are similar internationally. The accounting policies are common across borders.

The principles of banking law are common across different jurisdictions. International swaps and derivatives contracts bring contractual congruence across borders. And the list can go on and on.

Thus we bankers would like to discover their role in achieving a regional congruence. APB - Sri Lanka will deliberate on this aspect at it's Anniversary Convention this year.

Inviting international expertise, and for the first time in the history of APB-Sri Lanka, a gathering of regional participants intend to discuss the possibilities of harmonizing regional economies and trade channels, aligning regional policies for regional progress, and to discover the bankers role in achieving sustainable growth for the region.

APB-Sri Lanka celebrating 30 years will hold its Anniversary Convention themed "Regional Congruence; Harmonizing Policy and Economic Prosperity" on 10th and 11th December at BMICH.

Appreciation; Ramanathan Nadarajah – Loss of a Veteran Banker


Appreciations Ramanathan Nadarajah – Loss of a Veteran Banker

It was with profound shock and grief that the Banking Community, his friends and relatives received the sad news of the untimely demise of Mr. RamanathanNadarajah on 24 June 2018, at the age of 74.

He was born on 09 May 1944 as the only son of Mr. and Mrs. Kasipillai Ramanathan, a highly respected and religious familyin Thirunelvely North Jaffna. He had his primaryand secondary education at ParameshwaraCollege Jaffna, one of the leading colleges,in Jaffna founded by Late Sir PonnambalamRamanathan. As a student he excelled in studiesand graduated from the University of Ceylon (Peradeniya) with a degree in double Mathematics and Physics with a Second Class (Upper Division)

'Nada'as he was fondly called by his friends, started his banking career when he was 24 years old by joining Bank of Ceylon as astaff officer. Since he had passed his degree with a Second Class (Upper Division) he was placed in the higher grade of Staff Assistant Grade – II,then Staff Assistants being presently known as Management Trainees. His hard work, dedication and commitment earned him lots of respect and admiration from all and although he never craved for positions or limelight he was able to move swiftly up the hierarchicalladder of the bank.

He obtained extensive experience in Branch Banking having worked as the Manager of the Kurunegala and Main Street Colombo branches of Bank of Ceylon for long periods. He then moved to Credit Support Department, Imports Department, Treasury Division Corporate Credit (Restructuring & Recoveries) Department and the Finance &Planning Division making him a complete banker with the widest possible exposure. He was extremely committed to his work being well known for 'Paying Attention to Detail'. It was when he moved into the Corporate Credit Division he displayed his true talent unearthing his hidden potential. He was a master in scrutinizing credit papers and added value in no uncertain manner to the bank's credit evaluation process. Hebegan his career as a Trainer by conducting classes for the young bankers in Bank of Ceylon. Thereafter he went on to become a much sought after resource person for seminars especially on Bank Lending.

Having served in almost all key functions of commercial banking, he also kept on moving up the bank's hierarchy to be an Assistant General Manager and thereafter a Deputy General Manager of Bank of Ceylon.He was always striving to develop his knowledge and did not neglect hisprofessionaleducation. He passed the Diploma in Banking Examination conducted by the Chartered Institute of Bankers London and was awarded its Associateship. He then went on to be elected as a Fellow of the Chartered Institute of Bankers, London (FCIB) in recognition of his services to the banking industry.Whilst he was at Kurunegala he also completed his Masters' in Business Administration from the University of Colombo.It is remarkable that he succeeded in his MBA as he had fallen and broken his pair of spectacles on entering the examination hall and has had to answer the first paper whilst holding the only undamaged lens to his eye with his left hand, which showed his true character,

He retired from Bank of Ceylon when he reached the age of 55, even though he was entitled to request extensions of service until he was 60 years of age and the bank would have more than loved to retain his services for the maximum period. He was immediately picked up by Pan Asia Bank as its Deputy Chief Executive Officer, with right of succession, and he was appointed Managing Director / Chief Executive Officer of Pan Asia Bank within a short period of time. After a few years of guiding that bank to a sound position the unselfish person he was, he wanted a younger person to take over the leadership of the bank as he believed in succession planning. He had not looked for alternative appointment but was happy to leave the bank when a successor was found.

Thereafter, his services were sought again this time to help Seylan Bank to come out of the crisis they were in at that time. He was appointed an Executive Director of Seylan Bank and was placed in charge of the Bank's Operations. He proved his worth in the next few years, by helping the bank out of the crisis situation to a more stable footing before leaving the bank.He also functioned as the Chairman of its subsidiary Seylan Developments PLC at that time.

In spite of all this he did not shy away from service to the Sri Lankan banking community. When he was the Deputy General Manager (International &Treasury) at Bank of Ceylon he was elected the inaugural President of the Primary Dealers Association in Sri Lanka. He was also elected the President of Banks Hindu & Tamil Literary Association.

He was elected to the Council of Association of Professional Bankers – Sri Lanka (APB) which he served as a member of the Council and as an Office Bearer,until he was elected its President in 2001. After a lapse of a few years he came back to serve the APB as a member of the Fund Management Committee and was its Chairman for a few years, looking after the APB Development Fund. He was awarded the Honorary Life Membership of the APB in recognition of his contribution to the APB. He was thereafter appointed a member of the Council of Advisors of APB.

He was a member of the Forum of the Organisation of Professional Associations of Sri Lanka the apex body of professional associations in Sri Lanka.He also served in the Panel of Industrial Experts, for the Annual Report Awards Competition conducted by the Chartered Accountants of Sri Lanka, for several years. At the time of his demise he was serving as a Member of the Council of Advisors and a Member of the Fund Management Committee of Association of Professional Bankers – Sri Lanka and a Member of the General Forum of the Organisation of Professional Associations of Sri Lanka

He was a man of undoubted integrity and a fountain of knowledge. He had a very wide circle of friends not only in the banking industry but also in very many specialized fields, some of them being his batch mates at the university who are or were occupying high positions at various governmental and private sector institutions. They were Sinhalese, Tamils, Muslims and others. For him race or religion of a person did not matter. In fact the ringing tones on his mobile phone was always a popular Sinhala Song. He was the absolute role model for persons believing in communal harmony. A number of bankers as well as non-bankers made it a habit to seek his advice on various matters as he was able to give them good and sincere advice.

'Nada' was agentleman of the highest order and a fabulous human being, He practised yoga and meditation and encouraged others also to do so as he has benefited immensely by practising them. He was soft spoken, not craving for positions, always with a smile, and what he said came straight from the bottom of his heart. He was an epitome of simplicity humility and modesty. He was always wearing a broad smile and a greeting with 'God Bless You' was never forgotten. He was always keen to help anyone who needed assistance. His friends, relations, colleagues, superiors, subordinates and all loved and respected him. He had no enemies, had no grudges against anyone nor did anyone have a grudge against him. He was a teetotaler and strict vegetarian but he did not want to miss any functions that he was invited to. However, he used to get himself excused from staying on for the dinners saying that his loving wife would be waiting for him.

He is a practising and devoted Hindu who never missed any Hindu religious ceremony.'Nada' was very fortunate to have Umayal, as his wife. Shewas always there to support him and never grumbled about his late hours in the bank. They were a happy couple always together except when he was away on his official duties. According to HinduismLord Shiva and Parvathi were inseparable and Nadarajah (another name for Lord Shiva) and Umayal (another name for Parvathi)were no different, so much so that even when he met with the fatal accident they were together, but by grace of God she escaped miraculously without any major injuries.

Our association with Nada goes back many years with the privilege and pleasure of having been a close friend and colleague for number of years at Bank of Ceylon and later working together at the Association of Professional Bankers – Sri Lanka. His demise is not only a loss to hisfamily, friends and fellow bankers but also to Sri Lanka's banking industry.

He leaves behind Umayal his devoted wife, two daughters Mathangini and Ajahini and three loving grandchildren who along with his relatives and all his friends will miss him forever.

May his soul attain Moksha.

Parama Dharmawardene, Former Deputy General Manager, Sampath Bank
Kathiravelupillai – Former Deputy General Manager, Bank of Ceylon
Guy de Silva, Former Senior Deputy General Manager, Bank of Ceylon

Humor;
Day in the life of a banker

The writer heard of this incident happened long time ago in a very old bank hailing from the old colonial days.

The automatic printouts were new then. Telex department used to issue transaction reports in these. As usual one copy goes to the reconciliation desk. Unusually this desk happened to be next to a window.

The telex guy's method of delivering the printed report was by throwing, and on one fine day… the "recon guy" missed the catch. Recon thought the report fell under the table, but actually it flew out of the window and landed on the street 2 stories below.

It was in the afternoon, the recon guy thought of reconciling the telexes.

In the evening the departing employees were amused to find the recon guy and the telex guy searching for something on the roadside.

Their frantic search yielded nothing. That is when the thought occurred to them of the street gram vendor "Kadala Lady". They suspected that the Kadala Lady has taken the advantage of a crisp bundle of wrapping papers.

Unfortunately no one knew the Kadala Lady's address.

However someone revealed that there was a rumor that one of the Bank's office aides has developed an unusual friendship with the Kadala Lady. This office aide was contacted immediately and the Kadala Lady's address was traced.

When the Bank staff, including the telex guy and the recon guy visited the Kadala Lady's house it was in the night.

Of course they found the telex bundle and a couple of telexes were in the form of paper bags.

However a quite a troublesome episode (now known as an operational risk incident) was averted.

Writer recalls another incident happened in the dealing room of another bank. The dealing room has a jargon of its own and in conversing over the telephones usual pleasantries are avoided.

A banking assistant was transferred from a branch to the dealing room designated as a "Position Clerk", during the time manual blotters are used and deals are exclusively done through the phone lines known as tie lines with money brokers.

The excited new position clerk reported to work very early, before the money dealers arrived. He was a good polite fellow. At the branch he was trained to answer the telephone with a police greeting. An early bird money broker called through the tie line offering a money market deal.

New position clerk who was not in the habit of keeping a customer waiting answered the tie line "Good morning treasury". The broker on the other side said " Sir.. seeyak thiyanava namayata (actually translates to Call Money available at 9% for 100 Million)". Our boy said "Okay Sir" and the other side hung up.

It was around 10 am, the manager - treasury processing ran to the dealing room with a deal confirmation demanding a deal ticket for a money market borrowing of Rs 100 Million, which the dealers vehemently denied having done. A long dispute ensued with the broker, which was resolved in the banks favour as broker had the weaker barraging power versus a Bank.

Fortunately it was not a Thursday, the reserve closing day on which all banks balances their reserve variations.

It was the first day at work for the new manager.

Office lay out was that the copiers and shredder was kept close to each other. In the afternoon one young enthusiastic employee happened to see the new manager trying to switch on the shredder.

Trying to be of help young boy rose to the occasion, walked up to the manger and with a " Sir let me help you" switched on the shredder and inserted the paper. The paper went in noisily.

Then the new boss asked the dreadful question " So…where is the copy?"

Fortunately for both, the boss was trying to make a copy from a copy, and not from an original document.

Computers were new then. Most of us remember those AS400 screens, green letters glowing on the black screen, those were magical then.

One had to press a series of keys in sequence to toggle between screens.

There was a branch manager well respected for his credit & business acumen, but was new to computers. The first AS 400 connectivity for the Branch was given to the computer kept with the Manager. He got some initial training on the machine. He used to switch on the computer everyday with pride.

One fine morning, the employees saw him staring at the keyboard for a long time. Finally in a giving up tone the manager called an employee in and said "I say….Can you find the darn "any" Key on this keyboard?"

Then the employee saw the message on the Boss's computer screen: "Press any key to continue".

The writer heard of this incident happened at Bank of foreign origin, boasting a CEO of foreign origin.

The Head of HR has just announced the promotions and transfers. One employee, presumably surprised by the announcements, decided to express his surprise to a colleague through the email. He just typed a one word on the promotions announcement sent by HR in order to forward to a colleague. He typed a seven letter word starting with letter "Hu" and ending with the letters "pan", but instead of clicking the forward button, he hit the reply-all button. This word he typed in English translated to an extremely vulgar word in the indigenous language.

When called for explanation the sender denied all knowledge of the incident and put forward the defense that someone would have accessed his computer while he was not in the seat. This defense was upheld and the accused was served with a warning letter for leaving the computer unattended.

But everybody felt pity for the poor red faced "Head of HR", who had to explain the indigenous meaning of the word starting with letter "H" and ending with the three letters "pan", to the CEO of foreign origin.

Walking Bankers…

Laksman Perera

Somewhere in 1999, it was 1.30pm and a nerve in the back of my neck was pulsing painfully; an indication that stress has finally caught up with me.

Beyond my branch manager's cubicle I could observe team too was hard at work. Nobody has taken the lunch break yet; a typical working day in a banker's life. I used to tell them at staff meetings that there is a life beyond the bank and we should not forget that. Their smiles tell me 'Thank you boss, but who will finish our work for us.'

At the time, hiking the pilgrim's path to the Sri Pada summit through Kuruwita-Erathna route was almost an obsession with me, and which I did faithfully twice a year off the pilgrim season. Then the thought occurred that if these guys are unable to enjoy anything other than work during the five working days, maybe they should try out venturing into the outdoors at least once in a way, during the weekends. So a suggestion was made to the Branch Sports Club to consider the hike to Sri Pada summit. As it would be sort of an outward bound team event, I was confident it would also help improve mutual relationships.

As it should happen, I learnt there were quite a bit of discussions among the boys. They have even evaluated the fact whether I will take a negative note on the non-participants. However in the end there were a dozen guys from all ranks ready to take up the challenge. A positive indication to me; I am considered a tolerable boss. With only a few cautionary advices from me that there should not be any alcohol, necessity to travel light &trekkers should be prepared for leaches, all other arrangements were completed by the team.

We set off from Colombo in the wee hours of Saturday and drove up the windy road from Kuruwita. After observing pansil at the Erathna temple, stepping on to the trail around 8.00am, the guys were in high spirits and quite fast on their feet. For them it was a novel experience. I told them that I consider this path through the upper watershed sanctuary a national treasure as it allows you to experience three types of vegetation of our paradise island. You start with low country, reach the mid country and then the high forest spanning13.0 km one way, and out of that the first five kilometers is a steep climb.

Being the "off season" you cannot find any human activity on the way. We started walking uphill carrying supplies for two days. We have 10 hours of climb ahead of us to reach the peak.

When your heart is pounding with the strain of the climb and when there are no steps to make your climb easy, the nature steps into relive you of all your work stresses. The whole mind focuses on finding the next proper spot to place your foot without falling. So, for the two days you are on this trail it is a meditative journey where you become one with the nature. Our ears usually used to the hiss of the air-conditioning at office now hear the howling of wind through high forest canopy and the racket of the cicada is the only distraction from concentrating on the path.

Being the rainy season we were prepared for the regular downpours. Ground is wet and ever so often you need to check whether any leaches have climbed on. Walking in a single file, two hours onto the trail you will reach the waterfall. Around 12.30pm I stagger down the sharp decline leading to the stream "Seethagangula". Water is crystal clear. Even though there was rain it has not been hard enough to raise the water level. Guys are already freshening-up in the ice cold swift running water. Time for a little tea and lunch. It's a one hour break here.

Two more hours up and we are at 'Madahinna'. Again a little breather: and then move up to 'Haramitipana' and beyond. I urge the boys to move forward without waiting for me. Do not want to hold them up. Many have not brought a torch and it is best they reach the summit when there's day light. They are reluctant to leave me behind. I assure them that I have climbed enough of times in the darkness and that I have total faith in divine help for my safety. I also had my torch.

Soon it is dark. During the moonless night the steps of 'Mahagiridamba' is vaguely visible in starlight. I make a mental note to climb at least ten steps without a break. Ten hours on the trail, the body feels totally drained out of strength. Even chocolate and glucose doesn't seem to help. I am forced to stop with only five steps. I meet four guys coming down the steps near the summit in search of me. It is 8.0'clock at night and they have got worried. But then I was not in a hurry.

We sit on the steps below the 'Maluwa' gazing at the starry sky, counting the occasional shooting stars, enjoying the absolute silence of the night. We are at peace with the world. It was a wonderful moment where everyone was mesmerized by the beauty of the night, keeping silent and not discussing work. I look across at the team and feel happy about the camaraderie they have displayed on the journey. The walking bankers appeared to have achieved the objective.

We struggle to doze off but the wind chill wakes us up. The cold stabs you when you lie down. A filament bulb lit in the hall is the only source of heat. But soon it is dawn and we were treated to a spectacular sunrise.The view from the peak is divine, as you are above the clouds.

Feeling grateful to the deities we make our trip back to the base. During the drive to Colombo, the physical pains set in. Stretching the calf and thigh muscles relieves the pain to some extent.

However the greatest reliever of pain is that feeling of accomplishment.

At this point I made a point to tell the team that the real challenge is to turn up at work on Monday morning. On Monday morning I am sure the customers were bit amused to see a group of limping Bankers.

That first trip was made in 1999. Since then, the pioneering team has repeated the trip for many years. They have collected many memories and pictures over the years. On a hectic day, one look at a picture taken during the journey takes away your stress.

For some this trip is a bond building exercise, for others it is an annual test of endurance. Whatever the motive is, a trip into the wilderness is a great leveler. The freshness you feel after the journey is beyond compare.

Every now and then I can feel the call of the holy mountain.

ABOUT THE AUTHOR

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