SWIFT plans to go big

A top official of the global financial messaging service provider discusses ways to bring more Bangladeshi firms into network

SUMAN SAHA

GLOBAL financial messaging service provider SWIFT aims to integrate large companies operating in Bangladesh into its network.

The move will enable conglomerates to wire funds globally and locally through the network at a low cost and reduced risk.

"Bangladesh has a lot of scope to enhance SWIFT network. So, we want to integrate corporate firms into the network," said Alain Raes, chief executive of SWIFT for Asia-Pacific region.

Currently, most companies in the country use multiple banking channels to collect and disburse funds, where long time and high cost are involved, Raes told The Daily Star in a recent interview in the capital.

The Belgium-based company also plans to work with Bangladesh Bank to build strong payment market infrastructure in the country.

The banking regulator has taken an initiative to introduce real-time gross settlement (RTGS) system in Bangladesh.

RTGS is a special fund transfer system where transfer of money or securities takes place from one bank to another on a "real time" and on "gross" basis.

"RTGS is expected to go live by the next year. So, we hope SWIFT will be selected as a messaging vehicle for the banks to reach the system."

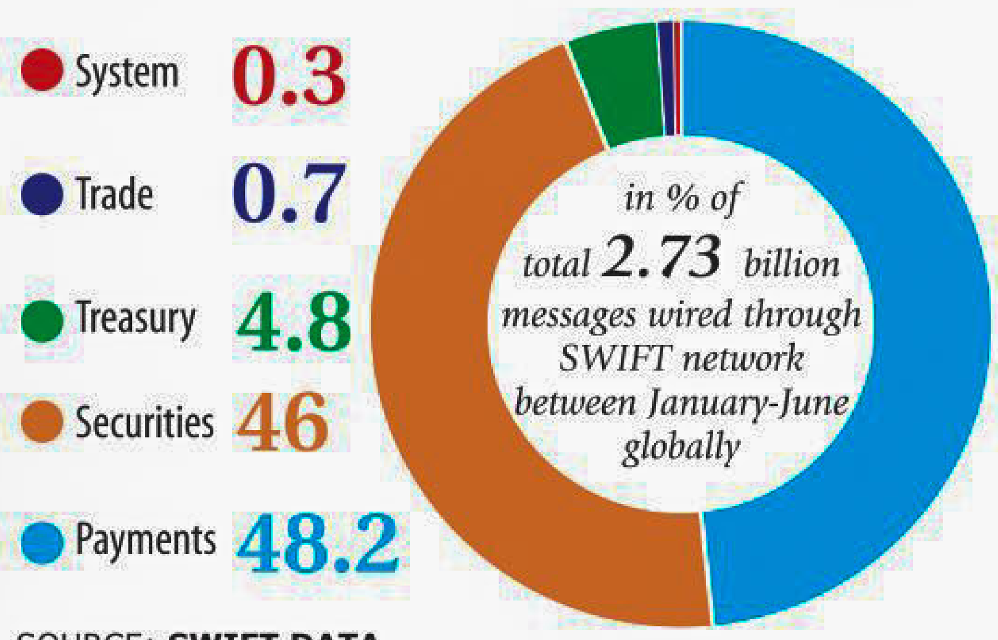
The global company also wants to enhance trade financing services as the country is gradually becoming a manufacturing hub, he said.

Trade accounts for 56.1 percent of the 1.34 million financial traffic sent by Bangladesh through the SWIFT network between January and March, said Raes.

SWIFT aims to promote "bank payment obligation", a new payment instrument that helps increase demand of trade financing, he said.

Alain Raes

FINANCIAL TRAFFIC DISTRIBUTION BY MARKETS



SOURCE: SWIFT DATA

Foreign exchange transactions through SWIFT in and out of Bangladesh rose 32.7 percent year-on-year to around eight million last year due to an increase in trade finance payment, Raes said.

SWIFT handles more than 24 million financial traffic a day worldwide, according to Raes.

Messages wired by SWIFT in three days are equivalent to the size of the global GDP—$71.83 trillion.

SWIFT is not a financial institution because it does not provide financial services nor hold client accounts or assets.

The company also aims to partner with the financial institutions in Bangladesh to ensure compliance.

Compliance is increasingly becoming a necessary burden for the financial institutions, as the regulations are frequently changing, Raes said.

Regulators across the world are focusing on a number of issues, such as an updated KYC (know your customer), compliance to anti-money laundering and counter-terrorist financing measures, he said.

"We have already developed a common solution which is useable by everyone. Banks and other financial institutions can use these solutions," he said.

Raes, who joined SWIFT in 1990, also promised to reduce its service fee for Bangladesh market in future.

For each transaction in and out of Bangladesh, SWIFT charges higher than the current global average rate of €0.06, he said, but he did not mention the rate.

"We pursue the economies of scale model to fix a rate. It means the more you send financial messages the cheaper they become," he said.

Since Bangladesh registered robust growth in foreign exchange transactions through SWIFT in the last couple of years, the service fee will certainly decline, he said.

Raes was appointed as the head for Europe, Middle East and Africa region of SWIFT in September 2007 and got the additional role of chief executive for Asia Pacific in January 2013.

Based in Singapore, Raes is also a former director for the continental Europe region of SWIFT, where he covered securities and banking sales activities.

He joined SWIFT in 1990, following previous roles at Citibank in Belgium and Fortis Bank in Singapore. He has particular expertise in financial market infrastructure.

Raes came to Dhaka last week to mark SWIFT's 20 years of operation in Bangladesh when a programme was organised at the capital's Westin hotel.

The country ranks 16th in the Asia-Pacific region for the total sent traffic and 14th for received traffic, he said.

SWIFT, short for the Society for Worldwide Interbank Financial Telecommunication, is the member-owned cooperative that provides the communication platform, products and services to connect 10,500 banking organisations, securities institutions and corporate customers in 216 countries and territories.

The company was launched 40 years ago as an association of large European banks. The network does not transfer funds; rather it enables member banks to send secure instructions instantly to the correspondent banks to make payments.

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BB awards two economists posthumously

STAR BUSINESS REPORT

PROF Muzaffer Ahmad and Swadesh Ranjan Bose were posthumously given Bangladesh Bank Award 2013 yesterday for their contribution to the economy and development of the country.

Finance Minister AMA Muhith handed the awards to the wives of the country's two eminent economists at a programme at Bangladesh Bank Training Academy in the capital. The award comprises a gold medal, Tk 1 lakh in cash and a crest.

The two were awarded for their creative research and works on development economics, said Bangladesh Bank Governor Atiur Rahman, also the chief of the jury board, while recalling their contribution.

Prof Ahmad was best known for his diverse research on industry, education, international economics, public enterprises, human rights, health economics, labour relations, good governance, rural development, poverty reduction and environment.

He led Transparency International Bangladesh for a few years to fight corruption in the country. As one of the leading environmentalists, he angered land grabbers and river polluters.

The former professor of Dhaka University was awarded the Ekushey Padak in 2008 -- four years before his demise.

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AFP

Ranjit Yadav (R), president of the Passenger Vehicle Business Unit of Tata Motors, poses with Girish Wagh, senior vice president of Tata Motor's Programme Planning and Project Management for Passenger Vehicles, during the launch of the new Tata Zest car in New Delhi yesterday. The Zest compact sedan, available in four petrol and five diesel models, is the company's first new model in four years.

Standard Chartered fined $300m over laundering controls

AFP, *New York*

NEW York state's banking regulator hit Standard Chartered Bank with a $300 million fine and restrictions on its dollar-clearing business Tuesday for not detecting possible money laundering.

The New York Department of Financial Services (DFS) said the British bank's internal compliance systems had failed to detect or act on a large number of "potentially high-risk transactions" mostly originating from Hong Kong and the United Arab Emirates.

The new punishment came two years after the bank paid US regulators $667 million to settle charges it violated US sanctions by handling thousands of money transactions involving Iran, Myanmar, Libya and Sudan.

A DFS monitor appointed in 2012 to keep an eye on the bank discovered that it had not detected the allegedly high-risk transactions from Hong Kong and the UAE or reported them as it should have, the department said.

"If a bank fails to live up to its commitments, there should be consequences. That is particularly true in an area as serious as anti-money-laundering compliance, which is vital to helping prevent terrorism and vile human rights abuses," said DFS head Benjamin Lawsky.

The department did not give any information on the nature of the transactions, or whether they proved to involve laundering or not.

In a settlement agreed with the bank, DFS ordered Standard Chartered to halt dollar-clearing operations for unnamed "high-risk retail business clients" of its Hong Kong unit.

The bank is already cutting business with high-risk clients in UAE, but will also not be able to process dollar funds through the United States for them.

Its New York branch also is forbidden to take on any clearing or deposit accounts from new customers without the approval of Lawsky's office.

The fine would have a negative impact on the bank's reputation and international business, independent financial analyst Francis Lun told AFP.

"It's really an oversight on the part of Standard Chartered. They'd already paid a huge penalty still they installed a system that is useless," Lun said.

"It will create tremendous problems with their international clients who cannot settle their accounts in US dollars. It will be a serious blow to Standard Chartered group's international business," Lun said.

Standard Chartered is based in London but has traditionally done most of its business in Asia and the Middle East.

It said it accepted responsibility and "regrets the deficiencies in the anti-money laundering transaction surveillance system at its New York branch."

It added that it would work with clients in Hong Kong and UAE affected by the DFS requirements "to minimize disruption."

"The group remains fully committed to Hong Kong and the United Arab Emirates as key markets," the bank said.

Hong Kong-listed shares in the bank fell 0.19 percent, to HK$157.8 ($20.36) in afternoon trade, while the Hang Seng Index remained flat.

"$300 million isn't a big number...investors will be fine with this penalty," Tanrich Securities vice president Jackson Wong said.

Japan trade deficit narrows on export pick-up

AFP, *Tokyo*

A rebound in exports helped narrow Japan's trade deficit in July, data showed Wednesday, but the shortfall still came in worse than expected after a marked slowdown in the world's number three economy.

The pick-up in shipments abroad offered some good news after figures last week showed the economy suffered its biggest quarterly contraction since the 2011 quake-tsunami disaster as an April sales tax rise slammed the brakes on growth.

The latest trade figures will likely be a relief for Japanese authorities amid concerns that the yen's plunge since late 2012 has not translated into a big jump in export growth as domestic firms shift production overseas.

Japan's exports in July rose 3.9 percent on-year to 6.19 trillion yen, the first rise in three months, thanks to robust shipments of automobiles and electronic equipment such as parts for smartphones.

Imports rose 2.3 percent to 7.15 trillion yen, underpinned by purchases of oil and gas, which have shot up in the wake of the 2011 Fukushima nuclear crisis, when Japan shuttered its nuclear reactors.

Overall, the trade deficit last month came in at 964.0 billion yen ($9.4 billion), narrowing from 1.03 trillion yen a year ago, although it was wider than the June trade deficit.

"July's trade deficit was larger than expected, and indicates that net trade is unlikely to provide much support to GDP growth in the third quarter," Capital Economics said in a note.

"However, the recent improvement in external demand suggests that the shortfall will narrow further towards year-end."

Citigroup seeks to exit Japanese retail banking

REUTERS

A pedestrian passes a logo of Citigroup in Tokyo.

REUTERS, *Tokyo*

CITIGROUP Inc is preparing to sell its Japanese retail banking operations, a source with direct knowledge of the matter said on Wednesday, as it waves the white flag on a venture plagued by regulatory troubles and anaemic lending.

The company which pioneered 24-hour ATMs in Japan and was the only foreign bank to make a major push into its retail banking sector is throwing in the towel after failing to gain enough scale to justify its costs.

Citigroup has also signaled a desire to refocus its overseas strategy on growth markets and away from saturated mature markets such as Japan, where it has been doing business for more than a century.

Citi has approached Japan's top three lenders, Mitsubishi UFJ Financial Group (MUFG), Mizuho Financial Group and Sumitomo Mitsui Financial Group about a sale, as well as regional banks, said the source, who was not authorized to discuss the matter publicly.

A Citigroup spokesman declined to comment. Representatives at MUFG and Mizuho also declined to comment while a representative at SMFG was not immediately available.

The US bank will keep corporate and investment banking and trading businesses in Japan, the source added.

Industry officials say it may be difficult to find a buyer for a modest retail banking operation with weak loan demand and falling interest margins, and which has had regular run-ins with regulators.

"The company has been penalized three times by regulators so there are issues with compliance that would make us cautious," a senior financial industry executive said. He asked not to be named because of the sensitivity of the matter.

Citigroup had 33 retail branches and 3.6 trillion yen ($35 billion) in deposits as of end-March, ranking 30th among 64 top-tier regional banks in Japan. But its loan book, with an outstanding balance of 356.2 billion yen, was near the bottom of the list.

For the latest year to end-March it posted a 1.3 billion yen net profit on revenue of 68.3 billion yen.

Lending has been sluggish in Japan overall, as corporations sitting on massive amounts of cash are reluctant to borrow or invest aggressively with domestic growth prospects looking limited, while dull wage growth has left households cautious about spending.

Citibank Japan's deposits are split about evenly between yen- and foreign currency-denominated funds, according to one source close to the bank who was not authorized to speak with the media.

While it offers domestic mortgages and loans, its main appeal to customers has been global services such as local currency withdrawals from overseas ATMs, industry officials say.

Prospects for a sale could be dampened by worries that customers would flee if their deposits changed hands to a Japanese lender and they lost access to Citi's global banking network.

A source with direct knowledge of Citi's management said the bank may need to offer a sweetener to attract buyers, such as allowing customers continued access to overseas banking.

The bank has also faced persistent compliance problems. It was penalised three times by regulators from 2004 to 2011 over inadequate monitoring of transactions under anti-money laundering rules and insufficient disclosure of risks in marketing financial products.