

Retail banking growing fast

Senior official of Eastern Bank talks to The Daily Star

MD FAZLUR RAHMAN

BANKS are increasingly focusing on retail customers as more and more people are coming under the formal banking channel, a banker said.

The retail banking is providing exciting business opportunities to banks which have largely concentrated on the corporate clients, said Nazeem A Choudhury, head of consumer banking at Eastern Bank.

The nature of retail banking is changing every day, he said. "I believe in the next 10 years the change will be even more exciting."

In the past, banks were not much enthusiastic about consumer banking. But the retail banking segment has been changing rapidly over the decade.

Banks are now more focused on retail and small business spaces, churning out new products, innovative services and customer engagements, he said.

Banks should not only lend funds to the corporate clients, they need to empower the consumers also, he said. "We need to focus equally on the two areas."

Eastern Bank has rolled out at least 50 new products in the last one decade. It launches five new products every year.

Recently, EBL won the Best Retail Bank of Bangladesh title at Singapore-based The Asian Banker's Excellence in Retail Financial Services Awards for the fifth consecutive year.

The award has been given to EBL in recognition of the bank's solid growth, adoption of technology and a strong customer-

centric strategy.

Choudhury attributes the feat to the adaptive and responsive nature of the consumer banking team of the bank.

"Winning any award is a statement of the good work someone is doing. And when you get it repeatedly, it means you have been able to benchmark your standards and uphold the commitment you have made towards your customers."

But rather than being carried away, the bank is now stepping up efforts not only to retain its position but also to offer diversified products and services to the retail banking clients.

The bank has ventured into new service concepts like priority banking, banking centres for women and students, card-based corporate payment solutions, mobile app for banking services and various lifestyle enhancement programmes.

"EBL is largely a retail banking focused bank and has invested a lot in digital space in recent years. This year, the bank has brought in small business under the retail banking category," said Choudhury.

The bank is working to launch agent banking and mobile banking in the coming months.

EBL now has over 500,000 customers. And Choudhury said the bank's focus is not to grow large on customers' numbers.

"Rather, we want to keep the number steady – but we want to grow on their transaction and service level."

"Whoever becomes EBL's customer – they should make EBL as their primary bank of choice for all of their banking needs – this is our retail banking aspiration."

Choudhury said as the bank-



Nazeem A Choudhury

ing has become system and technology-based, interpersonal skills have become a critical factor for a bank to be a good one, particularly in the retail banking segment.

Interpersonal skills include how one deals with customers, sources business and deliver services within the shortest possible time, he said.

EBL regularly organises trainings on interpersonal skills, motivation and behavioural training to develop the soft skills of its employees, according to Choudhury.

"The bank is not that large when it comes to the number of branches or customers. But when it comes to profitability, effi-

ciency and market reputation, EBL is one of the top private banks in the country."

He said the banking sector has failed to keep pace with the growth of the population of the country; only 20-30 percent people have access to formal banking services.

"The rest has remained out of the formal financial service, which has brought about the idea of financial inclusion. Both the central bank and banks are working on the issue."

Instead of working independently, banking and mobile banking should work together to take financial services to the masses, according to Choudhury.

The banker lauded the central

bank's role for the growth of retail banking.

To verify a customer's authenticity and creditworthiness, the banking sector stands on a strong footing thanks to the access to the central bank's Credit Information Bureau and the Election Commission's national ID database.

"Thanks to these accesses, the non-performing loans will gradually go down," he said.

NPL always stands at low level in case of consumer banking, and it stood at below 1 percent last year for Eastern Bank, he said.

Service holders form the client base of the retail banking at the bank. The interest rate on personal loans stands at around 11 percent at the bank, Choudhury said.

Industry-wide, the retail banking sector is growing at 20 percent annually on an average. The bank is hiring more and more women as employees to serve the growing army of female women clients. At present, 20 percent of the bank's staff is female.

Currently, one-third of loans of EBL go to retail banking clients while corporate clients account for 70 percent.

EBL has 83 branches and opens two branches every year. Its 11 branches offer priority banking services to high net worth clients.

Choudhury said a good retail bank needs a lot of commitment from the top management and the board of directors.

"We are indeed fortunate to have a CEO and board of directors who are friendly to retail banking."

fazlur.rahman@thedailystar.net

Chevron employees one step closer to getting their dues

STAR BUSINESS REPORT

The High Court yesterday directed the government to block the amount equivalent to Chevron Bangladesh's employees' Workers Profit Participation Fund (WPPF) as it apprehends the American energy giant might leave the country without paying the sum.

The development comes after 538 employees of Chevron Bangladesh filed a writ petition with the HC asking it to order the government to intervene in the matter on their behalf.

As per the Bangladesh Labour Law 2006, any company with a minimum paid-up capital of Tk 1 crore or immoveable assets worth minimum Tk 2 crore will have to pay 5 percent of its net profits into a WPPF.

The Chevron Bangladesh employees are owed about \$76 million from the WPPF between 2006 and 2013, said Omar Sadat, the petitioners' lawyer.

The labour law permits the government to take legal action against the company for not paying its employees the due amount from the WPPF – and the Chevron workers wanted to invoke this clause by filing the writ petition.

Subsequently, the bench of Justice Zinat Ara and Justice Kazi Md Ejarul Haque Akondo came up with the order yesterday in favour of the 538 Chevron employees.

The American energy giant is expected to leave Bangladesh anytime as it has no fixed asset in the country, and the transfer of its share to Xenhua, a Chinese company, is now under process, Sadat said.

If Chevron leaves Bangladesh by selling its shares, the employees will not get their due payments under the WPPF. The HC will decide in its final verdict how the employees of Chevron will get the due funds as a rule is pending before it.

Petronas pitches \$1b offshore gas project stake to oil firms

REUTERS, Singapore

Malaysia's Petronas has pitched an estimated \$1 billion stake in a prized upstream local gas project to potential bidders including Royal Dutch Shell, ExxonMobil Corp, Thailand's PTT Exploration and Production and Japanese firms, sources familiar with the matter said.

If successful, the deal could mark Petronas' biggest upstream stake sale since oil prices started declining more than two years ago. Petronas is targeting lowering operating expenses, job cuts and project rollbacks to help it navigate through the low oil price environment.

Cybertheft attempt on Indian bank resembles Bangladesh heist

WALL STREET JOURNAL

CYBERTHIEVES who attempted to steal \$170 million from an Indian bank last July used methods that strongly resemble those of an earlier, successful \$81 million heist targeting Bangladesh's central bank, according to people familiar with the matter.

The similarities between the Indian and Bangladeshi hacks underscore concerns about a rash of cyberattacks in recent months on financial institutions around the world, including banks in the U.S., Mexico, Poland and the U.K. Some of these hacks have been linked to groups affiliated with North Korea, cybersecurity specialists said earlier this year.

State-owned Union Bank of India Ltd's computer system was infected with malware that allowed thieves to authorise the transfer of around \$170 million from the bank's account in New York to private accounts in five locations, people familiar with the matter said. Fast detection by bankers allowed the Indian lender to prevent the money's release.

Investigators studying the Indian hack said similar tactics and coding were used by computer criminals who attempted to steal nearly \$1 billion from Bangladesh's account at the Federal Reserve Bank of New York in February of last year. Many orders had been filled with misspellings and formatting errors, and the Fed blocked some of the withdrawal—but the thieves were able to move about \$81 million to accounts in the Philippines.

U.S. prosecutors are building cases that would accuse North Korea of directing the Bangladeshi attack. North Korea's mission to the United Nations didn't respond to requests for comment.

This account of the Union Bank of India hack is based on interviews with Arun Tiwari, the bank's chairman, and several other people familiar with the incident.

The attack on Union Bank began in late July last year when an employee opened an attachment on an email that appeared to have come from India's central bank, Tiwari said. That action activated a piece of malware that allowed the hackers to steal Union Bank's access codes for the international messaging system banks use to authorise cross-border transactions, known as the Society for Worldwide Interbank Financial Telecommunication, or Swift.

The hackers then used those codes to send authentic-looking instructions to a Union Bank account at Citigroup Inc. in New York, which handles processing of wire transfers and clears dollar transactions. The instructions ordered around

\$170 million to be sent to accounts in Thailand, Cambodia, Australia, Hong Kong and Taiwan.

The money went to several shell companies associated with Asian—in particular Chinese—organised crime syndicates, according to a person familiar with the matter.

The cybercriminals behind the Bangladesh heist similarly stole bank codes to place fake transfer orders. Swift in November said banks using its network had sustained fresh attacks from hackers since the Bangladesh heist. Swift declined to comment on whether Union Bank of India was one of those banks, although Tiwari said Swift officials have been working with Union Bank since the day of the hack.

Swift generally creates two reports per transaction: one sent to the originating bank, in this case, Union Bank, and another to the so-called correspondent bank handling the overseas transactions, which was Citigroup. The correspondent bank then forwards its report to the originating bank the next day, so it can cross-check the transactions.

On July 21, an employee in Union Bank's treasury department who was comparing the reports found that Citigroup had executed six transactions that Union Bank hadn't intended to authorise. He notified senior executives of the mismatch, and the bank immediately began trying to get the money back.

"This [office] was a war room that day," Tiwari said.

Union Bank recovered the money sent to Thailand, Cambodia, and Australia—more than half of the total—within 24 hours. It got a court order in Hong Kong to retrieve the rest of the funds, and had gotten all of its money back by July 24.

Employees on Citigroup's cybersecurity team observed similarities in how the malware behaved in the Union Bank attack and that used in the attack on Bangladesh's central bank. Citigroup is an intermediary bank for the New York Fed, which gives it visibility into certain transactions.

Ernst & Young LLP, which was hired by Union Bank to investigate the hack and its aftermath, also concluded it had been executed similarly to the attack on the Bangladesh central bank, according to Tiwari. In both cases the malware reached the target banks by emails addressed to employees, and took control of Swift functions at the originating bank, a person familiar with the attack said.

Both hacks also disabled computer systems that create automatic logs of the transactions, another person familiar with the matter said.

In the Trump era, one US Muslim investor tries a louder voice

REUTERS, Boston

SHAREHOLDER activism is rare in Islamic finance, but one wealth manager has staked out new territory as the most outspoken voice among Muslim investors in the United States.

Working from an office in Falls Church, Virginia, Bashar Qasem was the only Islamic financial representative among religious shareholder advocates who sent a letter in February to protest US President Donald Trump's travel ban. It was only one of a number of such moves since 2015, when Qasem's Azzad Asset Management firm started weighing in on issues like worker safety, climate change and lobbying disclosures.

This direct advocacy will test whether many US Muslim investors will support the sort of faith-based shareholder activism common among other religious groups even as many cite safety concerns or have experienced bullying.

Qasem said his clients seemed to welcome his growing public role. Most are Muslim, and about half are immigrants.

"Most of them, they feel it's about time," said Qasem, who grew up in Jordan, moved to the United States in 1987 and became a citizen in 1996.

So far Qasem's strategy appears to be helping to differentiate his firm at a time when the popularity of cheaper index-tracking products is rising.

Azzad's assets increased 11 percent in 2016 to \$487 million at year-end. Growth included \$5.7 million into the firm's mutual funds, the third consecutive year of inflows.

By contrast, the Amana family of mutual funds, which Morningstar says is the largest in US Islamic finance at \$2.9 billion of assets, has had three years of investor withdrawals, which it blames partly on the rise of passively managed products.

Laila El-Haddad, who writes about food and Palestinian politics, said Qasem's outspokenness helped draw her to his firm. "Given the choices between two Islamic investment companies,"



REUTERS/FILE

Activist investor Bashar Qasem, left, president and CEO of Azzad Asset Management Inc, greets a client during a conference in Huntington Beach, California.

she said, "we would definitely opt for the one taking this approach."

Funds involved in Islamic finance are sometimes classified as "Sharia-compliant," or adhering to religious precepts such as avoiding investments in alcoholic beverage companies and businesses making or receiving interest payments.

Qasem said he preferred the term "Halal investing," referring to the Arabic word for "permitted" investments. Islamic finance assets stood at \$2 trillion worldwide in 2015, up from \$1.7 trillion in 2012, according to the latest Thomson Reuters data.

The much smaller \$4.6 billion US Islamic finance sector, however, has grown little in recent years. Only a few institutions, mostly community banks, have significant Islamic lending practices. Ibrahim Warde, an adjunct professor at Tufts University's Fletcher School, said the slow growth reflected both US regulations that make some Islamic products difficult to offer and

some Muslim financial executives' desire to avoid drawing attention, given the public mood.

"There's this question of keeping a low profile," he said.

Sheraz Iftikhar, managing partner of New York wealth manager Arch Global Advisors, said his clients, who are mainly Muslim, had not changed their investment strategies lately. "It's too early to see a change in Muslim investor sentiment," said Iftikhar.

Typical of Qasem's recent efforts is a measure that Azzad co-filed in January, calling on Google parent Alphabet Inc to adopt "Holy Land Principles" that would lead US companies doing business in Israel to hire more Palestinian Arabs.

Azzad spokesman Joshua Brockwell said Alphabet told the firm it would hold a vote on the measure at its annual meeting.

Azzad has also co-filed a shareholder resolution calling on Exxon Mobil Corp to disclose more about its spending on lob-

bing. Brockwell said the oil company would probably oppose the measure, as it did last year.

Spokesmen for Alphabet and Exxon declined to comment.

In addition, Qasem signed on to a Feb. 1 letter from the Interfaith Center on Corporate Responsibility and other groups, urging business leaders to use an upcoming meeting with Trump to speak out against his ban on travelers from a number of Muslim-majority nations. Courts have since blocked the restrictions, and the US Justice Department has appealed the rulings.

While the ban jarred Qasem and some of his clients, he expressed optimism about US economic growth prospects, given Trump's agenda of tax cuts and infrastructure investments. Higher interest rates could also help Azzad's holdings in low-debt companies, he said.

"After all," Qasem said of Trump, "he's a businessman."