MasterCard: in a contest with cash

MD FAZLUR RAHMAN

MASTERCARD, one of the leading payment networks in the world, seeks to grow exponentially in Bangladesh, riding on the country's fast march towards digitisation, said a top official.

The opportunities are aplenty in Bangladesh because 99 percent of the transactions happen through cash; only the tiny 1 percent takes place electronically, according to Porush Singh, the division president for South Asia at MasterCard.

"As long as there is cash, I am excited," said Singh, who was in Dhaka recently to meet with MasterCard's customers that include card issuing banks and merchant partners.

In fact, Bangladesh is an important market for the electronic payment industry: due to being relatively untapped, it presents opportunities for testing innovative payment services, particularly through mobile phones.

"So, if you can embed safety and security systems on the devices then you are able to create solutions for the future," he told The Daily Star in an interview.

Any cash-intensive market would eventually move to digital payments, said Singh, also MasterCard's country corporate officer for India.

"The disruption will happen."

This is largely true for Bangladesh because the market has very high mobile connectivity and internet penetration rates.

"So, getting the right kind of consumer experience is a matter of time. We have already seen some of the trends happening."

Consumer experience is driving changes across the world, said Singh, who joined MasterCard in 2005 after stints at First Gulf Bank, American Express, ANZ Grindlays and Standard Chartered.

Everybody has to think carefully in a digitally connected world about what to do to provide the right kind of consumer experience or merchant experience in a very safe and secure manner.

The 54-year-old said Bangladesh has been a very good market for MasterCard, which does not give out country-specific

Porush Singh

numbers like cards in circulation, growth, earnings and net profits.

"All I can say is that we are doing very well in the market. The opportunities are high across all the different verticals."

MasterCard started its journey in Bangladesh in 1997 and in November 2013 the American multinational financial services corporation opened its office in anticipation of huge growth in the country's payments and e-commerce markets.

Creating the right solutions in a digital world and solving customers' problems will only happen when the company is in front of customers, Singh said.

"The local presence is helping create new solutions."

Singh thinks the government is definitely very interested in driving digital payments in Bangladesh.

The company is also investing heavily in financial inclusion.

In 2015, MasterCard rolled out an initiative to bring 500 million people under the proper banking umbrella by 2020.

More than 300 million people have already been brought under the financial network in the 56 countries that the company operates in.

And Bangladesh is a significant contributor to the milestone, according to Syed Mohammad Kamal, country manager of MasterCard in Bangladesh.

There are no exact published numbers on debit and credit cards in Bangladesh. But the central bank has indicated that there are 10 million debit cardholders and 1 million credit cardholders in Bangladesh, he said.

While the number is still too small, it will only grow substantially because the country has got the mobile and internet connections it needs, Singh said.

More and more areas are getting enabled for electronic payments and more people are going to be a part of the ecosystem.

Data from various countries show that electronic payments are in fact cheaper, Singh said. More importantly, they help increase volumes and sales and create a better taxation system and also reduce crime.

"Let's face it. All crimes and bad things in the world are driven by cash. That's the reality."

He said Bangladesh's GDP growth is excellent and it is one of the few countries that have such kind of high economic growth.

He is optimistic about MasterCard's business prospects in Bangladesh, as GDP growth translates into personal expenditure and business-to-business payments growth.

Digitising those will lead to a digital economy, he said.

"That's why we are excited about partnering with the country's digitalisation drive. We believe we can be a very credible partner by bringing in technology solutions and achieving the Digital Bangladesh vision."

He said the country needs to invest in infrastructure to sustain the growth in the future. To do so, it requires money.

"That's why you need to have an efficient and electronic payment system that goes well beyond just payments, which will help both direct and indirect taxation and generate more revenues."

There are 34,000 point of sale machines across the country and all of them accept MasterCard.

Singh said he believes that at the end of the day MasterCard's competition does not lie in the market share, credit cards or debit cards.

"Our competition is with cash. Every time somebody uses cash that is our competition."

MasterCard Bangladesh has recently signed an agreement with the Prime Minister's Office on disbursing subsidies digitally.

The government has more than 147 social safety net programmes involving more than $4 billion. Gradually, each of the programmes would come under the digitalising initiative, according to Kamal.

Last month, Bank Asia and MasterCard launched 'Shadhin' card, the first-ever freelancer card in Bangladesh.

The card will enable freelancers to legally receive their income directly from international employers in a safe and secured environment.

"The partnership with Bank Asia reiterates our commitment to build a world beyond cash. We believe that these benefits and features will go a long way in diversifying our product portfolio and tailoring our products and services to the needs of our valuable customers," Kamal added.

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Sovereign investors to cut US exposure, eye trade wars

REUTERS, London

The number of sovereign investors planning to underweight US assets in the next 12 months has jumped to 43 percent, a survey showed, with almost a third citing trade wars and increased protectionism as the biggest tail risk.

The shift in sentiment in the poll, conducted by the US-based Sovereign Wealth Fund Institute in February, reflects a turbulent month in global stock markets and moves by US President Donald Trump to slap tariffs on a variety of imports.

The survey, which covered 25 pension funds, sovereign wealth funds and other public asset owners with an estimated $1.21 trillion in assets, showed those planning to underweight US exposure in the next 12 months had leapt from 25 percent in the December survey.

Meanwhile, the percentage of investors planning to overweight the US slumped to 8.7 percent from 20.8 percent. Around a third also said they planned to underweight passively-managed global equities, up from just 14.3 percent in December.

The reduction in risk appetite follows a rollercoaster ride for global equities in February after US wage growth numbers sparked fears the Federal Reserve was behind the curve and would need to raise interest rates more quickly than expected. Both the S&P 500 and the Dow Jones suffered their biggest percentage drops since August 2011 in early February, and ended the month down around 4 percent.

The survey, sent to media late on Tuesday, also revealed a notable shift in investor thinking on the biggest tail risk, with trade wars and increased protectionism leapfrogging a stock market bubble into pole position. Seven respondents chose trade wars in the February poll, up from just three in the previous quarter.

Trump has repeatedly rattled the sabre on trade over the past month, introducing measures against imported washing machines and solar panels. In early March he turned up the heat, threatening hefty tariffs on steel and aluminium imports.

The moves triggered another equity market sell off as investors fretted about retaliation from exporting countries.

Not surprisingly given the spike in volatility in February, there was an increase in the number of asset owners saying they planned to overweight cash in the next 12 months, to almost 50 percent, up from 41.7 percent in the previous quarter.

PNB CEO Sunil Mehta meets serious fraud office amid probe into $2b scam


REUTERS

Sunil Mehta, managing director and CEO of Punjab National Bank, arrives at the Serious Fraud Investigation Office amid a widening probe into a $2 billion fraud, in Mumbai yesterday.

REUTERS, Mumbai

THE chief executive of India's Punjab National Bank (PNB) met officials of the serious fraud office on Wednesday, as authorities widened a probe into a $2 billion fraud that has been billed as the country's biggest banking scam.

Sunil Mehta's appearance before the Serious Fraud Investigation Office (SFIO) follows its meeting with executives of at least two other banks on Tuesday.

PNB did not immediately respond to a request for comment on the SFIO probe.

In the fraud at PNB which was first disclosed by the bank in February, the lender and police have accused some bank employees of colluding with two jeweller groups which raised credit from overseas banks based on fraudulent guarantees issued by rogue PNB staff.

Police have also so far arrested 19 people including eight of PNB's current and former employees, along with executives from jeweller Nirav Modi and his uncle Mehul Choksi's companies.

Executives from private sector lenders ICICI Bank and Axis Bank met with the SFIO on Tuesday, according to sources with direct knowledge of the matter.

In a statement to the stock exchange late on Tuesday, Axis said the SFIO had sought information from it on the accounts of Nirav Modi and Choksi's Gitanjali group of companies.

ICICI Bank also told the stock exchange on Tuesday its executives continue to "engage actively and provide requisite inputs" to investigative authorities, without commenting on Tuesday's meeting.

Indian authorities including the Central Bureau of Investigation and the Enforcement Directorate have conducted extensive searches and questioned people in connection with the PNB fraud.

Both Choksi and Modi have denied the allegations and lawyers for the two key accused PNB employees in the case have also said they are innocent.

A source and documents reviewed by Reuters on Tuesday showed the amount involved in the fraud is likely to rise beyond the $2 billion mark.

Shares in Punjab National Bank fell as much as 3.9 percent on Wednesday, tumbling for a fourth straight session. PNB has lost more than 40 percent of its market capitalisation since disclosing the fraud last month.

Japan to punish several cryptocurrency exchanges

REUTERS, Tokyo

JAPAN'S financial regulator will this week slap several cryptocurrency exchanges with administrative punishment notices and is considering forcing some to suspend their business, the Nikkei business daily reported on Wednesday.

The Financial Services Agency may also fell Coincheck Inc - the exchange targeted by hackers in a $530 million theft of digital money in January - to raise its standards, in what would be the second such order to the exchange, the Nikkei said.

The FSA will mete out the punishments after uncovering flaws in customer protection and anti-money laundering measures during on-site checks at the exchanges, the Nikkei said, without citing the source of the information or specifying what the punishments would entail.

It did not specify which exchanges would be targeted.

The FSA was not available for comment outside business hours. Coincheck did not immediately respond to an emailed request for comment. The Coincheck heist, one of the largest of digital money ever, underscored the risks of trading an asset with which policymakers across the globe are grappling with, and drew focus on Japan's system of regulating the exchanges.

Last year, Japan became the world's first country to regulate cryptocurrency exchanges at the national level. Some 16 exchanges are registered with the authorities, while a further 16 - including Coincheck - were allowed to continue operating while regulators assessed their applications.

The regulator will order some of the unregistered exchanges to suspend their business, and is looking closely at the sustainability of their operations, the Nikkei said. The FSA said after the Coincheck heist it would investigate all Japan's cryptocurrency exchanges for security gaps, ordering them to submit reports on their system risk management and storage of cryptocurrencies.

After the cyber heist the FSA ordered Coincheck to bolster its security systems. The second improvement order will focus on customer protection, the Nikkei said, with the FSA monitoring progress of compensating investors affected by the hack.

The exchange has promised to repay about 46.3 billion yen ($425 million) of the cryptocurrency it lost in the theft. Last month it said it has sufficient funds to make the repayments, but declined to specify when it would repay investors affected.

REUTERS/FILE

Journalists are seen next to cryptocurrency exchange Coincheck's signboard in Tokyo.

EU offers Britain trade deal with limited access for banks

REUTERS, Brussels

THE European Union on Wednesday offered Britain a free trade agreement for their post-Brexit relationship, a draft text showed, outlining a much more limited cooperation than London had called for.

A draft joint position from the remaining 27 EU members, seen by Reuters ahead of its official publication later on Wednesday, said the bloc was determined to foster a close partnership with Britain.

"At the same time... being outside the Customs Union and the Single Market will inevitably lead to frictions... This unfortunately will have negative economic consequences," it read.

Crucially, the bloc said Britain would be treated like any other third country in respect of financial services - which London had pressed to be included in a future free-trade deal.

The text said Britain's financial firms would only be allowed to operate in continental Europe "under host state rules" and be treated according to "the fact that the UK will become a third country and the Union and the UK will no longer share a common regulatory, supervisory, enforcement and judiciary framework."

Financial services is the only area in which Britain has a trade surplus with the EU, making it very keen to preserve its banks' current access to continental Europe. British finance minister Philip Hammond was due to tell the EU on Wednesday that it must allow that sector to be part of a post-Brexit deal.

But the draft EU guidelines, which will be worked on by EU diplomats to be approved by the bloc's 27 national leaders in late March, spell out clear limits to this approach. "Such an agreement cannot offer the same benefits as Membership and cannot amount to participation in the Single Market or parts thereof," the text read.

"The European Council further reiterates that the Union will preserve its autonomy as regards its decision-making, which excludes participation of the United Kingdom as a third-country to EU Institutions, agencies or bodies. The role of the Court of Justice of the European Union will also be fully respected."