

# THE PROFESSIONAL BANKER

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## Editorial

There has never been a time in Sri Lanka when newspapers and electronic media have been so full of stories of acts of dishonesty, most of which are serious violations of the laws of the land. No person of whatever political persuasion can dismiss them or seek to explain them or ignore them. We as bankers must hope that when these horrible wrongs are finally investigated and dealt with, there will not be any financial institution or professional employee who is tainted by being guiltily involved in any such act.

Cynics may well say that this kind of corruption in public life is not a purely local phenomenon, that in developing countries as well as in the most developed countries, such acts and activities are rampant. Political and economic scandals continue to occur in countries all over the world, with many exceptional cases but these do not create sensational news. Here again, we know that big (too big to fail!) banks and other financial institutions have been guilty of massive wrong-doing, in spite of there being global regulatory bodies of great sophistication and a keenly observant free press.

It is because those who wield authority--political, economic or business--do not always observe rules of common morality that codes of ethics and regulatory rules are formulated, and legislation is enacted. It is the traditional morality that informs most ethics and rules of professional conduct. But the sad reality is that the cunning of human actors combined with the new technologies can and do exploit loopholes in any regulatory framework to enrich themselves at the expense of the community.

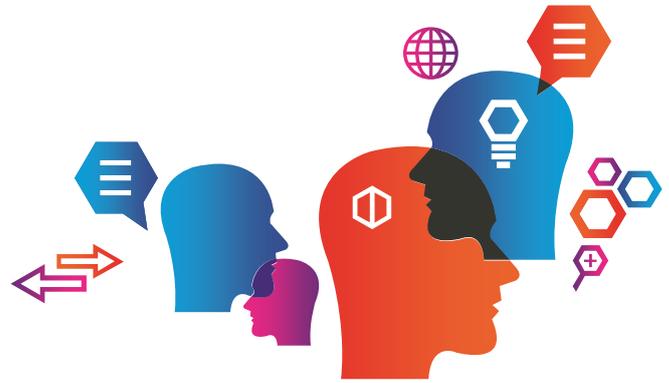
Yes, it is important, nay vital, to ensure that the anti-corruption laws already in place are implemented and enforced without fear or favor. It is equally important to create a legal and social culture which inhibits and prevents corruption. Professionals of all types including bankers have a duty to endeavor to usher in an era in which the moral sense of the people acts as a preventive force against dishonesty in public life.

**Shashi Kandambi Jassim**

**Chairperson**

**Publications Committee**

# PRESIDENT'S CORNER



Dear Members,

**It's** with pleasure that I contribute this message in the beginning of 2015 to our first ever e-newsletter. Looking back, year 2014 marked perhaps most significant achievements, initiatives in the history of APB.

We organized a highly acclaimed Annual Convention on the theme "Reshaping Banking for Changing Times" in mid-October. The feedback received from the participants was exemplary and it set a benchmark for future Conventions. The Convention Publication with 26 valuable articles is available at the APB office for collection.

The Chairman of Research Development and Education Committee and Vice President Mr Senarath Bandara and his team organized several evening presentations as listed below:

## SEMINARS, EVENING DISCUSSIONS IN

February 25

Financial Sector Consolidation by Mr. C.J.P. Siriwardena, Assistant Governor, CBSL

March 10

Sivagananathan Memorial Lecture on "To become an Effective CEO" by Mr. Ranjit Fernando, former Director/CEO of NDB

March 20

"Essential Negotiation Skills" by Dr Errol Wirasinghe, B.Sc., Ph.D., C.Eng., M.I.Mech.E., Mem. ASME

April 28

"Too Small to Succeed" by Mr. Keith Pogson, Senior Partner, Financial Services-Asia Pacific, E&Y followed by a Panel Discussion. Other members of the panel were Mr. Ananda Silva, Deputy Governor, CBSL, Mr. Jonathan Alles, CEO, HNB, Mr. Asitha Talwatte & Mr. Arjuna Herath, Partners of E&Y, Mr. Piyal Hennayake, President-APB

May 29

"Managing Innovation: Harnessing the Power of Finance" by Mr. Charles Tilley, FCMA, CGMA, Chief Executive, CIMA UK. Jointly organized by APB and CIMA Sri Lanka

September 09

"Financial Inclusion in Sri Lanka" by Dr. Saman Kelegama, the Executive Director of the Institute of Policy Studies of Sri Lanka

November 05

Post Budget 2015 Seminar and a Panel Discussion by Mr. Amal Sandaratne, CEO/Director, Frontier Research, Mr. Sujeewa Mudalige, Partner, PWC & Past President ICASL and Mr. Sunil de Silva, Senior Deputy General Manager, Seylan Bank





Our efforts to get the APB incorporated through an Act of Parliament saw very slow progress. We have continuously monitored its passage. It was held up at the Finance Ministry for quite a while and they forwarded it with few amendments to the Legal Draftsman's Office on 18th December.

Mr Aravinda Perera, IPP followed up its progress at Legal Draftsman Office. It has now come back to the Finance Ministry with the approval of the Legal Draftsman. It has to be now forwarded to the Attorney General's Department. It is pertinent that we get it listed in the order book in Parliament and get it passed prior to dissolution of Parliament. If not we will have to start the process from the beginning.

It is my belief that APB shall provide improved service and enhanced benefits to members and other stakeholders. We have decided improvements through enhanced use of ICT. After evaluating several options a contract was awarded to Sampath IT to develop a Membership Management System (MMS). The Taskforce appointed by me after the AGM chaired by Ms Manohari Gunawardhana, Secretary General with the able assistance of Aruna Fernando as the Secretary work tirelessly to make this a reality.

The Membership & Social Committee headed by Mr Thilak Abeysinghe organized a very successful Members' get-together on 19th February.

We felicitated Past President **Mr Buwanakebahu Perera** at this function with Honorary Life membership.



We have planned the following events; the AGM is scheduled for 11th March.

- Sivagananathan Memorial Lecture on 10th March
- The AGM on 11th March
- Interbank 6 a side Cricket Tournament

I look forward to your support in organizing these events and your active participation.

While wishing our members and their families a bright and prosperous 2015, I invite your cooperation to make APB a vibrant organization.

**PIYAL HENNAYAKE**  
**PRESIDENT**  
**ASSOCIATION OF PROFESSIONAL BANKERS SRI LANKA**



# THE ANNIVERSARY CONVENTION

The anniversary convention, a mega event held every year is a much looked forward to event in the APB calendar.

The last convention to mark the 26th anniversary of APB was held on 16th, and 17th October 2014. The convention is held over two days. The inaugural sessions and technical sessions are held respectively on the first and the second day.

The technical sessions included panel discussions which were most beneficial and valuable to the participants. The panalists were eminent personalities holding keys positions in renowned organizations.

Over 300 participants attended the convention each year.

Holding the anniversary convention to mark an anniversary of APB commenced in 1999 although the APB was formed in 1988.

Each year a fitting convention them is identified after much deliberation, taking into consideration suggestions of the membership and the prevalent issues of the banking industry.

“Reshaping Banking for Changing Times” was the theme of the last Convention.

In an environment of rapid change due to un-paralleled technology developments, customers preferring to do their banking from home or office, non-bank players such as TELCOs and Super Markets providing services traditionally provided by banks, social media becoming a way of life of the young people, strong regulatory requirements inhibiting banks’ flexibility and staff needing different a set of skills to be effective in the new environment. This theme was deemed most appropriate.

A convention volume is also released at this event comprising valuable articles contributed by eminent personalities.

26 articles listed below

## Mr. W A Wijewardena

The changing landscape of Retail Banking: Challenge now—adapt or perish.

## Dr. Saman Kelegama

Will the Brics Bank & Fund and SAARC Development Bank boost Global South?

## Dr. Ajantha S Dharmasiri

Whither Strategic Orientation? A study of HR Professionals in commercial banks in South Asia

## Dr. S H A M Abeyratne

Importance of Consolidation on Financial System Stability

## Dr. Arul Sivagananathan

Building coalitions amongst competitors through shared services

## Prof. Kennady D Gunawardena

Women participation in Senior Management positions in licensed commercial bank in Sri Lanka

## Mr. Deshal De Mel

Growth without consumption

## Mr. Suren Rajakarier

Fintech and the Hype

## Ms. Mohini Seneviratne

Managing reputation in a digital world

## Mr. Trevor Mendis

Change is inevitable. Are banks ready?

## Mr. Nimal Hapuarachchy

Changing role of the Bank Manager – Survival of the fittest

## Mr. Parama Dharmawardena

Trade Agreements – A wining strategy for growing Sri Lanka's exports

## Ms. Manohari Gunawardena

Reshaping banking for changing times

## Ms. Viruli De Silva

Strategic Resourcing : Competitive people advantage for banks in changing paradigms

## Mr. Aruna Fernando

Managing Credit Risk in changing times

## Mr. E P A Sisira Kumara

Dawning of a new era of empowerment a key success factor of service quality in banking in Sri Lanka

## Mr. Harsha Munasinghe

Empowering and enriching banking customers through sustainable corporate social responsibility led community investment

## Mr. Naleen Edirisinghe

Cost restructuring programs, the best approach for Banks to unmark hidden expenses to face future market realities

## Mr. Champal de Costa

In search of an entrepreneurial culture : A step towards reshaping banking for changing times

## Ms. Thilini Sumudu Kumari

Reshaping the Risk Management on trading book of banks : An examination of current practices

## Mr. Jagath Gamanayake

3C – Forces shaping banking for changing times

## Mr. Thejaka Perera

Bit coins and the Crypto Currencies: Monetary challenge from the cyberspace

## Mr. Chundika Ariyawansa

Re-shaping banking through social media in Sri Lanka –Important lessons to learn from other countries

## Ms. Sunari Dandeniya

Expanding financial services frontier and mobile banking in Sri Lanka

## Mr. Kasun Dilshan Wijayaratne

Facing Cyber War : Re-shaping banking for changing times

## Mr. Bhanu Wijayaratne

Governance, Regulatory Compliance & Financial System : Reshaping banking for changing times



# OTHER EVENTS

In addition to the annual convention various other activities were also conducted.



## EVENING LECTURES :

Several evening lectures on key topics of much relevance were delivered by eminent personalities in Sri Lanka and abroad.



## BANK REPRESENTATIVES :

A social was organized inviting the Bank representatives to meet the Council members at which they were briefed by the President on the role expected of them and the valuable contribution they could make to achieve the key objectives of the APB.



## APB MEMBERS DAY :

APB Members Day was held in 2014 as a “SING ALONG SESSION”, actively participated and thoroughly enjoyed by the members.

Early this year (2015), the Membership & Social Committee headed by Mr Thilak Abeysinghe organized a very successful members’ get-together on 19th February. At this function Past President Mr Buwanakebahu Perera was conferred with the Honorary Life membership for his outstanding contribution to the APB.



## FELICITATION

In keeping with our practice of recognizing members outstanding achievements, a function was held on board the boat at Cinnamon Lake Hotel to recognize the achievements of three of our members who took up positions as CEOs of Banks.

## Points from Evening Lectures held in 2014/15

APB strives to create an environment for its members and the banking community to learn new trends in the financial industry and listen to the views of experts. Hence the Research Development & Education Committee (RDEC) organizes several evening lectures where our members can listen to eminent speakers, both local and foreign and participate in the intellectual discussions that follow.

Mr. Charles Tilley, Chief executive of CIMA-UK spoke on **“Managing Innovation: harnessing the power of finance”** in May 2014 where he gave a check list for financial professionals to adopt throughout the innovation lifecycle in organizations. The check list is summarized below.

### Create an innovation-centric mindset.

- Ensure your CFO is actively engaged with the business and helping to drive innovation
- Consider how your company’s financial management processes – including reporting cycles, remuneration and KPIs – can be structured to support innovation and not hinder it
- Structure your incentives and performance measures to reward innovation and promote an appropriate risk appetite
- Consider adopting a portfolio approach to innovation, combining organic innovation with openness to external ideas



### **Respect and nurture the innovation process.**

- Understand where good ideas come from in your organization, and how finance can help that process
- Learn to balance good financial management and discipline with the uncertainties inherent in innovation
- Encourage finance professionals to move around the business and gain exposure to the innovation process
- Balance the freedom to experiment with the right checks and balances once the innovation has reached an appropriate stage

### **Help your business to plan the path to profits.**

- See that you have the tools to model the impact of a product or idea in various markets and against a range of scenarios
- Understand your wider organizational strategy and where your company gains its competitive advantage
- Embed financial professionals in the innovation process to help build the business case for upcoming ideas
- Proactively advise on different options for funding business proposals

### **Apply the right metrics at the right stage of development.**

- Consider using an appropriate stage gate process to allocate budgets, targets and metrics on a phased basis.
- Help quantify and assess the results, success and failure of innovation across the organization.
- Incorporate a blend of quantitative and qualitative measures to help assess the progress of ideas through your innovation funnel.

### **Take a balanced view on innovation risk.**

- Ensure that your risk appetite is reinforced by the Company's governance structure, risk and reward structure and reporting cycles.
- Ensure that your risk strategy helps identify innovation opportunities as well as threats.
- Consider the soft risks of not innovating, as well as the hard risks of innovating.
- Consider adopting a portfolio approach to risk, balancing more and less risky innovations over various timescales.

**Senarath Bandara**

**Chairman**

Research Development & Education Committee (RDEC)



# How 'Green' is your bank?

**Viruli de Silva, MBA (USJ- PIM), AIB (Sri Lanka)**

Former Director Studies, Institute of Bankers of Sri Lanka & Council Member, APB

## **Introduction :**

Have you ever tried to find out how 'green' is your bank ? What do you mean by 'green' ? This term is used as an adjective and a noun in the normal context of our usage. Thus, the term green has many meanings. However, mostly it indicates something relevant to the nature or the natural environment. Hence, 'green banking' could be defined as 'the banking initiatives promoting environment-friendly, green practices that reduce carbon footprint from their regular banking activities'.

Why is it important to be green ? Because, the environmentally harmful or destructive nature of organizations' activities and outcomes have challenged the biodiversity and ecosystem integrity of the nature, thus contributing to the current environmental issues, globally. Hence, to promote green initiatives in work processes and remain 'green' is a vital Corporate Social Responsibility of the corporate citizen. Therefore, the banking industry could play a major role in this regard.

## **Green Banking initiatives in the modern banking industry**

Many modern banks, locally and globally, are making dedicated, genuine efforts to promote different forms of eco-friendly green banking initiatives in their day-to-day activities. Is your bank one of them, or a 'green bank' ? Following are few green initiatives from the modern local and global banking industry.

- Using online banking - clients access account through internet, instead of visiting the bank
- Payment of utility bills etc. via online banking
- Cash/cheque receipt and payment transactions, cheque book requests etc. through ATMs
- Telephone banking/Mobile banking/ SMS banking, instead of branch banking
- Automated Clearing system and SLIPS transfers, which allow paperless banking transactions
- E-mail correspondence, instead of traditional, postal correspondence practices
- E-statements, SMS banking alerts, E-fund transfer
- Digital filing systems with a digital archived and digital index query system
- Video conferencing instead of face-to-face meetings
- Green checking (converting checking accounts to online banking)
- Green Money Market Accounts (converting savings account to online banking)
- Green Loans (bonus/special rates for energy-efficiency projects)
- Green mortgages ( better interest rates and terms for energy-efficient houses/buildings)
- Green CDs (bonus rates for online banking)
- Ethical banking
- Green Credit Cards with easy settlement schemes
- Remote deposits, express cash systems for easy domestic fund transfers
- Easy online payment gateway service for dollar deposits
- Use of more daylight, instead of electricity
- Installation of solar power facilities for branches where appropriate

Green or greening is for our survival and growth. It is possible not only to make organizations green, but also to make each individual/employee green. How 'green' is your bank ? is the initial question. Answer to this vital question would give you many valuable, managerial insights on green banking initiatives and would also indicate the level of contribution of your bank to the global environmental sustainability.



# Defining HRM for Sri Lanka

**Dr. Ajantha S. Dharmasiri-**

Acting Director of the Postgraduate Institute of Management, Adjunct Professor in the Division of Management and Entrepreneurship, Price College of Business, University of Oklahoma, USA.

There is a growing awareness and enthusiasm on people management in Sri Lankan organizations. This is evident by the increasing number of activities related to Human Resource Management (HRM) in many fronts taking place in the island. Yet, we have a long way to go in unleashing the true potential of our productive workforce, in the wake of a post-war economic expansion and development drive. One key element in such an endeavor is to have clarity as to what HRM is really all about.

We can see hundreds of different ways of describing HRM. Some are over simplistic whilst some others are highly scholastic. What could be the best way to approach HRM in defining it in relation to local needs? A think tank from the Institute of Personnel Management (IPM) took the initiative of developing a suitable definition of HRM for Sri Lanka. This move is very significant as IPM is the pioneering and premier HR institute in Sri Lanka, moving towards a Charter status.

Our approach was specific and straightforward. We looked at what is available in terms of HRM definitions, identified key salient points in those and listed them and brainstormed their relevance to Sri Lanka. That was one aspect. On the other hand, we also brainstormed how to accommodate the socio-cultural and religio-political dimensions influencing management practices in Sri Lanka. Our aim was to find the best fit.

Based on the brainstorming we had as a team and feedback obtained from professionals and professors, the following definition emerged.

**A strategic and integrated approach in acquisition, development and engagement of talent, using relevant tools, with proper policies, practices and processes in creating a conducive climate towards achieving organizational excellence and societal well-being (IPM, 2014).**

What we meant by strategic is working towards achieving overall goals and specific objectives of the organization. It is essentially aligning with the broad organizational priorities. It highlights the strategic significance of HRM and the holistic role it should play.

Talent refers to three Cs going in line with Ulrich (2009). namely, competence, commitment and contribution. He in fact puts it as an equation :

**Talent = Competence X Commitment X Contribution**

The multiplication sign in the above equation symbolizes the collaborator and combine nature of the three vital aspects. Competence essentially refers to the knowledge (head), commitment refers to action (hands) and contribution is related to values (heart).

What we do with talent occupy a significant segment of our definition. Acquisition refers to hiring (recruitment, selection and placement). Engagement means a range of aspects such as involvement, attachment and extra effort.

There is a reference to the term, relevant tools in our definition. What we meant was to incorporate testing methods, assessment techniques etc. which should be linked to the organizational requirements.

We consciously included the term Conducive Climate in our HRM definition. This means a supportive environment within the organization. HR has a critical role to play in creating such a climate. Climate refers to those aspects of the environment that are consciously perceived by organizational members. Perception is essentially an understanding based on the information obtained by senses such as eyes and ears. Hence, climate is something people see, hear and feel. That is why we see a difference when we enter a hospital, police station or a restaurant. In summary, climate is what we see and feel when we enter an organization, whereas, culture is something much deeper as bedrock.

The end result of all HR endeavors, the way we see, is having twin aspects, Organizational Excellence and Societal Well-being. What we mean by organizational excellence is its overall performance with continuous improvement. It, obviously, includes financial results, customer satisfaction, process efficiency and people development, the four perspectives of a typical balanced scorecard.

HR professionals cannot function in isolation ignoring the social realities. This is more relevant to a developing country like ours, where issues such as poverty, unemployment and ethnic tensions cannot be ignored. That's why we included Societal Well-being as a key outcome of HRM. It highlights the need to support people outside the organization and protecting the environment as well.

Defining HRM clearly was one step towards delivering sustained results. Now we need to put the acts together, in ensuring the awareness, appreciation and application among Sri Lankan HR professionals.



# Future of banking

What can banks learn from other industries to step up innovation?

## Evolution of banking

### Bank 1.0

Based on “brick & mortar” banking with basic value propositions based on deposits & lending products

### Bank 2.0

Based on a “click & mortar (Phygital)”. An omni-channel banking model driven by digital, mobile and online banking

### Bank 3.0

What would the bank of the future look like?

It's time to look beyond traditional models to accelerate one's innovation strategy

The industry may need to rely on the ecosystem of open innovation companies, startups and researchers to be more open and to access more quickly the talent that they wouldn't be able to accumulate internally.

The Industry has continually evolved from a product & service centric approach to a customer experiential platform and now swiftly moving towards a technology and virtual banking platform. As an industry the traditional models are challenged by digital disruptions, mobile money and payment innovations.

In 2008 total investments in Fin-tech was approx USD 1 b and has tripled in 2013 to USD 3 b (Source: Accenture) As the rate of change gets into a faster pace than ever before, as an industry it's time to look beyond the domain of internal teams to leverage on expertise and talent using simple eco systems like many of our global counterparts. Hence in my opinion as banks increasingly focus on core banking and have started outsourcing most other elements, perhaps it's time to outsource R&D activities to the experts and some examples come from our own industry. Barclays partnered with Techstars, a global startup accelerator in 2013 accelerating R&D and there are many more examples like this.

The key showstoppers for R&D in the industry are mainly

- Cost – A short term view on returns may simply not make projects take off the ground
- Culture of innovation – The tone at the top if conservative will not create an enabling environment for innovation

## Pharmaceutical Industry

Pharmaceutical firms globally invest billions of dollars in R&D in order to develop “blockbuster” products. There is a higher propensity to use R&D divisions of established Universities, Biotech companies apart from internal experts to accelerate innovation, a key success factor in the industry

## Automobile Industry

The continuous innovation and technological development is increasingly supported by the tier-one suppliers, a vital part of the value chain. These companies are already playing a bigger role in innovation in areas such as power train, interior design, and chassis components etc. thereby supporting to build long-term competitive advantages

**Tharanga Gunasekera**  
Head of MKT & Communications  
HSBC Sri Lanka



# JOKES

## THE CHEAP WATCH

**Customer** : "Your watches seem so cheap. Only twenty dollars! How much does it cost to make them?"

**Shopkeeper** : "They cost me twenty dollars to make them."

**Customer** : "But if it costs twenty dollars to make these watches, and you sell them for twenty dollars, where does your profit come in?"

**Shopkeeper** : "That comes from repairing them."

## SAVE FOR A RAINY DAY

A servant, who indulged in sprees during which he spent all his money, was advised by his master to save for a rainy day.

A week later, the master inquired if any saving had been accomplished.

"Oh, yes, indeed, sir," the servant responded. "But, you see, sir, it rained yesterday, and it all went."

## COLLECTING DEBTS

Schneider applied to a finance agency for a job, but he had no experience. He was so intense that the manager gave him a tough account with the promise that if he collected it, he'd get the job.

Two hours later, Schneider came back with the entire amount. "Amazing!" the manager said. "How did you do it?"

"Easy," Schneider replied. "I told him if he didn't pay up, I'd tell all his other creditors he paid us."

## A CIVIL ENGINEER, A CHEMIST AND A STOCKBROKER

A Civil Engineer, a Chemist and a Stockbroker are traveling in the countryside.

Weary, they stop at a small country inn.

"I only have two rooms, so one of you will have to sleep in the barn," the innkeeper says.

The Civil Engineer volunteers to sleep in the barn, goes outside, and the others go to bed. In a short time they're awakened by a knock. It's the engineer, who says, "There's a cow in that barn. I'm a Hindu, and it would offend my beliefs to sleep next to a sacred animal."

The Chemist says, "That's OK, I'll sleep in the barn." The others go back to bed, but soon are awakened by another knock. It's the Chemist who says, "There's a pig in that barn. I'm Jewish, and cannot sleep next to an unclean animal."

So the Stockbroker is sent to the barn. It's getting late, the others are very tired and soon fall asleep. But they're awakened by an even louder knocking. They open the door and are surprised by what they see: It's the cow and the pig!



# ANNUAL MEMBERS GET TOGETHER 2015





The views expressed by the authors in the articles published herein are personal to them and are not necessarily those of the Institutions they represent or of the Association of Professional Bankers, Sri Lanka.

## **Publications Committee**

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