ADFIMI Development Forum 2013
Managing the risks:
Lessons learned from the crisis

Conrad Hilton | Istanbul | 07 November 2013
Background

We are living in the aftermath of the biggest financial economic and financial crisis since the 1930s. Although history suggests that financial crisis occur with monotonous regularity, since 1994, the frequency of financial crises seems to have increased considerably.

The foundations of today’s system were laid down at the Bretton Woods conference in 1944 based on global trade, fixed exchange rates and domestic finance. This system excluded global financial regulation as finance was limited to domestic sources. As capital markets globalised financial and monetary instability increased. Numerous crises occurred ever since which on each occasion called for a new financial architecture to be created. The first being the breakdown of fixed exchange rate system in early 1970s which triggered the formation of an official committee to debate a successor regime to Bretton Woods, alas, without success. Crises and subsequent attempts to redesign the system continue.

Financial crises had a huge impact on the stability of the banking system and international regulatory action became necessary. A decade after the first collapse of a bank, Herstatt Bank’s collapse in 1974 Basel I came into existence. It would soon become obsolete and be replaced in 2004 with Basel II. 2007 crisis have rendered Basel II inadequate and resulted in the formation of Basel III.

ADFIMI

ADFIMI, with a mission to provide networking and solidarity among the development finance institutions in the member countries of Islamic Development Bank was established with its headquarters in Istanbul, in 1986. It organizes training programmes, workshops, conferences and forums to fulfill its mission. It has 50 members in 18 countries. In its regular annual forum, ADFIMI has decided to review the experience gained in ‘managing risks’ during the latest global financial crisis.

ADFIMI also tries to recognize contributions made by the nationals of IDB member countries in development and development finance by conferring ADFIMI’s honorary membership on such personalities. Last year, Honourable Tun Mahathir, the fourth Prime Minister of Malaysia was conferred the same for his outstanding achievements in Malaysia’s development. This year is HE Ali Babacan, Deputy Prime Minister of Turkey, will be conferred the honorary membership for his masterly conduct of the Turkish economy during the global financial crisis. He will inaugurate the Forum by a speech on ‘Tackling of Global Financial Crisis’.

THE FORUM

As all severe crises have necessitated focusing on two areas: the first, the coordination of the macroeconomic policies to come out of the crisis and, the second, the reform or redesign of international financial architecture. The forum will discuss “Limiting systemic risks through macro prudential policies” as well as issues pertaining to “redesigning the global financial system” by several experts on the subjects in two sessions.

A “macro prudential” approach recognizes the importance of general-equilibrium effects, and seeks to safeguard the financial system as a whole. In the aftermath of the crisis, there seems to be agreement among both academics and policymakers that financial regulation needs to move in a macro prudential direction.

Work at the international level to redesign the global financial system is ongoing at the G20, the Financial Stability Board (FSB), and the Basel Committee on Banking Supervision. The objective is to minimize the risk of a systemic failure and make the system more resilient.

Formed in 1999, Group of 20 (G20), emerged as the premier forum for international cooperation on economic and financial matters, is presently an important actor of the international financial architecture. The G20 members collaborate on key aspects to strengthen the international financial architecture particularly with a view to addressing those gaps and deficiencies revealed by the recent global financial crisis. In recent years, the G-20 undertook significant actions initially through its International Monetary System Working Group and subsequently through its International Financial Architecture (IFA) Working Group in order to lay the foundation for a stronger global economy and achieve a well-balanced and efficient international financial architecture to prevent the next crisis. HE Ibrahim H. Çanakçı, the Undersecretary of Treasury, in his capacity as the co-chair of the IFA working group will inform the audience on the developments in this respect.

ADFIMI with a mission to provide networking and solidarity among the development finance institutions in the member countries of Islamic Development Bank was established with its headquarters in Istanbul, in 1986. It organizes training programmes, workshops, conferences and forums to fulfill its mission. It has 50 members in 18 countries. In its regular annual forum, ADFIMI has decided to review the experience gained in ‘managing risks’ during the latest global financial crisis.

ADFIMI also tries to recognize contributions made by the nationals of IDB member countries in development and development finance by conferring ADFIMI’s honorary membership on such personalities. Last year, Honourable Tun Mahathir, the fourth Prime Minister of Malaysia was conferred the same for his outstanding achievements in Malaysia’s development. This year is HE Ali Babacan, Deputy Prime Minister of Turkey, will be conferred the honorary membership for his masterly conduct of the Turkish economy during the global financial crisis. He will inaugurate the Forum by a speech on ‘Tackling of Global Financial Crisis’.
Ali Babacan was born in Ankara in 1967. He graduated first in the Class of 1985 from the TED Ankara High School.

In 1989, he received a Bachelor of Science Degree (BS) in Industrial Engineering from the Middle East Technical University in Ankara, where he ranked first among the graduates of that year.

In 1990, he was awarded a Fulbright Scholarship and attended the Kellogg School of Management at Northwestern University in Evanston, Illinois, where he received his Master of Business Administration (MBA) in Marketing, Organizational Behavior and International Business in 1992.

From 1992 to 1994, he worked at a Chicago-based company providing financial consulting services to top executives of major banks in the United States.

Subsequently, he returned to Ankara to run his family business from 1994 until 2002.

In 2001, he became a Founding Member and Board Member of the Justice and Development Party (AK Parti), a position which he still retains.

In November 2002, he was elected to Parliament and appointed as the Minister of Treasury, a cabinet position he retained until August 2007.

In addition to his tenure as Minister of Treasury, in June 2005, Mr. Babacan was appointed as the first Chief Negotiator for Turkey’s accession negotiations with the European Union.

Between August 2007-May 2009, he served as the Minister of Foreign Affairs of the Republic of Turkey.

He has been serving as the Deputy Prime Minister for Economic and Financial Affairs since May 2009.

He is also a member of National Security Council.

Mr. Babacan is married with three children.
<table>
<thead>
<tr>
<th>Speaker</th>
<th>Time</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>08.00 – 08.40</td>
<td>Registration</td>
</tr>
<tr>
<td></td>
<td>08.40 – 08.50</td>
<td>Welcoming remarks by Mr. M. Emin Özcan, Chairman ADFIMI, Vice Chairman, Board of Directors, Vakıfbank, Turkey</td>
</tr>
<tr>
<td></td>
<td>08.50 – 09.25</td>
<td>Session 1 Theme: Limiting Systemic Risks: Macro Prudential policies; Rule Based vs Discretionary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Moderator: Mr. Ozan Cangürel, Deputy Chairman, Banking Regulation and Supervision Agency of Turkey</td>
</tr>
<tr>
<td></td>
<td>09.25 – 09.50</td>
<td>An overall evaluation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mr. Sunil Sharma, Director of IMF – Singapore Training Institute</td>
</tr>
<tr>
<td></td>
<td>09.50 – 10.10</td>
<td>Experience of Turkey</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mr. Murat Çetinkaya, Deputy Governor, Central Bank of Turkey</td>
</tr>
<tr>
<td></td>
<td>10.10 – 10.35</td>
<td>Experience of Indonesia</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dr Luky Alfirm, Vice Chairman of Fiscal Policy Agency for Macroeconomics Policy, Ministry of Finance of the Republic of Indonesia</td>
</tr>
<tr>
<td></td>
<td>10.35 – 11.00</td>
<td>A view from Islamic Finance Perspective</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Prof Datuk Rifaat Ahmed Abdel Karim, CEO, International Islamic Liquidity Management Corporation, Kuala Lumpur, Malaysia</td>
</tr>
<tr>
<td></td>
<td>11.00 – 11.15</td>
<td>Wrap up by Mr. Ozan Cangürel, Deputy Chairman, Banking Regulation and Supervision Agency of Turkey</td>
</tr>
<tr>
<td></td>
<td>11.15 – 11.30</td>
<td>Coffee Break</td>
</tr>
<tr>
<td></td>
<td>11.30 – 12.30</td>
<td>Inauguration and Keynote Address:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HE Ali Babacan, Deputy Prime Minister, Republic of Turkey</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tackling of Global Financial Crisis</td>
</tr>
<tr>
<td></td>
<td>12.30 – 12.45</td>
<td>Presentation of ADFIMI Honourary Membership to HE Ali Babacan by ADFIMI Chairman, Mr. M. Emin Özcan</td>
</tr>
<tr>
<td></td>
<td>12.45 – 15.00</td>
<td>Photo Session &amp; Lunch</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Luncheon address: “Lessons learned by public banks from the global financial crisis: the case of Halkbank”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mr. Süleyman Aslan, CEO, Halkbank, Turkey</td>
</tr>
<tr>
<td></td>
<td>15.00 – 16.00</td>
<td>IDB Group’s views</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sr. Kodeidja Malle Diallo, Director, Risk Mgmt. Department, Islamic Development Bank Group</td>
</tr>
<tr>
<td></td>
<td>16.00 – 17.00</td>
<td>Redesigning the Global Financial System</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HE İbrahim Halil Çanakcı, Undersecretary of Treasury</td>
</tr>
<tr>
<td></td>
<td>18.00 – 20.00</td>
<td>Coctail – Kanoon Recital of Ottoman Music</td>
</tr>
</tbody>
</table>
Mr. Mehmet Emin Özcan is presently the Chairman of the Board of Directors of the Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI) and Deputy Chairman of Türkiye Vakıflar Bankası T.A.O. Previously, he served as a Vice Chairman of Türkiye Halk Bankası A.S. (2010-2013) and as board member (2003-2005), as a Member of Supervisory Board of Demir-Halk Bank (Nederlands), as a Board Member of Türkiye Cumhuriyeti Ziraat Bankası AS (2005 – 2010). Mr. Özcan began his career as assistant auditor at Isbank in 1983. He served at various managerial positions with Albaraka Türk Katılım Bankası before he joined Halkbank in 2003.

Mr. Özcan holds a BA from Ankara University Faculty of Political Sciences Department of Economics & Finance.
Moderator of Session 1: Limiting Systemic Risks: Macro Prudential Policies; Rule Based vs Discretionary

He was born in Frankfurt in Germany in 1974. He is married and has two children. He was graduated from Yalova High school in 1992, then University of Ankara, Faculty of Political Sciences, Labor Economics and Industrial Relations in 1997; received his MS degree in Finance from University of Illinois, College of Business in 2008 and received his PhD in Banking from the University of Marmara Institute of Banking and Insurance in 2011.

He was assigned to “Senior Sworn Bank Auditor” position at December in Audit Department of BDDK (BRSA- Banking Regulation and Supervision Agency). He then became “Head of Group” in Audit I Department in September 2006 and was appointed as “Head of Risk Management Department” in October 2009. In 2012 he was appointed as “Vice President” of BDDK. In addition, he has since 2012 been a “Member of the Board of Directors in TBB (Bankers Association of Turkey) Risk Center”.

Sunil Sharma is the Director of the IMF-Singapore Regional Training Institute (STI) in Singapore. The STI provides training on macroeconomic and financial management, and related legal and statistical issues, to government officials from 37 countries in the Asia-Pacific region. Before relocating to Singapore in 2006, Sunil was the Chief of the IMF Institute’s Asian Division in Washington, D.C. He has also been a staff member of the IMF’s European and Research Departments, and the IMF’s Capital Markets Team.


SUNIL SHARMA

Director of IMF – Singapore Training Institute

AN OVERALL EVALUATION
MURAT ÇETÎNKAYA
Deputy Governor
Central Bank of Turkey

EXPERIENCE OF TURKEY

Born in 1976, Murat Çetinkaya is a graduate of International Relations Department of Faculty of Economic and Administrative Sciences Department of Bosphorus University as well as of the Sociology Department of the same university. He completed his master’s degree at the Institute of Social Sciences of Bosphorus University where he presently continues his PhD studies in international finance and economics. He began his banking career at Albaraka Turkish Participation Bank in the treasury and international banking fields. He continued his career at Türkiye Halk Bankası where he served as Head of International Banking and Structured Finance Department, and as Deputy CEO responsible from International Banking and Investor Relations respectively. During this period, he served in various subsidiaries of the bank, particularly as member of the Board of Directors of Halk Investment and Securities Corp. From 2008 till his appointment as Deputy Governor at The Central Bank of Turkey, he served as Deputy CEO responsible from the Treasury, International Banking and Investments Kuveytturk Participation Bank. He has, since 29 June 2012, been the Deputy Governor of the Central Bank of Turkey.

LUKY ALFIRMAN
Vice Chairman of Fiscal Policy Agency for Macroeconomics Policy, Ministry of Finance of the Republic of Indonesia

EXPERIENCE OF INDONESIA

LUKY ALFIRMAN, PhD since January 2012 has been the Director of Center for Macroeconomic Policy, Fiscal Policy Agency, Ministry of Finance of Indonesia.


He also has been a lecturer at the University of Indonesia, Faculty of Economics since 2004. He previously lectured at Departments of Economics at University of Colorado
Professor Rifaat has an international reputation as a leader and authority in the Islamic financial services industry (IFSI) at both at the professional and the academic levels. He has played a pioneering role in the development of Islamic finance. His leadership in the setting of accounting, auditing, governance, Shari’ah and regulatory standards, as well as in the development of high quality short-term financial instruments to facilitate liquidity management for Islamic financial institutions, has been highly instrumental in establishing the position of the IFSI in the mainstream of global financial services.

Professor Rifaat has served as the inaugural Secretary-General at both the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB). During his terms in office at the AAOIFI and the IFSB, Professor Rifaat played a key role in the conception and development of standards and guidelines for the IFSI which have been a key catalyst in the establishment and integration of the IFSI within mainstream global financial services.

In October 2012, Professor Rifaat assumed the position of Chief Executive Officer of the International Islamic Liquidity Management Corporation (IILM), an international organisation established in October 2010 by central banks, monetary agencies and multilateral development organisations to facilitate liquidity management for Islamic financial institutions.

Under Professor Rifaat’s leadership, the IILM has successfully launched its inaugural landmark short-term US$ denominated Sukuk, which carry an A-1 rating by Standard & Poor’s. These Sukuk represent a new class of assets in the IFSI, which are intended to assist Islamic financial institutions in mitigating the disadvantages they have been facing, compared to their conventional counterparts, as a result of the shortage of Shari’ah-compliant high quality liquid assets to manage their liquidity, with particular reference to the Basel Committee’s liquidity management standards.

Professor Rifaat’s contribution to the IFSI has been recognized by the many prestigious international awards that he has received during his career over three decades, which has been dedicated to high achievement in professional activities, as well as in research and academic work. These awards notably include the (inaugural) 2004 Euromoney Outstanding Contribution in the Development of Islamic Finance and the 2010 Islamic Development Bank Prize in Islamic Banking and Finance. In 2010, the King of Malaysia awarded Professor Rifaat the Royal Malaysian Honorary Award of Darjah Kebesaran Panglima Jasa Negara (P.J.N.), which carries the title “Datuk.”
Mr. Süleyman Aslan, born in 1970 in Osmancık/Çorum, graduated from Department of International Relations, Faculty of Economics and Administrative Sciences at the Middle East Technical University. He began his career in 1992 at the Ziraat Bank School of Banking, and then worked as a specialist in the Capital Markets Department at the same bank, as an assistant manager of the Istanbul Investment Securities Branch, following which he became a line manager of the Bonds and Bills Department of the same bank. Aslan was the general manager and a board member of Ziraat Asset Management, as well as the head of the Foreign Exchange and Money Markets Department at Ziraat Bank. Aslan was the general manager responsible for Treasury Management and International Banking between June 17, 2005 and July 15, 2011 and has been a board member and the general manager of T. Halk Bankası A.Ş. since July 15, 2011. He is also the chairman of Halk Hayat ve Emeklilik A.Ş.

Mrs. Kodeidja Diallo joined the Islamic Development Bank (IDB) last year as Head of Group Risk Management. In charge of coordinating and harmonizing risk management activities of the various entities of IDG Group (the Islamic Corporation of the Private Sector Development (ICD), the International Trade Finance Corporation (ITFC), the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC, etc)

Prior to that she was the Director of Finance and Risk Management Department the African Development Bank Group (AfDB) for 5 years.

Mrs. Diallo’s role involves managing the IDB’s Asset and Liabilities, Treasury activities and Credit risk operations. She also leads the development and implementation of risk management policies, guidelines, and processes of the Bank.

In her Capacity as Director, Mrs. Diallo’s is responsible for monitoring all credit transactions & portfolio for compliance with the Bank’s risk management policies and guidelines, strengthening the risk management and capital adequacy framework of the Bank to ensure effective Bank Group’s resource mobilization and deployment for the lending and investment activities.

Since her appointment, Mrs Diallo has been working with senior management to
establish an enterprise-wide risk management framework for all business units of the Bank and the Group and instilling a risk culture in the Bank.
In her previous work experience with AfDB, Mrs. Diallo held several other finance related managerial positions at the Bank, including being the Director, Strategic Planning and Budgeting Department, Budgeting and Programming Manager and had thus acquired a deep knowledge and experience in financial and resource management activities of Multilateral development Banks.
Last but not the least, Mrs. Diallo is an active member of several Risk Professional Associations: She has often served as key note speaker in risk and resource management fora among others. She was honoured with the WHO is WHO International Professional Award in 1998.
Mrs Diallo was Internal Controller, Advisor for Development Management Projects, Advisor PPD/OMVS, Associate Research Officer and Assistant Lecturer at the Belgium Scientific Development Fund (FDS) for GERU-Ingeneering Department Université Catholique de Louvain (UCL), Belgium.
Mrs. Kodeidja Diallo holds a PhD and Masters degrees in Irrigation & Hydraulic system design and optimisation, and Water Management with Highest distinction from the University of Louvain, Belgium, in 1988 and 1984, respectively. She also obtained an M.B.A in Auditing and Internal Control from Leuven, Financial and Commercial Enginering degrees in HEC. Mrs. Diallo is computer programming literate as well as optimisation and mathematical programming. Above all, her strategic thinking and ability to break down complex subjects into understandable bites for effective Senior management and Board decision making.

İBRAHİM H. ÇANAKCI
Undersecretary of Treasury

REDESIGNING THE GLOBAL FINANCIAL SYSTEM

Mr. İbrahim H. Çanakcı was born in 1962 in Elazığ. After he graduated from Elazığ High School, he completed his studies in Economics at the Faculty of Political Sciences in Ankara University.
He started his professional life in 1986 as an associate expert at the State Planning Organization (“SPO”). In 1992 he received the expert title. In this period, he has worked in analysis of macroeconomic developments, forecasting, and the establishment of macro balances of annual and 5-year development plans.
Throughout the 1989-1991 period, he studied at the Michigan State University, US and earned the masters degree in Economics.
Upon his return to the SPO, he worked as the Head of Conjuncture Department between May 1994 - December 2000.
He pursued his career in the Banking Regulation and Supervision Agency (“BRSA”) after December 2000. Following his tenure as the Department Head of Economic Evaluations for about two years, he became the Vice Chairman to the Banking Regulation and Supervision Board on December 11, 2002.
On May 5, 2003 he was appointed as the Undersecretary of Treasury.
He has several studies on macroeconomic analysis, forecasting and conjuncture evaluation and is fluent in English.
Mr. Çanakci is married with two children.
ADFIMI: A FORUM FOR DEVELOPMENT

About ADFIMI
ADFIMI, Association of National Development Finance Institutions in Member Countries of Islamic Development Bank. Established in 1986, ADFIMI is an international non-profit association serving over 50 members in 18 countries with headquarters in Istanbul. The main objective of ADFIMI is to establish networking and solidarity among its members and capacity building of its member institutions. In this context, ADFIMI organizes seminars / workshops / conferences for its members in various cities in its region (like Istanbul, Karachi, Kuala Lumpur, Amman, Cairo, Ouagadougou, Beirut, Sarajevo, Pristina, Lome, Damascus, Khartoum, Gîme, Islamabad, Kuwait City, Kampala, Dubai, Tunis). In its 25 years of existence, ADFIMI has trained over 2500 executives and directors from development finance institutions.

ADFIMI aspires to be “a forum for development”.

Best Brands in Corporate Branding, Financial Services - Agriculture Banking

THE BRANDLAUREATE
BEST BRANDS AWARDS 2012-2013

AGRO BANK
PERINTIS PERBANKAN PERTANIAN
Bersama Melestarikan Keperluan Kewangan Anda

www.agrobank.com.my

Contact Centre: 1-300-88-2476

www.agrobank.com.my

BANK PERTANIAN MALAYSIA BERHAD (811819-U)