



**STATEMENT OF CAPABILITY
AND
CORPORATE PROFILE**

providing financial sector consulting services worldwide

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The Aries Group, Ltd.

STATEMENT OF CAPABILITY

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GENERAL BACKGROUND

The Aries Group, Ltd. is a U.S.-based financial sector consulting firm with over nineteen years of experience providing advisory and technical assistance in developing and transitional economies throughout the world. Our services are provided by financial sector specialists experienced in financial sector reform, development, commercial, investment and central banking; and capital market development. Relying on their strong academic backgrounds, and many years of practical experience, these experts are capable of analyzing and evaluating financial institutions, instruments and markets, and formulating recommendations for improvement and reform. The firm provides assistance in four practice areas:

- 1) Capital Markets Development
- 2) Banking Sector Reform,
- 3) Pension and Insurance Reform; and
- 4) Privatization and Private Sector Development.

Since its establishment in 1984, The Aries Group has undertaken over one hundred projects in over forty countries throughout Asia, Eastern Europe, the Middle East and the Americas, including the following:

Anguilla	Fiji	Liberia	Singapore
Antigua & Barbuda	Grenada	Madagascar	Sri Lanka
Armenia	Guatemala	Malaysia	St. Kitts & Nevis
Bahamas	Hong Kong	Maldives	St. Lucia
Bangladesh	India	Marshall Islands	St. Vincent & the Grenadines
Barbados	Indonesia	Micronesia	Taipei, Taiwan
Belize	Jamaica	Mongolia	Thailand
Bhutan	Jordan	Morocco	Trinidad & Tobago
Bulgaria	Kazakhstan	Nepal	Tunisia
China (PRC)	Kenya	Pakistan	Turkey
Dominican Republic	Korea (Republic of)	Palau	Vietnam
Egypt	Kyrgyzstan	Philippines	Yemen Arab Rep.
	Lao P.D.R.	Romania	

The Aries Group has served either as prime or sub-contractor for various official and private institutions including Asian Development Bank (ADB), Inter-American Development Bank (IDB), U.S. Agency for International Development (USAID), World Bank, Center for Privatization, United Nations Industrial Development Organization (UNIDO), United Nations Development Program (UNDP), and individual country governments. The following pages provide a description of work conducted by the firm in four practice areas.

CAPITAL MARKETS DEVELOPMENT

The Aries Group has successfully implemented over thirty capital market projects throughout Asia, the Middle East, Eastern Europe and the Americas. Our capital markets development activities have included:

- Establishing, strengthening and restructuring securities market institutions such as regulatory agencies, stock exchanges, clearing and settlement organizations; as well as market intermediaries such as investment banks, mutual funds, leasing companies, venture capital firms, brokerage houses, rating agencies, etc. Institutional development activities include, the establishment of internal procedures and practices, development of appropriate organizational and staffing structures, formulation of strategic initiatives, and the design and implementation of customized management information systems.
- Reviewing existing securities laws and recommending revisions in order to: reduce fragmentation, strengthen the enforcement powers of regulatory institutions, as well as strengthen provisions for future use of various relatively new financial instruments, including asset-backed securities.
- Assisting regulatory institutions in drafting regulations to cover all aspects of securities market operations, such as information disclosure, securities underwriting, dealership and brokerage activities, operation of mutual funds, margin trading, prudential safeguards, insider trading, etc.
- Reviewing the self-regulatory framework for exchanges, and recommending measures for improvement.
- Developing and conducting customized training programs and human resource development strategies for regulatory agencies, self-regulatory organizations, and market participants, including asset managers and broker/dealers.

The following is a sampling of recent capital markets engagements:

Asia-wide ***Symposium on Securities Market Regulation & Supervision in Bank DMCs.*** For the ADB, The Aries Group conducted a Regional Forum in Manila in July 1994 based on The Aries Group's Study of Securities Market Regulation & Supervision in Asia. The Forum included over 300 chief executives of the securities market industry worldwide, including a U.S. SEC Commissioner, President of the Tokyo Stock Exchange, Chairmen of regulatory agencies from throughout Asia, and distinguished U.S. securities attorneys. The speakers presented speeches on the following topics: (i) Role of the Private Sector; (ii) Role of the Government; (iii) Structure, Organization and Role of the Securities Regulatory Agency in Emerging Securities Markets; Regulating Securities Markets, which includes Regulating the Debt, Equity and Derivatives Market and Systematic Risks of Market Failure; (iv) Self-Regulating Organizations; (v) Information Disclosure and Financial Reporting, Accounting and Auditing Standards; (vi) Enforcing Regulations; and (vii) External Assistance and Regional Cooperation.

Asia-wide *Securities Market Institution Studies in Nine Asian Countries.* The Aries Group, for the ADB, conducted studies of the securities markets in nine Asian countries: Hong Kong, India, Indonesia, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan and Thailand. The Aries Group managed the consortium and provided four members of the seven-person team. The objectives of the project were to: (i) assess the present structure, operations, and status of the securities market intermediaries and institutional investors in the selected developing member countries (DMCs); (ii) identify the factors that may promote or impede their growth and development; and (iii) identify activities that existing securities market institutions could perform or for which new institutions should be established in order to increase the role of these markets in the overall financial systems of the selected DMCs.

Asia-wide *Study of Securities Market Regulation & Supervision in ADB Member Countries.* The Aries Group examined the securities laws, regulations and supervision in thirteen DMCs of the ADB (Bangladesh, Hong Kong, India, Indonesia, Malaysia, Pakistan, People's Republic of China, Philippines, Republic of Korea, Singapore, Sri Lanka, Taipei-China, and Thailand), and to recommend reforms needed in (i) existing legislation; (ii) implementation practices; (iii) the institutional infrastructure of the regulatory agencies; and (iv) the agencies' manpower capabilities and training programs.

Bangladesh *Capacity Building of The Securities and Exchange Commission And Selected Capital Market Institutions.* The Aries Group is currently (2003) undertaking this ADB funded project to promote investor confidence through improvements in corporate governance practices. The principal objectives of the project are to:

- conduct a review of the regulatory framework for corporate governance;
- draft appropriate proposed legislation, rules and regulations to eliminate overlaps and inconsistencies in the corporate governance framework;
- involve market participants (SROs, Chambers of Commerce, Publicly Listed Companies, financial intermediaries and others) in the drafting of a Corporate Governance Code; and
- conduct an awareness program, including training seminars and workshops, aimed at market participants and publicly listed companies to disseminate the benefits of good corporate governance practices.

Additional assistance to be provided by the Project includes:

- providing assistance to the Central Depository Bangladesh Limited (CDBL) in the implementation and operation of the Central Depository System;
- assisting the SEC with respect to the SEC Automation System ; and
- assisting the SEC in strengthening its internal training capacity.

Capacity Building of the Securities and Exchange Commission and Stock Exchanges. The Aries Group, Ltd., in association with the International Securities Consultancy (ISC), conducted this ADB-sponsored project to assist the Government of Bangladesh in enforcing securities laws and regulations. The team was responsible for: (i) establishing monitoring and surveillance capabilities within the Securities and Exchange Commission (SEC); (ii) designing and installing an automated management information system; (iii) training auditors and inspectors; (iv) establishing a cause investigation program; (v) assisting in the operation of the Capital Depository System (CDS); (vi) establishing an Investors Protection Fund; and (vii) assessing issues related to the integration and development of the domestic stock market. In addition, the TA provided external training for a selected group of Ministry of Finance (MOF), SEC, and officials and employees of the Dhaka and Chittagong stock exchanges.

Strengthening of the Securities and Exchange Commission. Technical assistance was provided in the following areas: (i) developing SEC's organizational structures (including management information systems), staffing, and training, to ensure proper, effective and transparent oversight of the market and its participants; (ii) assisting the stock exchanges in their role as SRO's, ensuring adequate authority in supervising and monitoring its members and enforcing exchange rules; (iii) developing educational programs for investors and professional market players; (iv) developing a public awareness program to encourage securities investment; and (v) developing research capabilities at both the SEC and the stock exchanges.

Institutional Strengthening of the Securities and Exchange Commission. The Aries Group, for the ADB, provided assistance to establish the SEC as the principal institution for regulating and supervising the operations of the capital market by ensuring that adequate authority and enforcement capabilities are provided. The Aries Group provided international legal, regulatory and enforcement experts to help draft regulations to cover all aspects of securities market operations, review the SEC's mandate and authority as stipulated in the SEC Act and make recommendations or changes to ensure their long-term adequacy and effectiveness.

The Aries Group's Legal, Regulatory and Enforcement Experts were responsible for: (i) reviewing the scope of authority of the SEC; (ii) reviewing the SEC's enforcement powers; (iii) assisting in drafting regulations to cover all facets of securities market operations; (iv) setting up the necessary reporting requirements; (v) identifying gaps in weak areas of regulation regarding disclosure requirements, the transparency of market transactions, conflicts of interest, insider dealing, market manipulation, and other forms of market malpractice and abuse; (vi) establishing systems and procedures for the SEC to undertake market surveillance, monitoring and supervision, and in general, dealing with market malpractice and abuse; (vii) establishing a chart of accounts for the SEC and helping establish an appropriate accounting system and accounting procedures; (viii) recommending appropriate sanctions and penalties for different violations;

(ix) determining priorities for the SEC for long-term development of the domestic securities market; and (x) consulting, on a day-to-day basis, on matters relating to the regulation and supervision of the securities markets to the SEC.

The Aries Group, under the training component of this project, organized the international training program for the Bangladesh SEC staff. Twelve key staff were sent to the United States, Malaysia, Thailand, Korea, and Singapore to receive in-depth training in all major sectors of securities markets, including: (i) SEC oversight responsibilities in a self-regulatory environment; (ii) market regulation and surveillance; (iii) rules regarding IPOs, disclosures, listing requirements, prospectuses, audited financial results, annual meetings, etc.; and (iv) regulation and examination of exchange member firms.

Caribbean *Harmonization of Capital Markets (Bahamas, Barbados, Dominican Republic, Jamaica, Trinidad and Tobago).* The Aries Group, in association with The U.S. Nasdaq Stock Market, conducted the Harmonization of Capital Markets project for the Inter-American Development Bank (IDB) in five Caribbean nations. Specific tasks included: (i) designing and implementing an appropriate plan for the development of a Central Securities Depository (CSD) for each country and automating trading systems; (ii) designing and implementing an appropriate self-regulatory framework for each exchange; (iii) assisting CSDs in the procurement of appropriate hardware and software; and (iv) providing a comprehensive diagnostic of the issues related to integration and establishing an action plan for future regional integration efforts.

Eastern Caribbean *Capital Market Development Project (Antigua/Barbuda, Anguilla, Dominica, Grenada, Montserrat, St. Kitts/Nevis, St. Lucia, and St. Vincent & the Grenadines).* The Aries Group worked with the Eastern Caribbean Central Bank on this Inter-American Development (IDB) and Caribbean Development Bank project to develop a legal and regulatory framework for the proposed regional securities market for the eight-member Organization of Eastern Caribbean States (OECS). The team was responsible for:

- Reviewing relevant laws and regulations in the eight OECS territories and meeting with the National Steering Committee in each jurisdiction to identify major legal and institutional impediments to the establishment of the market;
- Drafting a regulatory framework outlining policy recommendations for the structure and future development of the market; and
- Drafting uniform securities legislation and supporting regulations based on approved policy recommendations.

Fiji *Development of the Capital Market.* The Aries Group, in association with the Private Enterprise Development Corporation of Asia (PEDCA), conducted a survey of the businesses of Fiji and an analysis of the likely demand for and potential supply of securities in the domestic market. The Aries team was responsible for: (i) ascertaining scope for accelerating the process of developing a domestic capital market; (ii) identifying legal/regulatory constraints; (iii)

identifying institutional constraints; and (iv) preparing an action program for activating the market, including the establishment of a capital market authority to serve as both as a catalyst for development of the markets and eventual market regulator.

The Aries Group worked closely with the Legislation Subcommittee of the Capital Markets Advisory Council in formulating a Capital Market Development Authority (CMDA) Bill which, following approval by Parliament in, established the Capital Market Development Authority (CMDA) with a dual role as market regulator and catalyst for development of the market.

The Aries Group also conducted two customized training programs for the Reserve Bank of Fiji (the central bank), government ministers, and private sector market participants entitled “Emerging Capital Markets: Institutions, Instruments and Operations” and “Building a Dynamic Capital Market in Fiji.” In addition, the Aries team developed a public awareness campaign to explain the operations of a share market and the instruments traded to the public at large, as well as the content of company-specific campaigns to be launched in connection with initial public offerings.

Capital Market Development Authority. Following the enactment of the CMDA legislation which was drafted by Aries on a previous project, The Aries Group was contracted by the ADB to continue its technical assistance in developing the capital market through: (i) supporting the institutional development of CMDA functions such as preparation of its operational policies and plans, including organizational and staffing matters such as preparing job descriptions and requisite qualifications, development of systems and procedures and prioritization of activities; (ii) formulating and drafting necessary regulations for the CMDA Act; (iii) providing professional leadership and advice to CMDA staff; and (iv) providing on-the-job training to the CMDA staff and creating long-term human resource development strategy. The project also involved short-term technical assistance in securities market legal and regulatory issues, the management and operations of stock exchanges, securities market public awareness, and staff training.

India

Development of a Secondary Debt Market. The Aries Group, in association with ISC, conducted a project to formulate a concrete program for creating an enabling environment for the development of the secondary domestic debt market in India by sequentially resolving key constraints in the interest rate regime; legal, regulatory, accounting, and tax frameworks; institutional capacities; and the supporting market infrastructure. The tasks of the consulting team include:

- Analyzing four facets of the secondary domestic debt market (interest rate regime; legal, regulatory, accounting, and tax framework; market mechanisms and support infrastructure; financial instruments) to identify key factors constraining its development;
- Organizing and conducting study tours for 10-12 officials from Ministry of Finance, Reserve Bank of India, and Securities and Exchange Board of India,

and other government agencies directly involved in designing and implementing the reform agenda for developing the secondary debt market; and

- Organizing and conducting a forum on development of the domestic debt market for policymakers and regulators and market participants.

Indonesia *Capacity Building for Financial Governance – Capital Markets Sector Component (Assistance to BAPEPAM).* The Aries Group, in association with Deloitte Touche Tohmatsu, provided advisory assistance to BAPEPAM, the securities regulatory authority, as part of this ADB-funded project. The team was responsible for:

- Assisting in strengthening BAPEPAM's policy formulation and decision-making processes through the enhancement of its policy and operations research, management information systems, information dissemination, and regulatory supervision and compliance operations;
- Recommending improvements to the prudential supervision and regulation of the capital market participants by enforcing provisions requiring greater transparency in their operations;
- Developing a responsive program of recruitment, training, and career development; and
- Assisting BAPEPAM in reviewing and assessing proposals for the establishment of fully operational clearance and settlement, and central depository systems (CSCD systems).

Malaysia *Capital Market Development.* The Aries Group, in association with PEDCA, and under contract with the ADB, assisted the Malaysian Securities and Exchange Commission (SEC) in the following areas:

- Regulatory and supervisory functions, including recommendations for customer protection rules and surveillance mechanism;
- Analysis of the Securities Commission Act of 1993 and Securities Industry Act of 1983, and presenting recommendations and drafting amendments for improvement;
- Analysis of the Future Industry Act, and providing recommendations and amendments for improvements;
- Developing and recommending measures for improving market surveillance program;
- Analysis of Future Industry Organizations;
- Reviewing the structure of the self-regulatory organizations and recommending measures to strengthen their market surveillance capabilities;
- Reviewing the Codes of Ethics and recommending measures for their improvements, as well as improving the mechanism for compliance;

- Under a separate task, The Aries Group assisted in developing an investment model for the Malaysian Employee Provident Fund.

The technical assistance also included a separate component for the development of LABUAN as an international financial center. Under this component, The Aries Group, in association with ISC, provided a structural framework required for such international financial center. The areas that were covered under this study included offshore banking activities, mutual fund industry, offshore trusts, offshore companies, tax regime required, physical infrastructure, and promotional activities.

Nepal

Capital Market Development. The Aries Group, for the ADB, assigned a three-person consulting team to: (i) review the functions and performance of the existing capital market institutions, especially the Nepal Securities and Exchange Centre (SEC) and determine the feasibility of establishing new types of financial intermediaries; (ii) review the regulatory framework and incentive schemes, identify constraints and make recommendations to improve them; (iii) review the regulatory framework relating to pension/trust/provident funds; and (iv) identify technical assistance proposals to support the strengthening of the existing capital market institutions and the creation of new capital market institutions and instruments.

Pakistan

Capital Market Development. The Aries Group, in association with The Nasdaq Stock Market, Inc. for the ADB, provided technical assistance on the Capital Market Development Project in Pakistan which consisted of three components: (1) stock market development; (2) efficiency enhancement of the mutual fund industry; and (3) mobilization of long-term funds for the leasing industry.

Financial Sector Assessment. The Aries Group, under a contract with Price Waterhouse, provided the services of Jalil Shoraka, The Aries Group President, who led a seven-member team of financial experts that conducted a study of the Pakistan capital market for the USAID and identified those areas in need of policy reform or technical assistance which might be supported by the USAID. The team analyzed the strengths and weaknesses of the financial sector with particular emphasis on the constraints to the development of long-term capital formation, and evaluated the macroeconomic and microeconomic constraints to the development of a more efficient banking system and capital market. In addition, the team prepared a study of the institutional and legal barriers to the development of a capital market and suggested ways of overcoming them.

Institutional Building of the Corporate Law Authority and Study of the Mutual Fund Industry - Capital Market Project. The Aries Group, for the ADB, and in conjunction with ISC, prepared a study which assisted the Corporate Law Authority (CLA) in improving its existing operations in order to effectively execute its responsibilities to monitor, regulate and enforce compliance with Pakistani company law and the laws governing issuance of and transactions in securities.

Venture Capital. At the request of Pakistan Venture Capital Limited (PVCL), The Aries Group conducted a technical assistance project to provide venture capital expertise to the staff of the PVCL. Specific tasks undertaken included: (i) formulating short, medium, and long-term investment strategies; (ii) identifying potential venture capital investments; (iii) developing evaluation criteria and standards for reviewing appraisal findings; (iv) evaluating and negotiation investments and investment agreements; (v) operational and financial monitoring of investee companies; (vi) preparation of an Investment Procedures Manual; and (vii) hiring the staff.

People's Republic of China (PRC) ***Regulation and Supervision of Securities Markets.*** The Aries Group undertook the ADB's project to upgrade and standardize the regulation and supervision of securities markets and assure investors and other market participants of fair and reliable dealings in the PRC. Toward this end, The Aries Group was responsible for the development of a more comprehensive national regulatory framework for the securities markets, as well as the design of surveillance systems to deal with fraud and other irregularities in securities trading. The Aries Group also formulated a system for training and accreditation of industry professionals.

Philippines ***Capital Market Development Program.*** The Aries Group mobilized thirty capital market specialists for over sixty work-months as part of a three-year USAID-sponsored project designed to enhance the efficiency and operational capacity of the Philippines' capital markets. Our consultants reviewed and drafted amendments to the Philippines Securities Act, Investment Companies Act, Corporation Code, Investment Houses Act and various Presidential Decrees.

During the course of the Project, a significant amount of training was provided to SEC staff. On-the-job training and counseling was part of every task order throughout the duration of the project. Direct hands-on advice and support was provided in order to enhance the proficiency of the senior SEC staff members, as well as to prepare them to train other SEC staffs. At the request of the SEC, The Aries Group conducted a training workshop in the U.S. for fourteen key staff of the Philippine SEC to be trained as trainers in five program areas namely: corporation finance, market surveillance and enforcement, broker/dealer auditing, securities trading, and clearing and settlement. The SEC staffs were taught the fundamentals of training and organization and were likewise exposed to their chosen field of expertise during breakout sessions on the various program areas. Various field visits and demonstrations were also arranged with the US Securities and Exchange Commission, The Nasdaq Stock Market, National Association of Securities Dealers Regulation, the National Securities Clearing Corporation, the New York Stock Exchange, and other industry participants.

Establishment of a Clearing, Settlement, and Depository System. The Aries Group, in association with ISC, assisted Financial Executives Institute of the Philippines Research and Development Foundation, Inc. (FINEX) to establish a central debt and equity securities clearing, settlement and depository system for the Philippines. Specific tasks included preparing: (a) Project Implementation

Document: "Centralized Securities Clearing, Settlements and Depository (CDS) System"; (b) Market Operations Feasibility Report; (c) Requirements Specifications/Requests for Proposals (RFP); (d) Statement of Legal and Regulatory Changes; (e) Requirements Evaluation Model; (f) Vendor Evaluations; (g) Architecture and Telecommunications of the System; (h) System Acceptance and Performance Target Test Schedules; and (i) Business Plan.

Stock Market Development Project. The Aries Group, in association with ISC for the ADB, provided technical assistance to enhance the efficiencies of the Philippine stock markets as a reliable mechanism for mobilizing long-term debt and equity resources for the private sector. The project included feasibility studies for the unification of the two stock markets, automation of stock trading, and the establishment of a central depository and clearance system. In addition, the team formulated recommendations for professionalization of the exchanges' management, reviewed listing rules and company disclosure requirements, and assessed the Securities Investors Protection Fund.

Strengthening Regulation and Market Governance (Governance and MIS Component). The Aries Group, in association with the International Securities Consultancy undertook this ADB funded project. The purpose of the project was to ensure that the oversight relationship between the Securities and Exchange Commission (SEC) and the Philippines Stock Exchange (PSE) is such as to give the SEC confidence that its statutory duties will be fulfilled and to equip the SEC with the tools for more active monitoring of market trading. The project objectives included strengthening market governance by focussing on analytical and institutional support for the development of: i) an effective self-regulatory organization; ii) SEC 's capacity to investigate and enforce market regulation; and iii) an efficient management information system and staff training to effectively use the system.

The Aries Group provided the Management Information Systems Expert, who specified a Surveillance and Monitoring strategic approach and outlined the feasibility of an appropriate system considering the budgetary and staffing limitations of the SEC. After extensive interviews with SEC personnel and many market participants, we designed a series of seminars utilizing surveillance software vendors and systems to develop a common understanding of the benefits. Since all software vendors ' prices were significantly out of the reach of both SEC and ADB project resources, we developed an interim solution utilizing adaptation of the Global Riskware software from Expert Systems Group Inc. The week before the Global Riskware installation was to begin, SDG offered a two user "academic version " (fully functional) of their software that provides the SEC with a full commercial surveillance software product for two years or more that was within ADB allocations and included software, server hardware, installation and training at the beginning of March 2003. This meant that the SEC would be operational on AWACS before the end of March 2003.

- Romania** **Financial Markets Reform Project.** The Aries Group, in association with Deloitte Touche Tohmatsu, has been selected by USAID to implement a landmark, 2-year program of integrated assistance to Romania’s capital markets (2002/2003). The project includes four broad sub-components:
- **Institutional Strengthening of the Securities Exchange Commission** and the Bucharest Stock Exchange.
 - **Restructuring of the RASDAQ** (OTC exchange) through mutualization or merger with BSE.
 - **Establishment of a Central Depository System** through rationalization of multiple existing systems.
 - **Capacity building of BSE’s Company Registration** function, in order to transfer select issuers from RASDAQ to BSE.
- Sri Lanka** **Study of the Regulations of the Securities Markets.** The Aries Group, in association with Price Waterhouse, for the ADB, conducted a study of the existing regulatory framework and the institutions which govern Sri Lanka’s securities markets, market facilities and market participants, and recommending measures to rationalize and improve the regulatory structure in order to promote securities market development. The scope of work included making assessments and recommendations for the organizational structure, staff requirement and management information system of the regulatory bodies. In addition, at the request of the Chairman of the Commission, the team reviewed a draft of the Sri Lanka Code on Takeovers and Mergers and recommended measures for its improvement.
- Thailand** **Information Disclosure and Compliance.** The Aries Group provided technical assistance to the SEC of Thailand in conjunction with the ADB's Financial Markets Reform Program (FMRP). The project aimed to improve the SEC’s ability to effectively supervise the securities industry through the enhancement of disclosure requirements. This technical assistance project was part of a series of measures in support of financial markets restructuring that was expected to correct previous inadequacies in the system and restore investor confidence. The Aries Group provided the services of three-person team to address the following areas: corporate governance of and disclosure by public companies, corporate governance at the SEC, and development of an appropriate management information system at the SEC for information retrieval, processing and monitoring.
- Securities Market Regulation Project.** The Aries Group, in association with Price Waterhouse and under a contract to the ADB, conducted a project to rationalize and strengthen securities market regulation and enforcement in Thailand. A three-person team was responsible for reviewing a new securities act (the “New Act”) drafted by the Ministry of Finance, assisting regulatory authorities in addressing questions regarding the New Act, making specific recommendations regarding the appropriateness of the legislative provisions, and drafting amendments. The

project also required the establishment of a securities market regulatory agency through upgrading of the organization, management and operations of the Ministry of Finance's existing Capital Market Division. The technical assistance included the provision of advice in (i) creating a new regulatory agency, including agency staff and organization, and preparing an operational framework that could evolve as needed; (ii) determining training needs, both in-house and overseas; (iii) drafting operational manuals for use by staff after thorough evaluation of the current training program, management structure, and database requirement for the agency's program division; and (iv) purchasing and installing a computerized system (including hardware) for monitoring and supervision of securities markets.

Trinidad and Tobago *Development of a Management Information System for the Securities and Exchange Commission.* The Aries Group provided advisory services to the Securities and Exchange Commission of Trinidad & Tobago. Aries' consultants designed and implemented an appropriate Management Information System. The system is to ensure that the Commission is able to perform its functions as required by the Securities Industry Act (SIA) in an efficient and effective manner. This project was part of a Technical Support Programme funded through the IDB Investment Sector Reform Programme (ISRP).

Training for the Securities and Exchange Commission. The Aries Group designed and implemented a customized training program for the staff of the recently established Securities and Exchange Commission of Trinidad and Tobago. Specific tasks included reviewing the provisions of all relevant legislation to determine the mandated functions, duties and responsibilities of the SEC as well as its organizational structure, identifying deficiencies, and making recommendations to enable the SEC to perform its functions effectively. The Aries Group developed a program that included a series of seminars covering technical issues such as the role of the SEC in regulating the primary and secondary markets. The program included functional training in corporate finance, surveillance and enforcement, broker-dealer licensing and examination, accounting and financial reporting, and mutual fund regulation. In addition, the program included seminars and workshops in leadership and team-building, communication skills, conflict resolution, as well as training skills. This project was part of a Technical Support Programme funded through the IDB's Investment Sector Reform Programme (ISRP).

BANKING SECTOR REFORM

The Aries Group, Ltd. has assisted banks and bank regulators in a number of emerging markets to overcome impediments to effective financial intermediation. We have provided technical assistance to central, commercial and development banks, including:

- Reviewing and drafting laws with a view to establishing independent regulatory authorities tasked with conducting effective monetary policy and ensuring the soundness of the banking system.
- Assisting regulatory authorities in drafting regulations governing the operations of deposit-taking institutions as well as establishing procedures for off-site supervision and on-site examination.
- Conducting operational and financial analyses and formulating restructuring options including advice on capitalization and ownership; disposition of distressed assets; strategic planning; lending policies and practices; organizational structure and staffing; as well as information technology.
- Analyzing the general characteristics of the financial system, including the range of financial services, available instruments, and sources and uses of funds, as well as formulating comprehensive policies to increase the efficiency of the banking system in mobilizing financial resources.
- Developing and conducting customized training programs and human resource development strategies.

The following is a sampling of projects conducted by the firm:

Belize ***Financial System Assessment.*** The Aries Group, as a subcontractor to Arthur Young & Company, under the aegis of the USAID, made a thorough assessment of the Belize financial system. The study included a review of (i) the economic context of the financial system; (ii) the size of the financial market and recent developments; (iii) the role of the Central Bank and other financial intermediaries, their source of funds and means of deployment; and (iv) the international financial institutions and their influence on the domestic financial market.

The study also analyzed each group of financial intermediaries, and presented recommendations for improving the financial system as well as issues for policy dialogue and technical assistance.

Bhutan ***Capacity Upgrading of Financial Sector Infrastructure and Entrepreneurial Development.*** The Aries Group implemented this ADB-sponsored project in association with PEDCA. The main objective of the project was to upgrade the institutional capacities of the Government agencies and monetary authorities engaged in the policy reform program so as to develop an efficient and competitive financial system and create an enabling environment for private sector development. The project also aimed to identify measures to strengthen institutional capabilities of the financial institutions and enhance private sector entrepreneurship and management skills. The consulting team was tasked with:

- Assisting the Government in reviewing the case-by-case approach to foreign investment and developing a transparent regulatory framework for promoting foreign investment in coordination with the ongoing program of the United Nations Development Programme;
- Assisting the Royal Monetary Authority (RMA) in drafting a negotiable instruments act and improving financial institution prudential guidelines and supervision functions;
- Working with the RMA in improving the efficiency of the payments and clearing system;
- Strengthening RMA's institutional capabilities in foreign exchange risk management and developing effective monetary policy tools to enhance indirect monetary control, such as reserve requirements and open market operations;
- Working with the RMA to set up a banking training program at the Royal Institute of Management;
- Reviewing the operations of the Royal Securities Exchange of Bhutan (RSEB), providing recommendations on institutional strengthening measures and drafting legislation on the central depository system;
- Developing the institutional capabilities of the Bhutan Development Finance Corporation and Bhutan National Bank in investment promotion and private sector support including project identification, planning and implementation support to the private sector, as well as entrepreneurship development; and
- Reviewing the current structure and operations of the Government Employees Provident Fund (GEPF) and providing policy recommendations for its restructuring.

Bulgaria ***Feasibility Study for the Establishment of a Private Development Bank.*** The Aries Group conducted a study to assist U.S. private investors in the establishment of a private development bank in Bulgaria. The scope of work included a study of the Bulgarian regulatory and policy environment, feasibility analysis, negotiation with the Central Bank for the issuance of necessary licenses, and preparation of articles of association and incorporation.

Eastern Caribbean ***Organization of Eastern Caribbean States (OECS) - Financial System Evaluation.*** The Eastern Caribbean Central Bank conducted a comprehensive study of the financial systems of the Eastern Caribbean member countries. The study included a review and recommendations in regard to each member country's financial system, including: financial institutions, financial instruments and financial markets, as well as the capital markets. The Aries Group, under a contract with Robert R. Nathan Associates, conducted a preliminary study of the prevailing financial system of OECS countries and prepared a report outlining the scope of work, terms of reference and methods of implementation. The purpose of the project was to: (i) meet the financial needs of indigenous private enterprise

in the productive sector; (ii) provide new financial instruments and services; and (iii) create a regional capital market.

Indonesia *Financial Market Project-Money Market Technical Assistance Team.* The Aries Group, in association with Deloitte and Touche for the USAID and Bank Indonesia, conducted a project to improve the money market operations of the financial system, including the auction procedures of Bank Indonesia. The project's aim was to accomplish this objective by increasing the number of short-term debt instruments and by increasing the trading volume of these instruments. The project consultant worked with the management of the Central Bank, advising on monetary policy and supervisory issues and assisting with important banking reforms.

Jordan *Financial System Assessment.* The Aries Group, under the Financial Market Program of the USAID, and as subcontractor to Arthur Young & Company, conducted a study of the financial system of Jordan. The report, "An Assessment of the Financial System of Jordan," reviewed the size and structure of the system; the role of the financial intermediaries; the type and size of the financial instruments; and recent developments in the financial market. The report presented recommendations regarding the operations of the financial institutions, liquidity of the system, interest rate structure, and capital and money market development. The report also provided the USAID Mission with specific suggestions identifying areas where the Mission could provide technical assistance and/or policy dialogue. The report was widely distributed and received favorable reactions from the financial community and the USAID Mission. Most of the recommendations have been taken up by the Mission and are being implemented.

Interest Rate Liberalization Symposium. The Aries Group assisted the USAID/Amman in the symposium's coordination and presented discussion papers on interest rate liberalization to the Central Bank, the Finance Ministry, and financial community officials. Papers presented by The Aries Group's consultants included: "Interest Rate Deregulation: The Case of the United States" and "Recent Developments in Financial Policy Reform."

**Kenya,
Philippines,
Thailand,
and Turkey** *Revolving Fund Loan Program Evaluation.* The Aries Group assisted Management Systems International (MSI) in an evaluation of the USAID's Private Enterprise Bureau's Revolving Fund Loan Program. The purpose of this assignment was to measure the economic and social impact of the Revolving Fund loan; evaluate the performance of the financial intermediaries; examine the methodology used by the financial institutions; compare findings against the objectives of the program; and provide suggestions for improving the operations and strengthening the method of implementation. The evaluation included a review of the Thai Danu Bank (Thailand), the Far East Bank and Trust Company (Philippines) and the Kenya Commercial Finance Corporation. The project resulted in a report entitled: "Lessons Learned from Experience for the Design

and Implementation of Commercial Lending Projects by USAID's Bureau for Private Enterprise.”

Laos

Restructuring and Consolidation of State-owned Commercial Banks. The Aries Group, in association with Crown Agents Financial Services International, worked closely with the Bank of Laos (BOL) in strengthening the financial and management capabilities of the SOCBs, increasing public confidence in their viability, and making them more responsive to the banking needs of the private sector. The project included activities in the following areas:

- Consolidating and strengthening the SOCBs' financial position;
- Establishing a Depositor Protection Scheme;
- Paving the way for joint ventures through corporatization of SOCBs, valuation of assets, and analysis of alternative methods of reducing government ownership;
- Assisting the BOL in establishing a Credit Information Bureau (CIB); and
- Conducting an effective deposit mobilization campaign.

The Aries Group provided the services of a Credit Information Specialist who was responsible for (i) reviewing the status and structure of bad debts in the SOCB portfolios and the reason for their high incidence; (ii) establishing an appropriate CIB, advising on an appropriate location, and making recommendations regarding its legal status and the by-laws, fee structure, organization, management, and staff and training requirements; (iii) determining for participating banks the appropriate reporting requirements and format of information on defaulting borrowers; (iv) determining appropriate reporting requirements on collateral pledged by bank borrowers; (v) advising BOL on the collection and analysis of financial information on borrowers, the processing and disseminating credit information, and (vi) determining the computer hardware and software requirements for a CIB.

Domestic Financing Mechanisms for Privatization. The Aries Group undertook this ADB-sponsored project which called for a full-scale review of the privatization process in Lao P.D.R. and the identification of modalities for mobilizing domestic resources and making them available on appropriate terms to domestic investors for the acquisition of state-owned enterprises. The project's primary objective was to provide a critical analysis and assessment of the country's privatization efforts thus far, identifying constraints and recommending methods of surmounting those constraints, in order to promote the privatization process by allowing local private ownership of the factors of production. The Aries Group's Financial Sector Expert was responsible for the following tasks:

- Critical assessment of the role of the financial system in the overall economy;
- Analysis of the general characteristics of the system including (i) the range of financial services and instruments available; (ii) sources and uses of funds; and (iii) the efficiency of the system as a whole;

- Appraisal of the economic forces and institutional factors affecting the performance of country's financial institutions, particularly the commercial banks;
- Formulation of options for domestic private investors to participate in the privatization of state-owned enterprises, including employee buyouts, leveraged buyouts, and other arrangements such as debt/equity swaps, collateralized credit-finance, etc.; and
- Preparation of a detailed action plan to implement and accelerate privatization in terms of the opportunities provided by the domestic financial system.

Restructuring of the Monetary and Banking System, Phase I. The Aries Group participated in a team of the ADB consultants to assist the Laotian government in reforming its Central Bank. An Aries Group consultant performed as the Central Bank Specialist on research and statistics. His chief function was to establish the Central Bank's monetary and economic statistics department, as well as to set up a research program to review and analyze price trends, liquidity, and the external trade of Laos, and coordinate activities with other team members.

Restructuring of the Monetary and Banking System, Phase II. The objective of this ADB-sponsored project was the restructuring of the monetary and banking system, including the establishment of accounting systems for the banking sector, assessment and treatment of non-performing assets in the financial system, prudential supervision and credit management, research, and training. The Aries Group's consultant, as Research Economist, focused on organizing the Central Bank's research department, including:

- Development of a comprehensive database incorporating relevant macroeconomic information such as prices and price indices, exchange rates, trade flows and interest rates, and reporting facility;
- Strengthening the analytical skills of the State Bank of Laos with particular emphasis on (i) statistical analysis; (ii) forecasting techniques; (iii) financial programming techniques; (iv) econometric techniques; and
- Establishing a research agenda for the 2-3 year period following the completion of the technical assistance, which included development of analytical tools in the evaluation of price reforms (i.e., liberalization), monetary and credit policy, credit and deposit markets, and variables determining the domestic interest rates.

As the deputy team leader, the consultant also assisted in the coordination of technical activities of the team. Furthermore, he provided technical advice to the Governor of the BOL and senior BOL management on many areas of the financial restructuring program.

Madagascar *Financial Analysis for Free Zone Development.* The Aries Group, for the World Bank and under subcontract to the Services Group, provided an analysis evaluating the ability of Madagascar's banking system to support free zone development; developed a regime for the commercial banking sector to successfully finance free zone development and operations; and drafted a workable foreign exchange regime for free zone companies. The goal of the effort was to define specific methods and procedures by which local financial institutions can effectively participate in the financing of free zone activities.

Malaysia *Management Improvement of State Economic Development Corporations (SEDCs).* The Aries Group, under contract with the ADB, examined alternatives and made recommendations on the future role, strategic thrust, and corporate structure of the SEDCs. The project's aim was to improve management and operational efficiency and develop the institutional capacities of SEDCs and affiliated companies through technological improvements, human resource development and managerial training programs. The Aries Group provided the services of a Financial/Systems Specialist whose specific responsibilities included:

- Formulating appropriate restructuring strategies including matters of commercialization, computerization, and delineating functional responsibilities vis-à-vis the holding companies, subsidiaries, and affiliates;
- Examining divestment strategies to generate funds for new projects/ventures, improving the quality of the investment portfolios of the SEDCs and exploring approaches to the privatization of SEDC subsidiaries;
- Strengthening the debt-equity structure, recommending guidelines for financial work-outs and risk management, and increasing the ability of SEDC subsidiaries to meet debt service obligations; and
- Reviewing and recommending measures to improve the management and operational structure of the SEDCs, including decision-making, monitoring and supervision, financial planning, human resource development, and information technology application.

Maldives *Development of a Strategic Framework for Financial Sector Restructuring.* The Aries Group provided a team of banking sector experts to provide the Maldivian government with a strategic framework through which restructuring of the financial sector can be effectively managed, as well as a strategic plan to enable the Bank of Maldives Limited (BML), the only Maldivian-owned financial institution, to assume a stronger position in the restructured financial sector. The project required the services of Financial Sector, Development Banking, and Legal/Regulatory Specialists whose responsibilities included the following:

- Reviewing and analyzing the structure, organization, and institutions in the financial sector as it currently operates, including current accounting standards, reporting mechanisms, etc.;

- Analyzing the legal/regulatory environment, including current and proposed commercial, banking, and monetary legislation, with particular attention paid to securitization and collection procedures, etc.;
- Recommending needed legislative changes, as well as modifications to the regulatory environment so as to enable the effective implementation of legislation and enforcement, including the examination of the need for prudential guidelines, accounting and reporting standards, an examination of enforcement procedures, etc.;
- Determining the need for financial sector expansion, including the development of limited capital and money market activities, and the formulation of an overall financial sector restructuring plan;
- Reviewing and analyzing existing BML commercial and developmental operations;
- Determining BML's strategic objectives following an analysis of capitalization, ownership, and the need for and potential sources of long-term credit; and
- Formulating a comprehensive human resource development strategy for the BML.

Feasibility Study to Establish a Long-term Credit Bank. The Aries Group, for the ADB, provided assistance to determine the feasibility of establishing a long-term credit bank and determining new legislation for perfecting bank collateral for long-term loans. The Aries Group provided the Banking Expert/Team Leader to (i) assess the economic, financial and social situation in Maldives to confirm the feasibility of a long-term credit bank; (ii) develop a suitable Statement of General Business Policies in consultation with the ADB; (iii) develop a suitable organizational structure for the long-term credit bank, make recommendations for appointments to its board and management, and determine needed staffing resources and training programs; (iv) make recommendations in the financial structure of the long-term credit bank, including capital structure; (v) make recommendations on lending rate policies in the context of the interest rate pattern in the country; (vi) prepare ten-year operational and financial projections; and (vii) prepare a possible listing of potential investors, including estimates of the amount of capital they might be willing to invest.

Pakistan Bank Supervision and Examination of Financial Institutions and the Preparation of an Information Systems Strategy Plan. The Aries Group, in association with Arthur Andersen LLP, assisted the State Bank of Pakistan (SBP), the country's central bank, in developing its internal capabilities in the area of bank supervision. Specific tasks included:

- Reviewing SBP's current functions, organization and business processes;

- Formulating recommendations for improvements to SBP's on-site examination process so that examinations provide reliable, clear, and timely information regarding an institution's financial position;
- Strengthening the bank's ability to monitor the activities of banks and non-bank financial institutions through off-site surveillance;
- Formulating supervisory policies for dealing with problem and failed institutions;
- Developing a sustainable training program for supervisory staff; and
- Preparing an appropriate information systems strategy plan.

Philippines ***Rehabilitation of the Private Development Corporation of the Philippines (PDCP)***. The Aries Group, under contract to the ADB, assisted the Bank in the operational and structural rehabilitation of the PDCP. Aries evaluated the viability of PDCP's current business operations; prepared a restructuring program; identified a new corporation direction; and provided options for the sourcing and mobilization of medium and long-term funds. An action plan was then developed to implement recommendations resulting from the above. An Aries Group consultant worked within the PDCP with management and operational personnel. In addition, the consultant conducted meetings with Government of the Philippines officials regarding government involvement and assistance in the development and management of PDCP.

Thailand ***Restructuring of Specialized Financial Institutions (SFIs)*** - The Aries Group, as the prime contractor to the ADB, in conjunction with Deloitte Touche Tohmatsu and The Kenan Institute of Asia advised the government of Thailand on the restructuring of four specialized financial institutions serving small business and agriculture. The project had two objectives (1) to review the nature and extent of government participation and intervention in the financial sector, particularly among the SFIs, determine the magnitude and impact of such interventions, and offer recommendations to rationalize the government's role in the financial sector; and (2) to establish a corporate governance framework for the SFIs that would insure autonomy of the SFIs, transparency of their operations, and accountability of their boards of directors and management. The rationalization for the government's participation in the financial sector was based on the principles of self-sustainability and operational independence. These concepts imply that the core activities of the institutions should generate sufficient income to cover the cost of operations. Methods were recommended for evaluating proposed government policy interventions. Changes to the corporate governance framework for the SFIs were recommended based on the principles of autonomy, accountability, and transparency of operations. Recommendations were also made to enhance the oversight of the SFIs and the evaluation of their performance in meeting programmatic goals and objectives. A Corporate Governance Handbook was developed that incorporated our recommendations and a blueprint for actions.

Industrial Finance Corporation of Thailand - Risk and Asset Management Training. The Aries Group, for USAID, worked with Deloitte Touche Tohmatsu in implementing a training program on risk management and asset allocation for the executives and staff of the Industrial Finance Corporation of Thailand (IFCT). The objectives of this project were (i) to assist IFCT in improving its abilities to measure and analyze market and credit risk; (ii) to introduce methods for the efficient use/allocation of capital based on an analysis of the risks and returns associated with various assets/business activities; (iii) to assist IFCT in projecting future capital requirements based on an analysis of the risks and returns associated with various business activities; and (iv) to provide IFCT front-line managers with strong analytical tools to analyze and assess their investment portfolios and to conduct a review of their project appraisals. Our consulting team (i) presented the concepts of risk-based capital and its usage; (ii) trained IFCT staff members on techniques of how to measure value-at-risk (VAR), the credit risk of defaults, and the capital-at-risk (CAR) for each group of product, customer, and corporate data requirement; and (iii) recommended the information systems necessary for implementing the risk-based capital allocation system.

Thai Farmer's Bank: Credit Management Training Project. The Aries Group, in cooperation with Deloitte Touche Tohmatsu International, implemented a USAID-sponsored Credit Management Training project for Thai Farmer's Bank (TFB). Our team developed and implemented customized training courses geared to upgrade the bank's credit management operations to global standards. The topics of the training program included financial statement analysis, financial forecasting, credit facility structuring, financial analysis for project finance, loan syndication, risk analysis, portfolio management, and loan recovery and workout.

Tunisia Financial Sector Development. An Aries Group team of consultants conducted a broad assessment of the financial sector in Tunisia. The project team described and analyzed the chief constraints to efficient financial intermediation in Tunisia, and made recommendations to guide the USAID/Tunis in developing a strategy and an active program of financial sector assistance. The study addressed three major areas: the overall economic and policy framework, the banking sector, and the securities market. The Aries Group, under a contract to Price Waterhouse, provided the services of Jalil Shoraka, President of The Aries Group, who acted as Capital Market Specialist, analyzing capital market institutions and instruments with special attention to the stock market.

Vietnam Technical Assistance for the Review and Preparation of Banking Laws. The Aries Group, under contract with the ADB, contributed the services of a Central Banking/Financial Institutions Specialist to review and assist in the preparation of banking laws in Vietnam. The project involved an evaluation of the status, organization and functions of the State Bank of Vietnam (SBV); the relationship and division of responsibilities between the SBV and the Ministry of Finance; as well as a comparative analysis of the operations and principle functions of

banking and financial institutions in Vietnam and selected comparable countries. Specific responsibilities included:

- Proposing changes to the existing Decree-Laws with concerned officials of the SBV and other relevant ministries through workshop discussions;
- Reviewing and preparing a draft Law on the State Bank of Vietnam establishing the SBV as an independent and modern central bank tasked with conducting effective monetary policies and ensuring the soundness of the banking system; and
- Reviewing and preparing of a draft Law on Banks, Credit Cooperatives, and Finance Companies, forming the foundation for the development of the financial system to foster economic growth, promote stability of the banking system, and encourage modernization of banking operations.

Worldwide *Rural Financial Intermediation in Developing Countries.* The Aries Group, under a contract with the Ronco Consulting Group, prepared for the USAID's Bureau of Science and Technology, a concept paper "Comprehensive Approach to Rural Financial Intermediation." The paper reviewed "traditional" versus "new" approach to rural credit; examined the evaluation reports on the USAID rural credit programs; reviewed the impact of the USAID's experimental project on rural savings; and reflected the current consensus of views on the major issues relating to rural financial intermediation. The paper also presented recommendations regarding areas of importance for future USAID efforts in the development of rural financial systems, with an emphasis on a comprehensive and coordinated approach, institutional strengthening and policy reforms.

Yemen Arab Republic *Financial System Assessment.* As subcontractor to Arthur Young & Company and the USAID, The Aries Group conducted a study of the financial system of the Yemen Arab Republic. The report reviewed the economic context of the financial system of Yemen; reviewed the financial system intermediaries including the Central Bank, commercial banks, specialized banks, and other financial institutions; evaluated the liquidity of the system and interest rate structure; and reviewed the capital market. The report suggested specific recommendations regarding all segments of the financial system in order to improve financial sector policies, performance, management and training.

PENSION AND INSURANCE REFORM

The Aries Group, in association with its affiliated company, PEDCA LLC, provides assistance to governments in reforming pension and insurance systems through:

- Conducting base-line assessments of existing pension systems/schemes, including surveys of pension and provident funds; assessments of the prevailing regulatory environments and identification of legal/regulatory impediments to broader coverage and improved benefits; actuarial analyses of existing systems/schemes to determine economic soundness; and demographic analyses to determine the impact of demographic changes on the existing systems/schemes.
- Conducting operational and financial analyses and formulating restructuring options for insurance companies, including advice on capitalization and ownership; strategic planning; organizational structure and staffing; as well as information technology.
- Formulating recommendations for reform, including options for private and public old age social and income security systems; conducting actuarial analyses of the proposed reform options; and soliciting feedback from relevant stakeholders through workshops and seminars.
- Reviewing and drafting existing pension and insurance legislation in accordance with proposed reforms.
- Developing and implementing proposals to educate various regulated entities, i.e., pension funds, asset management companies, insurance companies, insurance brokers, and sales agents on the reform process and proposed laws and regulations.
- Developing and implementing in-country and external training programs for various financial institutions in the pension and insurance industries, as well as for representatives of regulatory authorities, government agencies, and other constituencies.

The following is a sampling of our recent pension and insurance reform activities:

Bhutan Upgrading the Royal Insurance Corporation of Bhutan, Restructuring the Government Employees Provident Fund and Introducing a Pension Scheme.

The Aries Group worked with PEDCA and ING Barings on this ADB-funded project. The team was responsible for:

- Reviewing the current policy environment for organization and operations of pension and social security schemes in general and Government Employees Provident Fund (GEPF) in particular, identifying key constraints in the policy environment and recommending suitable reform and restructuring measures;
- Identifying constraints and weaknesses in all aspects of GEPF operations at Royal Insurance Corporation of Bhutan (RICB) and recommending restructuring measures suitable to achieve operational efficiency, profitability, and sustainability in the long term;
- Designing key events and steps of the restructuring process, including the institutional set-up, operational arrangement, and training activities, and carrying out the restructuring plan of GEPF;

- Evaluating the operations of RICB both for insurance and GEPF; assessing the impact of GEPF restructuring on the insurance operation; designing institutional strengthening measures for RICB's insurance operations taking into account the GEPF reform; and carrying out the institutional strengthening measures for RICB's insurance operations including training activities;
- Introducing a pension scheme, including the design of the structures and organization required to manage and administer the pension funds; and
- Evaluating the legal environment and providing legal assistance to the Government in drafting regulations and legislation for pension fund and insurance operations.

Capacity Upgrading of Financial Sector Infrastructure and Entrepreneurial Development. The Aries Group implemented this ADB-sponsored project in association with its affiliated firm, PEDCA. The main objective of the project is to identify measures to strengthen institutional capabilities of the financial institutions and enhance private sector entrepreneurship and management skills. The consulting team is tasked with, *inter alia*, reviewing the current structure and operations of the Government Employees Provident Fund (GEPF) and providing policy recommendations for its restructuring.

Institutional Development of the National Pension and Provident Fund Bureau. The Aries Group is currently implementing this Asian Development Bank project in association with the Private Enterprise Development Corporation of Asia. The team has also engaged a domestic consulting firm, Sherpa Consultancy. The technical assistance focuses on capacity building of the newly introduced National Pension and Provident Fund (NPPF), development and implementation of a revised actuarial model, and assistance in developing and implementing a public awareness campaign. The objectives of the TA are to develop a strategic plan for NPPF including a vision/mission, strategic goals and objectives, as well as action plans and performance measures; provide recommendations for institutional and organizational improvements under a medium-term master plan; and provide capacity building assistance to institutionalize NPPF as a sustainable agency, with the aim of expanding its pension and provident fund operations from civil servants to employees of entities in the formal private sector.

The project team is providing assistance in:

- Defining NPPF's strategic and governance issues, especially its roles as a) a provider of old age income security, and as b) the largest financial institution in Bhutan's financial sector;
- Defining and introducing the proper operational framework;
- Strengthening the capacity of NPPF's staff to handle pension and provident fund collections, investment management and administration;

- Preparing a medium-term master plan with the scope of expanding NPPF's coverage. The master plan will cover governance issues, NPPF's strategic role and responsibilities in the social security system, transparency and accountability requirements, an appropriate organizational structure, budgeting, staffing, and a medium-term operational and financial plan;
- Developing procedures manuals;
- Designing an annual report on the operations and performance of NPPF;
- Recommending new products and services for NPPF;
- Designing and preparing training programs and conducting training sessions for NPPF staff;
- Developing revised actuarial model, which provide essential inputs for NPPF's decision-making;
- Conducting on- the-job training for the staff of NPPF on the new actuarial model;
- Developing a public awareness campaign to inform members (and the public at large) of the benefits of belonging to NPPF and of its plans for the future.

India

Pension and Provident Fund Reform. The Aries Group, in association with Deloitte Touche Tohmatsu, provided technical assistance as part of this ADB-sponsored project to design a framework and present practical options for structuring a more efficient, equitable, transparent, and sustainable private sector pension and provident funds system. Our nine-person team, including specialists in pension and provident fund regulations, taxation, systems, and operations, is undertaking a review of both the existing formal pension and provident funds system and the traditional old age support systems in the informal sector; and identifying long-term requirements for an adequate national pension and provident fund system in India.

In parallel, the team is supporting development of a basic financial model that can appraise Employees' Provident Fund Organization's (EPFO) financial position in terms of the cost of proposed changes to relevant policies, laws and regulations. Based on the financial model and its analysis on EPFO's financial position, the team is responsible for:

- An evaluation of viability and adequacy of plan design including early withdrawals and collection practices;
- An analysis of investment performance and policies;
- A detailed study of existing work processes and systems, and development of a revised work flow and an accompanying information system with hardware and software requirements;
- A review of EPFO's auditing and accounting system and standards, database of financial information, and disclosure practices;

- An assessment of EPFO's organizational structure, the role of the Central Board of Trustees, personnel policies, performance measurement, and compensation;
- A comprehensive analysis of EPFO's cash flows, overhead costs, and capital investment needs;
- A plan to increase EPFO coverage beyond the designated 177 industries; and
- A survey of beneficiaries' perception of EPFO, followed by a recommendation for a campaign to encourage contribution and prevent early withdrawals.

Jamaica *Insurance Law Reform.* The Aries Group worked with the Financial Sector Adjustment Company Limited (FINSAC) in implementing a technical cooperation project signed between the Government of Jamaica and the IDB to strengthen insurance supervision. The Aries Group provided the services of an Insurance Attorney who advised FINSAC, the staff of the Office of the Superintendent of Insurance (OSI), the pension fund regulatory expert, and other consultants on matters of insurance law, regulation, and supervision. Specific tasks included:

- Conducting an initial review of insurance laws and regulations;
- Drafting emergency regulations to establish prudential standards appropriate for insurance companies to eliminate imprudent investments, self-dealing to connected entities, undue risk, and the marketing of products not within the core insurance business;
- Drafting a revised insurance law and enabling regulations addressing issues of financial concentrations, appropriate limitations on the powers of insurers, expanded enforcement powers for the OSI, and other matters to be incorporated into a revised legal framework for Jamaican insurance companies;
- Implementing defined predictive ratios that will signal the need for regulatory attention and an appropriate risk-sensitive solvency margin standard for application to industry sectors and lines of insurance;
- Proposing initiatives to educate the various regulated entities, i.e. insurance companies, insurance brokers, and sales agents on the provisions of the new law; and
- Following enactment of the proposed law and regulations, conducting a continuing review of the law and regulations to respond to emerging issues.

Kazakhstan *Financial Sector Capacity Building to Support Pension Reform.* The Aries Group, in association with PEDCA, provided the services of training specialists in financial/investment management. The project aimed to support the Government of Kazakhstan's pension reform program by enhancing the efficiency of private asset management and insurance companies through training in order to strengthen their capacity in financial management and in the development of services to support their operations. The project also included the provision of consulting services for in-country and external training for the staff of private

asset management companies as well as representatives from regulatory authorities, including the Ministry of Finance and the National Securities Commission. The multifaceted training program included:

- One-day seminars for senior management of asset management companies to familiarize them with the regulatory requirements and administrative principles for efficient functioning of asset management companies;
- A rigorous curriculum for midlevel asset managers and financial analysts in the form of short-term courses integrated with the curriculum of a local academic institute and supplemented by on-the-job training within each organization;
- A two-week international study tour to the financial center of Hong Kong and Singapore to give asset managers in Kazakhstan the opportunity to observe similar institutions in operation in other countries, and to learn firsthand how viable private asset management companies operate;
- In-country training workshops and lectures for the staff of private insurance companies and regulators of the insurance industry. This segment addressed the principles underlying non-life insurance, life insurance, and reinsurance and covered topics in asset valuation, underwriting, surveying, pricing and reserving, use of data on loss experience and mortality, actuarial reviews, and related topics; and
- Specialist training in actuarial principles and the preparation of a report recommending the development of professional actuarial bodies in Kazakhstan.

Malaysia *Capital Market Development Project – Employees Provident Fund.* Funded by the ADB, the project consisted of four components designed to enhance the domestic capital market through effective oversight and regulation, as well as an increased supply of and demand for publicly traded securities. One of the four components involved assistance to the Employees Provident Fund (EPF), the largest pension fund in the country, in diversifying and expanding its operations in the capital market. Specific tasks undertaken by the consulting team included:

- Preparing an investment model for the pension fund given: (i) the 50-50 government securities and private investment limitation of the EPF; (ii) the profile of the members of the retirement fund based on available actuarial studies; (iii) the objective of enhancing the overall return of the fund; and (iv) the investment opportunities in the Malaysian market;
- Defining a suitable role for the EPF in engaging more actively in the domestic capital market without displacing the traditional role of development banks and development finance institutions, including a role in direct lending operations for long-term developmental projects, portfolio investments through the capital market as passive investor, as promoter of joint ventures with foreign entities, etc.;
- Given the activities considered appropriate for EPF to undertake, recommending ways for EPF to organize, including exploring alternative

corporate vehicles, to most efficiently link these new activities to its existing operations;

- Reviewing the existing organization and staff of the fund in coordination with EPF management and determining if there is a need to expand or upgrade given the requirements of the new activities, particularly direct long-term investments;
- Preparing systems and procedures necessary for the implementation of new activities, in particular direct lending operations. These included, but were not limited to, credit/appraisal report preparation, and credit administration and supervision;
- Recommending guidelines and sources of information to assist the EPF's Investment Research Department in establishing: (i) macro-forecasting models for the economy, the interest rate and the exchange rate; (ii) evaluation and monitoring systems for its investments portfolio, both the core as well as the secondary portfolio; and (iii) systems for the evaluation and monitoring of fund management performance;
- Developing a basic training program for new investment analysts and investment officers and an advanced training program for senior EPF officers in investment research and fund management; and
- Developing a management monitoring system.

Nepal

Capital Market Development – Regulatory Framework of Pension Fund. The Aries Group, for the ADB, assigned a three-person consultant team to develop the capital market of Nepal with a view to facilitate domestic resource mobilization and provide investment capital for private entrepreneurs while reducing the reliance on the banking sector. The consultant team was responsible for: (i) reviewing the regulatory framework relating to pension/trust/provident funds and other financial institutions for improved investment opportunities in the stock market; (ii) assessing the effectiveness of the existing market instruments and recommending measures to improve attractiveness; and (iii) identifying technical assistance proposals to support the strengthening of the existing capital market institutions and the creation of new capital market institutions and instruments.

Pakistan

Reform of Pension and Provident Funds. The Aries Group, Ltd., in association with PEDCA, conducted this ADB-sponsored study of pension and provident funds in Pakistan. The project team is responsible for: (i) performing an in-depth analysis of the pension and provident fund industry, including the size, features, as well as an actuarial cash flow analysis under different assumptions for both private and public sector schemes; (ii) formulating suitable reform options for public and private sector schemes; (iii) drafting investment policies and guidelines; (iv) drafting legislation and modifying rules and regulations, as required; and (v) recommending approaches and modalities to encourage professional management of pension and provident funds and other retirement schemes.

Thailand ***Pension and Provident Funds Reform.*** The Aries Group, in association with PEDCA and Deloitte & Touche Bangkok, provided technical assistance as part of the ADB's proposed Financial Markets Reform Program Loan (FMRP) for Thailand. The project included a review of the existing policy and regulatory framework, organizational structure, operations and performance of pension and provident funds in Thailand. The team was responsible for identifying the deficiencies of the existing system with regards to benefits and coverage, regulatory and supervisory adequacy, financial sector sustainability, and institutional efficiency. Based on this review, and in consultation with the Government and the ADB, the team formulated and designed a blueprint for the development of an integrated formal social security system suitable to the needs of the country. The Team consisted of specialists in pension and provident fund policy and operations, law, actuarial science, accounting, information technology, organizational development and training.

PRIVATIZATION AND PRIVATE SECTOR DEVELOPMENT

The Aries Group's privatization and private sector development practice combines industry and functional expertise with knowledge of emerging markets. Aries' consultants possess a wealth of expertise in various areas and are dedicated to formulating policies and implementing solutions to expand the role of and provide support to the private sector in developing economies. The Aries Group, Ltd. was one of six subcontractors to the USAID-funded Center for Privatization, which has undertaken over 120 privatization assignments in nearly fifty countries. The Aries Group, Ltd. provides technical assistance and advisory services in the following areas:

- Preparing detailed action plans to implement and accelerate the privatization process, including the identification of prevailing political, regulatory and organizational impediments; development of valuation methodologies; and formulation of options for domestic private investor participation.
- Developing and strengthening the institutional capabilities of agencies responsible for supporting, promoting and executing privatization.
- Designing and implementing effective local and international public relations programs to gain the support of key audiences.
- Reviewing governments' approaches to foreign investment and assisting in the development of transparent policies and regulations.
- Developing, refining and marketing financial instruments required for privatization transactions.
- Addressing key impediments to private sector participation in the economy including issues of taxation, business licensing and registration, etc.
- Assisting private sector membership and resource organizations in building and strengthening their capacity to provide services to small and medium enterprises.

The following is a sampling of our recent project experience:

Bhutan ***Capacity Upgrading of Financial Sector Infrastructure and Entrepreneurial Development.*** The Aries Group implemented this ADB-sponsored project in association with PEDCA. The main objective of the project was to upgrade the institutional capacities of the Government agencies and monetary authorities engaged in the policy reform program so as to develop an efficient and competitive financial system and create an enabling environment for private sector development. The project also aimed to identify measures to strengthen institutional capabilities of the financial institutions and enhance private sector entrepreneurship and management skills. The consulting team was tasked with:

- Reviewing the government's current case-by-case approach to foreign investment and assisting the government in the preparation of transparent policies and regulations regarding foreign investment;
- Evaluating the current system of administrative controls over private sector business activities, including the employment of foreign labor, and assist the

government in the preparation of transparent policies to rationalize various controls; and

- Assisting the Bhutan Development Finance Corporation and the Bhutan National Bank in developing their institutional capabilities in investment promotion and private sector support including project identification, planning and implementation support to the private sector, as well as entrepreneurship development.

Egypt

Privatization Project. The Aries Group, in association with Arthur Andersen, conducted the five-year, USAID-sponsored Privatization Project in Egypt. The primary objectives of the project included:

- Development of organizational capabilities of the holding companies and state banks in preparation for privatization;
- Improvement of the ability of existing financial institutions to participate in the privatization process, as well as the introduction of new financial instruments;
- Assessment of the present environment and the formulation of alternative approaches to the elimination of political, regulatory and organizational impediments to privatization;
- Preparation of the sale of state-owned properties/companies and provision of transactions support;
- Coordination of the privatization efforts of government entities such as the Ministry of Public Enterprises and the Public Enterprise Office;
- Generation of foreign and domestic business interest in Egypt; and
- Strengthening local institutional as well as private sector capacities to define, structure and communicate messages in support of privatization and larger economic reforms.

Privatization of Input Supply Activities of the Principal Bank for Development and Agricultural Credit (PBDAC). The Aries Group, for USAID and the Center for Privatization, managed and coordinated the above multipurpose privatization project. The project team comprised of seven experts in various fields of banking, public finance, agricultural input distributions, management information systems, and privatization of state-owned enterprises. The Aries Group provided the team leader and two experts. The project culminated in a two-volume report addressing all aspects of PBDAC's operations, and presenting options for divestiture and privatization of each of the following sub-sectors: fertilizer, seed, pesticides, animal feeds, and agricultural machinery.

Privatization Program Establishment and Development. The Aries Group, for the Center for Privatization, provided consulting assistance and conducted a study of Egypt's privatization program. The assignment was conducted under the aegis

of USAID/PRE in response to a request for technical assistance from the Government of Egypt (GOE) and USAID Mission in Cairo. The GOE contemplated the divestiture of over 250 projects and enterprises owned by the local (provincial) governments and, with the assistance of USAID/Cairo, planned to design a strategy and methodology for the implementation of the program.

The initial phase of the assignment was to assist the Capital Market Authority in designing a methodology for the evaluation of state-owned enterprises (SOEs).

In Phase II of the privatization program, The Aries Group assisted USAID/Cairo by providing experts in the areas of (i) methodology for valuation of government-owned assets; (ii) potential use of debt/equity swaps for financing privatization; (iii) options for marketing SOEs; and (iv) various options for transferring state-owned enterprises to private sector.

***Federated
States of
Micronesia***

Privatization of Public Enterprises and Corporate Governance Reforms. The Aries Group, in association with Deloitte Touche Tohmatsu International, worked with the staff of the Government of the Federated States of Micronesia's Department of Economic Affairs (DEA), relevant offices of the state governments, and the Economic Management Policy Advisory Team (EMPAT) to:

- Set up the systems and procedures for corporation/privatization, including preparation of a manual and guidelines for privatization or restructuring of public sector enterprises (PSEs), as well as documents on the organization, management, and personnel restructuring of PSEs for the guidance of the DEA staff;
- Select PSEs for corporatization/privatization on the basis of: (i) importance to the FSM economy, (ii) commercial viability, (iii) value to the community; (iv) political sensitivity; (v) the need to restructure prior to privatization; and (vi) effect on unemployment;
- Carry out pilot privatization transactions in association with state governments; and
- Ensure that labor and environment impacts are identified, and mitigation measures are incorporated in accordance with the relevant laws prior to privatization.

Fiji

Development of the Capital Market. The Aries Group, in association with the PEDCA, conducted the Fiji Development of the Capital Market Project. The project consisted of four components designed to survey the businesses of Fiji and classify the likely demand for and potential supply of securities in the domestic market. More specifically the four components addressed were: 1) ascertaining scope for accelerating the process of developing a domestic capital market; 2) identifying legal/regulatory constraints; 3) identifying institutional constraints; and 4) preparing an action program for activating the securities market.

The Aries Group evaluated the prospects for privatizing existing government holdings in public corporations, identifying specific Government companies in order to increase the supply of securities in the capital market. In this effort, The Aries Group team was responsible for, *inter alia*, performing preliminary valuations of ten public sector entities and conducting an assessment of possible privatization scenarios involving the capital market.

Jordan *Privatization of Amman Development Corporation and Jordanian Telecommunications Corporation.* The Aries Group's consultants, for the USAID/Amman and the Center for Privatization, developed plans to privatize the Amman Development Corporation and the Jordanian Telecommunication Corporation. Following a valuation of the two institutions, Aries' consultants prepared privatization strategies and determined recommendations for future courses of action for implementation of the government's privatization program.

Kyrgyzstan *Support to Privatization Program - Corporate Governance.* The Aries Group's Russian-speaking Legal Expert was a member of a team of experts responsible for the development of a corporate/commercial legal infrastructure, the implementation of an efficient corporate registration system, and education in corporate governance and shareholder rights, all of which is essential to the success of the government of Kyrgyzstan's privatization program. More specifically, the tasks assigned included: (i) developing public agencies and private company share registries; (ii) assisting in the implementation and refinement of the legal infrastructure; (iii) conducting a roll-out public education program including seminars for private companies, professional training workshops, and the publication of informational bulletins; (iv) providing advisory services to corporate management in various issues related to capital formation, business development, marketing, and financial management.

Laos *Domestic Financing Mechanisms for Privatization.* The Aries Group undertook this ADB-sponsored project which called for a full-scale review of the privatization process in Lao P.D.R. and the identification of modalities for mobilizing domestic resources and making them available on appropriate terms to domestic investors for the acquisition of state-owned enterprises. The project's primary objective was to provide a critical analysis and assessment of the country's privatization efforts thus far, identifying constraints and recommending methods of surmounting those constraints, in order to promote the privatization process by allowing local private ownership of the factors of production.

Privatization Project. In association with the Center for Privatization, and under contract with the ADB, The Aries Group conducted a study of Laos' public sector enterprises and prepared a privatization master plan for the Government of Laos. The study reviewed the various methods of privatization, the practical steps to be taken by the government in privatizing state-owned enterprises, and the typical outcomes of such actions. The study also made assessment of the likely problems confronting the privatization program and recommended practical measures for dealing with them.

Marshall Islands (RMI) *Privatization/Public Sector Assessment.* The Aries Group was contracted by the Government of RMI to undertake and assess all public sector operations. An Aries Group team assessed each government ministry's and department's operational procedures and activities, assessed human resource allocation, determined areas that could be privatized, and assisted in the development of economic plans and private sector development with domestic and foreign investment.

Pakistan *Restructuring of Public Sector Mutual Funds: National Investment Trust and Investment Corporation of Pakistan.* As a continuation of our work on the Capital Market Development Project (see description below), The Aries Group, Ltd. led a consortium in conducting this ADB-funded project to support restructuring of Pakistan's two of the largest financial institutions, the National Investment Trust (NIT) and the Investment Corporation of Pakistan (ICP). A consulting team worked to develop a strategy and action plan for the privatization of both entities, with the objective of transferring their management control to strategic investors. Specific tasks included:

- Reviewing the operations of NIT and ICP and their mutual funds;
- Identifying policy, legal and commercial issues, and necessary actions to facilitate the restructuring and privatization of NIT and ICP and to maximize the proceeds and benefits of the privatization;
- Assisting NIT and ICP in developing managerial and administrative skills and, as required, advising on the financial restructuring of their portfolio, preparing new regulations and developing management information systems to facilitate efficient portfolio management of the mutual funds;
- Conducting financial valuations of NIT and ICP and their mutual funds;
- Advising on the appropriate strategy and modality of privatization, identifying what proportion of shares will form a "strategic stake," and evaluating potential implications of the privatization of NIT and ICP on the capital market; and
- Providing support for the privatization transaction, including preparation of the bidding documents, evaluation criteria for bids, and marketing strategy for the sale of NIT and ICP.

Capital Market Development. The Aries Group, in association with The Nasdaq Stock Market, Inc. for the ADB, provided technical assistance on the Capital Market Development Project in Pakistan which consisted of three components: (1) stock market development; (2) efficiency enhancement of the mutual fund industry; and (3) mobilization of long-term funds for the leasing industry. At the request of ADB, an additional study of the Investment Corporation of Pakistan (ICP) and the National Investment Trust (NIT) was undertaken, including an analysis of portfolio management and the identification of actions to be taken in

preparation for privatization. As part of the Additional Study of ICP and NIT, the consulting team was responsible for the following:

- Examining the investment portfolios of NIT and ICP to provide a fair assessment of their value;
- Examining a sampling of the companies in which NIT and ICP hold more than 10% ownership and the companies which have representatives of ICP and NIT on their Boards of Directors;
- Examining management's investment decision-making process in order to determine the level of due diligence exercised in selecting investments;
- Analyzing external auditors' work papers to determine whether there are contingencies and/or qualifications regarding the integrity of the portfolio;
- Examining the methodology presently used to determine the net asset value (NAV) of the funds and, upon consultation with the external auditors, recommending corrective measures for determining accurate net asset value (process and timetable);
- For NIT, examining the government guarantee of the redemption price, identifying the overall risk inherent in this guarantee scheme, and recommending options for its removal;
- Recommending an action plan for preparing the NIT and ICP for privatization; and
- Recommending various options and a timetable for privatization.

Thailand ***Restructuring of Specialized Financial Institutions (SFIs) - Rationalization of and Corporate Governance for SFIs.*** The Aries Group, in association with Deloitte Touche Tohmatsu, provided technical assistance to the ADB's project to rationalize the Government's role in the overall financial system and among the Specialized Financial Institutions (SFIs), and establish an appropriate governance framework for SFIs. The consulting team is responsible for:

- Reviewing and defining the role of, and rationale for continued Government intervention in the financial sector, and defining a clear exit policy for the Government and bases for private sector participation and involvement.
- Assessing existing corporate governance framework, including institutional and incentive structure, the grant of subsidies and tax exemptions, and determining the economic impact of such policies and the advisability of their continuance or phasing out or possible revision.

- Considering the development of a national account system or other approaches for dealing with directed credits or loans extended for development purposes in order to segregate such accounts from commercial operations and to ensure objective assessment of performance of affected SFIs.
- Establishing, and assisting in implementing a corporate governance framework covering SFI operations to assure autonomy with accountability, transparency of operations, check and balance, means for evaluating performance, and penalizing or rewarding performance.
- Reviewing the Government's regulatory framework for SFIs; establishing monitoring and surveillance systems for MOF to ensure compliance and for tracking SFI performance; formulating policy; undertaking corrective action; and developing coordination mechanisms with the Government.
- Conducting workshops on corporate governance for key Government officials, regulators, and SFI executives to improve understanding of proposed structure for corporate governance and develop capacity in this field.
- Monitoring progress of SFI restructuring based on consultants recommended actions under the ADB's TA Project and preparing quarterly reports to the Government and ADB on the status of individual SFI implementation of restructuring programs, operations, problems being encountered, and proposed measures to address these problems and to facilitate process of implementation.