



August, 2020

▪ **Amendments in Foreclosures laws**

SBP had informed PBA that they would be taking measures to strengthen the recovery regime and to ensure overall efficiency of foreclosure laws, including undertaking legislative reforms. SBP had subsequently prepared amendments in the Financial Institutions (Recovery of Finances) Ordinance, 2001 (FIRO) and had requested PBA for its comments on it and also on the Recovery of Mortgage-backed Security Ordinance, 2019 (RMSO) or any other law deemed necessary for the recovery regime.

Input was sought from PBA's member banks and PBA's Legal Sub Committee reviewed and consolidated the comments. The feedback was sent to SBP on July 30, 2020.

▪ **Quarterly & Half-Yearly Financial Statements:**

COVID-19 related disclosures in the format of interim financial statements

Earlier in July, SBP notified PBA that it would be issuing instructions regarding COVID-19 impact disclosures in the interim financial statements of banks/DFIs, which were intended to be applicable from June 30, 2020 onwards.

PBA informed its member banks of these instructions, requesting them to urgently review SBP's letter and provide feedback / comments to PBA.

PBA's response – which included requests from banks regarding relaxation in certain deadlines and reporting details – was duly sent to SBP in July.

▪ **Revised Guidelines for Management of Shari'ah Non Compliance Risk (SNCR)**

Compliance of Shari'ah rules and principles is the backbone of the Islamic Banking Industry.

▪ **Netting of Financial Contracts Bill, 2020**

SBP, in coordination with SECP, has drafted a Netting of Financial Contracts Bill (the 'draft bill') to remove any uncertainty in enforcing netting rights for a termination event and/or insolvency proceedings.

After review process and due consultations with the stakeholders, including PBA, SBP submitted the comments on the Draft Bill to the MOF which was followed by a review by the Ministry of Law & Justice which also gave their comments /recommendations for improvement to SBP.

PBA was requested by SBP to review the amendments as suggested by the Ministry of Law & Justice and provide comments on the same. The PBA feedback / comments were sent to SBP on July 15, 2020.

▪ **Reporting Chart of Accounts (RCOA)**

On behalf of its members and on the advice of PBA's Accounting & Taxation Sub Committee, PBA requested SBP in early July for an extension date for the submission of Reporting Chart of Accounts (RCOA) for all banks.

The banks normally manage the deadline set for RCOA along with concurrent work taking place on the half-yearly accounts. However, with the COVID 19 outbreak, the work pattern of the banks changed significantly with limited office timings and minimal office staff on premises. The situation particularly effected access to banks' internal data systems making it difficult for the reporting of accounts to be completed within the timeline.

PBA requested SBP to extend the original deadline of July 16, 2020, which was extended by SBP for a week.

Sectoral Matters

Concluded July 31, 2020

In this context, it is a primary responsibility of Islamic Banking Institutions (IBIs) to ensure Shari'ah compliance in all of their business activities and operations.

Taking note of lack of uniform practices regarding management of SNCR across the Islamic banking industry in Pakistan and to provide the necessary guidance to IBIs to deal with this peculiar risk, SBP has developed a set of guidelines for SNCR management.

These were reviewed by the PBA Islamic Banking Sub Committee in June 2020 and a feedback was given to SBP, upon which the amended guidelines were provided by SBP in July 2020.

The guidelines are applicable on all IBIs i.e. full-fledged Islamic banks, Islamic banking subsidiary and conventional banks having standalone Islamic banking branches-

▪ **Pensioners Biometric Verification - Meeting with NADRA and SBP**

The Controller General of Accounts (CGA) GoP had requested SBP in June 2020, to work with commercial banks to keep the bank charges at a minimum for the bi-annual biometric verification of pensioners. On SBP's request, PBA had also provided SBP with the feedback received from banks regarding the preparedness of banks to implement the CGA's suggestion.

Subsequent to the feedback sent by PBA, SBP invited the banks' technical/IT teams to participate in a meeting with the Project Director, NADRA, to firm up the process where further concerns from the IT teams were communicated.

▪ **Amendments in the Collateral Management Companies (CMC) Regulations, 2019**

As requested by SBP, PBA had sent its comments to SECP, in early July, on the draft amendments in the Collateral Management Companies (CMC) Regulations, 2019. The key recommendations by PBA had included feedback from banks on, certain allowances for or restrictions upon, Financial Institutions (FIs).

The updated CMC Regulations were communicated to PBA by SBP and our member banks were asked to convey their feedback (if any) directly to SECP.

The updated CMC regulations are currently available on the SECP website and are expected to come into effect immediately.

▪ **Data sharing details between FBR and the banks**

FBR has created a 'Technical Specification document for data sharing' to facilitate Banks in understanding the details of data sharing and integration between FBR and the Banks as required under Section 165-165A. The document includes input collected from the IT team of FBR and the taxation and IT teams of banks.

FBR had requested PBA to provide feedback on the document following which input from CFOs of member banks was sought and PBA also facilitated a deeper discussion on the subject between the IT team of FBR and the taxation and IT teams of banks.

The feedback to FBR on the said document included a request by member banks for a second session of discussions which took place at PBA via Zoom on July 17, 2020.

▪ **Revised / Updated 'Framework for Outsourcing to Cloud Service Providers (CSPs)'**

The evolving role of technology in the banking/financial services sector has become increasingly complex, particularly with the introduction of cloud-based technology service providers.

With the aim of providing baseline risk management principles to Financial Institutions (FIs), SBP has developed the framework on 'Outsourcing to Cloud Service Providers'. The framework enables FIs to keep abreast with the aggressive and widespread adoption of technology, in general, and cloud services, in particular, and, consequently, to strengthen existing regulatory framework for technology risk supervision.

This framework shall be integrated with the FI(s)' policy for outsourcing arrangements and overall enterprise risk management program. BPRD updated the draft framework earlier this year based on the feedback received from various stakeholders, including PBA.

SBP sent the revised framework to PBA, requesting a review of the updated 'Framework for Outsourcing to Cloud Service Providers (CSPs)' in July.

The matter was reviewed by the PBA Cyber Security Forum and their feedback / comments sent to SBP on July 10, 2020.

Matters in the pipeline

Ending July 31, 2020

- Framework for Managing Risks of Trade Based Money Laundering and Terrorist Financing.
- Development of Database of proscribed persons and PEPs
- Fraudulent Transaction Dispute Handling (FTDH).
- Standardization of Housing Financing Agreements and/ or other Legal Documents for Conventional Housing Finance & Microfinance Banks.
- Draft Islamic Foreign Exchange Master Agreement & Draft Conventional Foreign Exchange Master Agreement.
- Draft Insurance Ordinance (Amendment) Bill, 2020.
- Draft Corporate Insurance Agents Regulations, 2020.

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