



## Naya Pakistan Housing Program PBA's support for low cost housing

To highlight the incentives being offered by banks for low cost



housing to the lower income segment of the country, PBA will be launching – on behalf of its member banks – an awareness campaign in the media in January 2021, which will focus on the potential beneficiaries of this scheme. The campaign will also highlight SBP's goal of increasing housing finance in the country, in keeping with the government's Naya Pakistan initiatives.

Earlier this year, a high level Steering Committee (SC) on Housing and Construction Finance was set up by the State Bank of Pakistan under the Chairmanship of the Governor, SBP, to steer the low cost

housing project which is also expected to be a catalyst to boost the economy after the negative impact of Covid 19.

Under the Steering Committee, several individual teams are engaged in various work streams for a more enabling environment for the housing project, and one such stream is for use of technology and digitization for housing finance activities, for which PBA's platform is being used.

**MATTERS**  
in  
focus

## Beware of Digital Banking Frauds

There is a growing concern about incidents of cyber related frauds, especially through theft of customer information, acquired through calls from impostors impersonating as officers of SBP, government departments and banks.

To enhance awareness regarding such digital banking frauds and in order to reduce the exploitation of these services through social engineering, PBA, on behalf of its members, will yet again be launching a campaign on all media platforms, starting February, 2021.

The PBA, Media WG is working on production of the creative material.

There's a danger that if cyber fraud is not controlled, it may rapidly increase following enhanced digitization of banking activities – a developing move being encouraged by SBP.

PBA's awareness campaign will also broadcast ways in which to identify/apprehend fraudsters and report such activities through their bank's helpline which will be equipped to deal with such complaints.



## Market Treasury Bills (MTBs) – maturity on lunar holidays

In the instance that MTB maturities fall on a lunar holiday (Eid, Ashura, etc.), and to ensure that MTB investors are treated fairly and are protected from the potential loss of profit due to lunar holidays, PBA had requested SBP and the Ministry of Finance (MoF) to formally establish a protocol at the time of announcement of the auction calendar.

The PBA, Sub Committee on Treasury and Capital Markets, had advised SBP that the maturity dates of MTBs be preponed to the last working day before the holiday, in which case the maturity price would be adjusted accordingly as well. SBP has responded to PBA, agreeing that a planned calendar for announcement of MTB auctions is most essential and has agreed with PBA's suggestion, requesting PBA to share an auction calendar option, created on the possible lunar dates, on a year to year basis. That will provide the basis on which SBP will subsequently suggest an auction calendar and MTB maturities



## ATM security guidelines

ATM Security Guidelines have been prepared by the PBA, Cyber Security Forum (CSF), for the benefit of its members. The guidelines are detailed and comprehensive and include securing the BIOS and implementation of communications encryption.

The guidelines are mainly aimed towards providing a minimum set of controls that a bank must have in order to protect their ATM operations from Cyber threats.

## Enhancing digitization in Pakistan's banking sector



The joint committee of SBP and PBA – formed to make recommendations to deal with the issues arising out of the COVID 19 fallout – had made several suggestions including enhancing digitization of the banking industry which were endorsed by SBP and the committee was assured that implementation of the said recommendations would follow. Accordingly, a draft circular from SBP – with the incorporated recommendations on enhancing digital banking in Pakistan – was sent to PBA for review and PBA's Working Group on

Digital Banking, Consumer Sub Committee and General Banking Sub Committee reviewed the draft circular and subsequently, a feedback has been provided to SBP.

# Matters submitted to SBP

October 1, 2020  
to December 31, 2020

## ❑ Pensioners' verification system (proof of life) through biometrics

The Government of Pakistan is working on Pensions Reforms to streamline payments with transparency and ease of access as well as for verification through digital mechanisms.

This, inter alia, includes introduction of Biometric Verification System (BVS) as a proof of life for pensioners. In this context, Finance Division (FD), Controller General of Accounts (CGA) and NADRA have recently signed a tripartite agreement.

Since banks are disbursing pension funds, therefore as per FD, banks are also required to sign an agreement with NADRA to carry out biometric verification of pensioners. A draft agreement detailing the complete scope of work to be carried out by banks was shared with

PBA by SBP for the purpose of informing all members and requesting their feedback. The response received from Head of Operations of member banks has been sent to SBP. The biometric verification of pensioners will be held twice a year – in March and October.

## ❑ Impact of COVID-19: challenges for the Microfinance Industry

The PBA, Microfinance Sub Committee, deliberating on the economic condition and the impact of COVID 19 on the livelihood of less privileged population of the country, is of the view that the provisioning requirement of the industry has increased which will result in capital erosion.

According to the Sub Committee, this will have a negative impact on the ability of the Microfinance sector to continue to cater to low income population at a time when the demand for such services is vital for the employment and the livelihood of the poor.

With this backdrop, the Microfinance Sub Committee has formulated recommendations for ensuring that the sector continues to provide services to the economically vulnerable across the country.

The recommendations have been forwarded to SBP for consideration, and include the following areas of focus;

- i) Credit Guarantee Scheme
- ii) Liquidity Requirement
- iii) Relaxation in Classification Criteria of NPLs pertaining to Restructured Loans
- iv) Implementation of IFRS-9

### **❑ Sale of third party products**

The State Bank of Pakistan requested PBA for a feedback on the master circular on Sale of third party products. PBA, Consumer Sub Committee reviewed the draft and the feedback was submitted to SBP. The provisions of the circular are applicable on bancassurance/bancatakaful and other investment related third party products offered by banks/MFBs/DFIs/ Islamic Banking Institutions (IBIs).

### **❑ Open disclosure of digitization statistics**

A draft format for disclosure of digitization related statistics of FIs has been created by SBP. In this regard, a joint committee comprising officials from SBP and PBA was constituted to propose a mid-term strategy for continuity of essential financial services in Pakistan amid COVID-19 and to recommend measures to protect health and safety of banking professionals and customers. The joint committee carried out a study to assess effectiveness of Internet Banking and Mobile Banking (IB/MB) channels in the industry. During the study, quality of IB/MB services being offered by the FIs was also assessed and to foster a healthy competition, SBP has decided to share the performance study of all banks regarding their digitization, which will be made available on the SBP website.

SBP had asked for PBA's feedback on the draft format for disclosure digitization related statistics of FIs, and PBA's response has been sent to SBP.

### **❑ Regulations for payment card security**

The comments of the PBA, Consumer Sub Committee, on the Draft Circular letter issued by SBP on Regulations for Payment Card Security, were submitted on November 11, 2020. The circular included the suggestion of improving the Payment Card Acceptance Infrastructure in Pakistan.

### **❑ Framework for managing risks of Trade Based Money Laundering and Terrorist Financing**

PBA has informed SBP that its members would be either developing their own system solution for analysis of trade related information or may opt to get the services from an external vendor. Though the continuing Corona situation is impeding a swift progress, several PBA members have initiated the risk profiling process.

## ❑ **Curbing online banking frauds**

In view of the rising reports of Online Banking Fraud, SBP had requested PBA to provide the industry's input regarding the relaxed requirements in effect for customers' verification for mobile/internet banking.

The earlier requirements included biometric verification which was waived in the changed working environment resulting from Covid19 and the subsequent lockdown. A response, based on PBA's General Banking Sub Committee's feedback was sent to SBP in 2020 which included several suggestions to ensure customer safety and bank security measures.

## ❑ **Draft policy for equity investment abroad**

SBP is proposing a revision in the existing Policy of Equity Investment Abroad to facilitate the residents of Pakistan in meeting the requirements for such investments. The initial draft of the revised policy is available on the SBP website.

The draft policy recommends replacing the existing Para 13 of Chapter 20 of Foreign Exchange Manual. SBP is consulting all stakeholders regarding the proposed change and has asked PBA for its feedback. Following a review of the initial draft of the revised policy by PBA's member banks, the feedback was sent to SBP on October 9, 2020. SBP is expected to engage further with PBA on this.

## ❑ **Revised draft template for complaints publication**

To ensure that 'Fair Treatment of Consumer (FTC)' remains a vital and effective practice within all Financial Institutions (FIs), a review of Consumer Complaints against Banks/DFIs/MBFIs for 2016-19, was published by SBP on July 23, 2020 – albeit without mentioning names of any of the FIs.

To further reinforce responsible complaint handling, SBP informed all banks that it also plans to publish bank-wise complaints data for which a revised draft template has been created. The proposed revised Publication is to be backdated from September 2020 onwards and issued on a quarterly basis. PBA was requested to provide feedback on the said template, which was reviewed by PBA's member banks, and their comments were subsequently consolidated and sent to SBP in October, 2020.

## ❑ **Investment of liquid funds by Microfinance Banks (MFBs)**

It was brought to PBA's notice that as per Prudential Regulations (PRs), the MFBs are allowed to invest in fixed income securities only and they would like the opportunity to invest in Cash / Money Market Funds as well.

The matter was reviewed by PBA's Microfinance Sub Committee, which has formally requested SBP to allow MFBs to use same criteria mentioned in Circular 4 of 2013 or give guidance in some way so that MFBs may benefit from a higher return.

## ❑ **BCP during emergencies**

SBP had requested feedback from PBA regarding the Business Continuation Plan (BCP) and preparedness for emergencies – as handled by commercial banks – following the devastating rainfall in the last week of August 2020, which had inundated Karachi and, in turn, affected the working conditions of several organizations, including banks.

PBA, General Banking, Sub Committee, had assessed the members' responses regarding the measures taken to continue operations during the disaster, lessons learned and the policy decisions made. Feedback was also received on the possible events that have been identified where the BCP arrangements may be invoked and the authority to invoke the same.

PBA's response was sent to SBP in October, 2020

# MATTERS

## in the pipeline

As on December 31, 2020

- 1. Campaign against Cyber fraud:** At the request of SBP, PBA will be launching – on behalf of its members – an awareness campaign in February 2021, to curb cyber fraud.
- 2. Campaign for Low cost housing finance:** On behalf of its members, PBA will be launching an awareness campaign by the end of January 2021.
- 3. Development of Database of proscribed persons and PEPs:** financial and technical Proposals from two Vendors have been obtained for review by PBA.
- 4. Blockchain eKYC Platform for the Banking Industry:** PBA Compliance forum is evaluating proposals on this.
- 5. Draft Islamic Foreign Exchange Master Agreement and Draft Conventional Foreign Exchange Master Agreement:** matter being reviewed by the PBA legal counsel, before being submitted to SBP for its blessings.
- 6. Draft separate chapter on Islamic banking in the existing BCO, 1962:** feedback of member banks being sought by PBA.
- 7. Need for a uniform process under section 15 of FIRO:** PBA's legal Sub Committee preparing feedback.

# PBA Meetings

October 1, 2020  
to  
December 31, 2020

- **Meeting with Dr Inayat Hussain, Executive Director (ED), SBP, and Mr Tawfiq Hussain, CEO, PBA, and their teams at PBA office**

The meeting was held on November 12, 2020, to discuss the rising problem of cyber-fraud impacting bank customers' accounts and negatively affecting banks.

- **Executive Committee (EC) strategy session**

The PBA, EC, held a strategy session at the PBA office on October 29, 2020.

The objective of the session was to brainstorm and discuss new areas of focus for PBA's activities and to enhance PBA's scope of work.

- The following meetings of the **PBA Sub-Committees/ Working Groups/ Forums** took place in the past quarter:

- **Accounting & Taxation Sub Committee**

November 19, 2020

- **Consumer Banking Sub Committee**

October 29, 2020

November 24, 2020

- **Islamic Banking Sub Committee**

December 16, 2020

- **Treasury Sub Committee**

November 20, 2020

December 03, 2020

- **Working Group on Technology (for Low Cost Housing Finance)**

Weekly from October 1, 2020 –

December 11, 2020

- **Compliance Forum**

23 November 2020

- An information session on Interbank Funds Transfer was held on December 3, 2020, with SBP and PBA representatives in attendance.

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