



## Sectoral Matters

May 1, 2021  
to May 31, 2021

### Regulations for Payment Card Security – PSD Circular Letter No. 2 of 2021

PBA's, Consumer Banking Sub Committee has addressed the issue of the deadline given via the mentioned circular, which has instructed Card Service Providers (CSPs) to ensure that their cardholders activate their new EMV Chip and PIN cards before the deadline of June 30, 2021. Since card activation is the customer's prerogative they cannot be forced into activating the cards though the banks are endeavouring to educate customers in this regard.

A letter drafted by PBA's Consumer Banking Sub Committee, requesting that banks be given certain relaxations pertaining to PSD Circular Letter No. 2 and for an extension for the implementation deadline from June 30<sup>th</sup> 2021 to December 31<sup>st</sup> 2021, has been sent to SBP.

### Development of standard checklist of maximum legal/property documents required by Banks for disbursement of housing finance

A standard checklist of maximum legal and property documents required by banks prior to disbursement of housing finance – taking into account various types of mortgages and provincial variations in the documents – has been developed by PBA's Legal Sub Committee with the assistance of Meezan Bank.

The Sub Committee's report on the checklist of title/property documents – including properties falling in various jurisdictions across Pakistan, AJK and GB – was submitted to SBP, on May 04, 2021.

### Draft instructions on the revised Basel III Market Risk

SBP had requested PBA for its feedback on the 'Draft Instructions on the revised Basel III Market Risk.'

The revised draft on the subject has been released to address the structural issues pertaining to the regulatory boundary between the trading and the banking book, weaknesses in the VaR- based framework incoherent risk capture; and insensitive nature of the standardized approach towards sensitive matters.

The draft instructions, according to SBP, are built on the existing Basel 2 standardized approach as a simplified alternative.

PBA members were requested to review the Draft and the comments received were consolidated and sent to SBP on May 17, 2021 after their review and approval.

### Customers' Digital Onboarding Framework for Banks / Microfinance Banks (MFBs)

PBA was requested by SBP to provide its feedback on the Draft '*Customers' Digital Onboarding Framework for Banks/ Microfinance Banks (MFBs)*'. SBP has informed that in line with the goal of financial inclusion and digitization of banking services, SBP has taken many initiatives including the introduction of Branchless Banking and Electronic Money Institutions. In collaboration with Commercial banks, SBP had also introduced Roshan Digital Accounts (RDAs) last year by issuing a specific framework to the designated banks.

According to SBP, based on the tremendous success of RDA, they have now devised a comprehensive '*Customers' Digital Onboarding Framework for Banks/ Microfinance Banks (MFBs)*' to facilitate banks/MFBs to remotely onboard customers by using digital channels. PBA's Digital Banking Working Group reviewed the comments submitted by PBA's members and a consolidated response to the Draft was prepared and submitted to SBP on May 3, 2021.

## ❑ Implementation of National Security Standards in Pakistan

To help standardize indigenous development of information security (INFOSEC) products, components, services and procedures in Pakistan in line with modern trends, the National Telecom & Information Technology Security Board (NTISB), Cabinet Division is in process of formulating and implementing National Security Standards (NSS) for Cryptographic & ITSec Devices to evaluate and certify trustworthiness of Communication Security (COMSEC) and Information Technology Security (ITSec) products.

Since, implementation of NSS will affect the banking sector, SBP had requested PBA to provide feedback on the extract from NSS and its implementation plan.

PBA asked its members to review the extract from NSS and its implementation plan and the comments received were consolidated at PBA and reviewed by the PBA Cyber Security Forum (CSF) before being sent to SBP on May 21, 2021. Based on feedback later received from SBP on the strategic aspects of NSS, the matter was discussed again by the PBA CSF in a Zoom meeting on May 26, 2021, with SBP in which PBA members' concerns were communicated.

## ❑ Image-based Clearing – Draft Circular letter

An SBP circular on facilitation regarding paper-based Clearing Operations – in the wake of Covid19 – was issued in April 2020, which permitted Banks/MFBs to make arrangements with the Clearing House – NIFT( National Institutional Facilitation Technologies) – for clearing their cheques through Image-based Clearing (IBC) functionality as per the agreed SOPs between NIFT and banks.

A Draft circular letter regarding implementation of Image-Based Clearing has now been drafted to make the clearing process more efficient. PBA was asked for its members' input on the Draft by SBP, which was taken and then reviewed by PBA's General Banking Sub Committee. A response has been submitted to SBP with members' comments.

## ❑ Financial Inclusion of Persons with Disabilities (PWDs)

To facilitate and make financial services accessible to Persons with Disabilities (PWDs), an SBP Working Group (WG) had made certain recommendations, following which a Master Circular for financial inclusion of PWDs has been developed which consolidates all earlier regulatory instructions and augments these in the light of proposed recommendations by the SBP WG. .

The final draft of the Master Circular for PWDs was sent to PBA with the request to provide its feedback on the same.

PBA members reviewed the draft of the circular and the feedback was submitted to SBP in May.

## ❑ Revision of Foreign Exchange Manual - Proposed / Draft Chapter 14 – Commercial Remittances

SBP had requested PBA to inform members to review the proposed/draft chapter 14 (Commercial Remittances) of the Foreign Exchange Manual, available on the SBP website and provide comments directly to SBP. PBA communicated to its members to review the said draft which mainly deals with commercial payments such as freight & passage collections by foreign airlines/shipping companies, acquisition of services from abroad, royalty/franchise/technical fee, remittance of profits of foreign banks/companies, remittance of information technology sector/ digital service provider companies etc. The changes suggested in Chapter 14 are aimed to promote ease of doing business by simplifying the existing instructions, removing the redundancies and delegating more powers to the Authorized Dealers for facilitation of the stakeholders.



# Matters in the pipeline

Ending

May 31, 2021

- 1. Cyber frauds in banking - PBA's awareness campaign;**  
The campaign is ready to be rolled out in June, 2021. The call to action will be emphasized for possible victims of cyber fraud.
- 2. Development of database of proscribed persons and PEPs;**  
User ID for initial testing of the portal has been provided by the vendor and the PBA database team is testing it before activation.
- 3. Blockchain/eKYC platform for the banking industry;** Final selection of vendor has been made and approved by PBA, EC. Selected vendor has submitted Proof of Concept (PoC) and the agreement will be signed shortly.
- 4. Transfer of common Non Performing Assets (NPA) to Pakistan Corporate Restructuring Company Ltd (PCRCL);**  
SBP had requested PBA to help identify the common NPAs of the industry to assist in building consensus among the industry for transfer of such NPAs to PCRCL for better management/resolution. The Sub Committee formed for this purpose, which includes five members from PBA's Risk Sub Committee, is handling the matter and banks are in the process of seeking approval from their boards for transfer of accounts to PCRCL.
- 5. 1-Link services;** To address the notice issued by the Khyber Pakhtunkhwa Revenue Authority (KPRA) regarding 1-Link's taxable services and the withholding/sales tax, a smaller group of the PBA, Accounting & Taxation Sub Committee has been formed which is reviewing the matter.
- 6. Pakistan Single Window (PSW);** PBA, General Banking Sub Committee reviewing the position regarding the development of systems by all authorised dealers.

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