

▪ PBA campaign on Prime Minister's mark-up subsidy scheme for Low Cost Housing

On behalf of participating members, PBA's campaign was released in February across electronic and print media to advertise the features and benefits of the scheme for lower to middle income group, highlighting SBP's objective of increasing housing finance in the country, in keeping with the government's Naya Pakistan initiatives.

The television commercial may be viewed here:

<https://pakistanbanks.org.pk/wp-content/uploads/2021/02/PBA-LCH-TVC.mp4>

▪ National Cyber Security Policy 2021

A draft of the National Cyber Security Policy 2021, was sent to PBA by the Ministry of Information Technology and Telecommunication (MoITT), for review and input by PBA members.

The purpose of this consultation is to include the finance sector in this National level Policy which covers all critical areas and infrastructure of Pakistan.

Following a consultative process, feedback given by PBA's Cyber Security Forum has been sent to the MOITT.

Sectoral Matters

Arising
February 1, 2021
to
February 28, 2021

▪ SBP Guidance on Risk Based Approach (RBA)

To ensure technical compliance and effectiveness with regard to FATF requirements, the State Bank of Pakistan had issued revised AML/CFT regulations on September 30, 2020 for the purpose of Anti Money Laundering and Combatting the Finance of Terrorism.

In February 2021, SBP sought PBA's feedback on an update of the draft, in keeping with Pakistan's Legal and Regulatory framework.

The feedback and all communication has been conveyed to SBP.

▪ Readiness of Business Continuity Plan (BCP) and natural disaster/terrorist attack:

SBP had requested feedback from PBA regarding the Business Continuation Plan 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. It was decided by SBP that training sessions will be held for BCP and PBA was asked for nominations which have been sent.

Matters submitted to SBP

February 1 to February 28, 2021

- **Checklist of property documents for online verification portal**

The Government of Pakistan is in the process of developing an online portal to facilitate property documents verification.

To help in developing the portal, the Steering Committee (SC) on Housing and Construction Finance has established a Working Group comprising representatives from State Bank, Government of Punjab, PITB and selected banks. The banking members of this group have created a standard checklist of property documents (of different land record authorities) that is generally required by banks for authentication/ verification of title ownership, before disbursement of mortgage financing. In the first phase, proposed online portal will facilitate verification of these documents. The checklist of property documents was sent to PBA's member banks for review and feedback and the comments have been provided to SBP.

- **Review of Primary Dealer System of Government Securities**

State Bank of Pakistan is reviewing the 'Primary Dealer System of Government Securities' as per international best practices and domestic market developments.

The revisions being considered by SBP in the existing instructions include modifications on selection criteria, privileges, obligations and performance evaluation criteria. Feedback from stakeholders has been sought by SBP and PBA was also asked to review the proposed revisions. PBA's Treasury & Capital Market, Sub Committee took feedback from members and a response was sent to SBP regarding the revisions in PD rules.

- **Master Circular on Credit Information Bureau (eCIB)**

The Electronic Credit Information Bureau (eCIB) was established by SBP in 1991-92 (under section 25-A of BCO-1962), to help the eCIB member Financial Institutions (FIs) to make informed lending decisions. Since then, SBP has issued various circulars/directions related to eCIB data compilations, validations and reporting procedures.

- **Guidance required on Webock & PSW systems**

PBA's General banking Sub Committee drafted a set of queries for SBP to gain some clarity on the Web Based One Customs (WeBOC) and Pakistan Single Window (PSW) system.

The aim of the PSW system is to facilitate cross border trade.

The queries sent to SBP by PBA included a request to share the design of the PSW to help banks properly understand the system requirements.

- **Facility Offer Letter for extending Mortgage Finance under G-MSS**

The Steering Committee (SC) on Housing & Construction Finance has formed a Sub Committee on Disbursements under Government's Markup Subsidy Scheme (G-MSS) for Housing Finance, to explore reasons of low disbursements under G-MSS and recommend a way forward. One of the recommendations of the Sub Committee included some changes in the standardized facility offer letters (FOLs) being used by all banks for approval of housing finance to the applicants under G-MSS. The Sub Committee developed a newer standard facility offer letters (FOLs) for Islamic banks and conventional banks which was sent to PBA for feedback after it was vetted by legal counsels of banks. PBA's members banks provided their input and the response was sent to SBP.

- **National Financial Inclusion Program (NFLP) - Formation of SBP - PBA Committee to Identify Reason for Non-Usage/In-Active Bank Accounts**

A joint SBP-PBA Working Group was formed by Deputy Governor, SBP, Sima Kamil, to conduct a market study to identify reasons for a high percentage of inactive bank accounts in the industry.

The Working Group was tasked with developing proposals and to define the scope of study needed for such an assessment.

PBA had nominated a mix of Operations and Retail Banking Heads from select banks as members of the group.

To further facilitate the Banks/FIs and other stakeholders for meticulous compliance and to seek guidance on Credit Information reporting mechanism through a single source of information, a current review of all existing instructions was carried out and some new instructions in the form of a Master Circular were included.

PBA was asked to review the eCIB draft which was circulated to all members for their feedback. Their responses and comments have been shared with SBP by PBA.

- **Draft Circular on Shariah Non Compliance Risk (SNCR) Management**

PBA's Islamic Banking, Sub Committee has reviewed the final draft Circular on SNCR prepared by SBP. PBA's feedback has been submitted to SBP.

A format of collecting data was sent to member banks and data was subsequently collected and compiled. The findings have been submitted to SBP.

- **Working Paper on, 'Raising of Convertible Debt from Abroad by Start-up Companies'**

A proposal to add a new category of Private Sector Borrowing from abroad (PSBA) in the form of convertible debt, and its allied documentation requirements in Chapter 19 of Foreign Exchange Manual, is under consideration by SBP.

A draft of the proposed changes has also been placed on the SBP website.

PBA's member banks were requested to review the proposed changes in the draft and give their comments to PBA members which were subsequently sent to SBP.

Matters in the pipeline

Ending



February 28, 2021

1. **PBA Federal Budget 2020-21;** As in previous years, this year too, PBA is in the process of formulating its proposal for FBR, based on members' suggestions.
2. **Curbing Cyber frauds in Banking;** PBA's awareness campaign to address the issue is set for a March release. The campaign will include a call to action for reporting frauds for which SBP has already issued a circular for banks regarding collection of information by Call Centers.
3. **Development of Database of proscribed persons and PEPs;** Proposals (including costs) of shortlisted vendors being scrutinized by PBA's Compliance Forum.
4. **Upcoming Training by BCI-UK**
The Institute of Banking Pakistan (IBP) has arranged a certificate training program on, Readiness of Business Continuity Plan (BCP) – Good Practice Guidelines – tentatively scheduled for March 2021. PBA's member banks have sent in their nominations for participation.
5. **Draft Islamic Foreign Exchange Master Agreement & Draft Conventional Foreign Exchange Master Agreement;** discussions with PBA legal counsel, M&Z, on both the draft agreements are in process and the matter is being overseen by PBA's, Treasury and Capital Markets, Sub Committee.
6. **Fraudulent Transaction Dispute Handling (FTDH);** Members' comments being reviewed by PBA, Consumer Sub Committee before submission to SBP.
7. **E-KYC:** PBA's, Compliance Working Group had conducted multiple sessions and selected two vendors for the potential roll out of the E-KYC model -- a central repository that stores customer related data and documents. Selected vendors have been asked to arrange Proof of Concept (PoC). Final selection to be made following PBA, EC approval.

OFFICE ADDRESS:

Pakistan Banks' Association
Ground floor, Islamic Chamber of Commerce Building
Clifton, Block 9, Karachi

CONTACT:

 : 92-21-3582-2986-87
 : pba@pakistanbanks.org