



## Sectoral Matters

April 1, 2021

to

April 30, 2021

### Centralization of Bank Accounts at SBP, Banking Services Corporation (BSC)

To finalize processes in centralized environment for Commercial, Islamic and Microfinance Banks' accounts at SBP BSC's Karachi Office, PBA coordinated various meetings in April, between the Heads of Operations & Treasury departments of member banks with SBP. The aim was to ensure a smooth transition of the process.

Guidelines for banks under the new centralized environment were shared with PBA by SBP BSC.

In November 2019, SBP had initiated the proposal to centralize banks' accounts so that only one current account of each bank would be maintained at the Karachi office. PBA had coordinated with banks at the time to get their input regarding the proposal, which was received favourably by PBA's members and the process has now been completed.

### Inclusion of banks in essential services by GoP, NCOC

The matter was taken up by PBA with SBP, following the issue of Law Enforcement Agencies (LEAs) visiting bank branches to enforce COVID 19 SOPs and issuing warnings or sealing the branches.

PBA had requested member banks to send in a list of the branches pressured by LEAs, which was submitted to SBP.

Subsequently, on the specific request made by PBA to SBP on the subject, the Government of Pakistan, via an announcement, released by NCOC, has included banks in essential services and exempted bank branches from 50% work at home policy.

### PBA federal budget proposals 2021-22:

As per PBA's annual undertaking, PBA's proposal for FBR on the Federal budget – based on PBA's member banks' suggestions – was formulated and sent to FBR, with a copy to SBP.

### PBA's campaign on Low Cost Housing, mark-up subsidy scheme

Highlighting the incentives being offered by banks through the Prime Minister's, Mark-Up Subsidy Scheme for Low Cost Housing, PBA has been running an aggressive campaign in the media on behalf of the banks who have opted to advertise under the PBA umbrella. Directed towards the lower income segment of the country, the campaign has been aired in two bursts since February 2021, with the second run highlighting the enhanced facilities for borrowers, which were announced by SBP on March 25, 2021. The print and radio ads will again be released this month to continue spreading the message.

### Digital Bank Regulatory Framework –Exposure Draft

PBA was informed by SBP that a project on Development of Digital Bank Regulatory Framework has been initiated by them. As part of the project scope, landscape analysis of sixteen select jurisdictions on digital bank regulatory regimes were carried out and a comprehensive industry-wide market survey was also conducted by SBP, to assess the market expectations.

Based on these consultations, a draft -- Digital Bank Regulatory Framework (Exposure Draft) -- has been prepared by SBP which was sent to PBA with a request for review and member banks' input.

The draft was shared with PBA's members and their response was consolidated and sent to SBP.

## □ Annual Financial Statements (AFS) format for Microfinance banks (MFBs)

SBP has prepared an updated draft of the 'Annual Financial Statements Format for MFBs' as the existing format had become dated since it was first drafted in 2003.

Since the last issuance of the AFS format, significant developments have taken place, which necessitated the change in disclosure requirements for AFS format of MFBs.

PBA was asked to review the draft and take members' input on the matter. PBA's Microfinance Sub Committee examined the draft and the consolidated feedback of members has been sent to SBP.

# Matters in the pipeline

Ending

April 30, 2021

- 1. 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 help build consensus among the industry for transfer of such NPAs to PCRCL for better management/resolution. PBA's PCR Sub Committee (comprising five members from within 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.
- 2. Draft customers' digital onboarding framework for banks / Microfinance Banks (MFBs);** Comments were sought by member banks and their feedback is being reviewed by PBA's Working Group on Digital Banking before being sent to SBP
- 3. Draft instructions on the revised Basel III market risk;** The feedback / comments received from the member banks are being reviewed by the PBA Risk Sub Committee.
- 4. Cyber frauds in banking - PBA's awareness campaign;** The campaign visuals and TVC have been finalized and are to be released shortly. Collaborating with SBP, the campaign will include a call to action for reporting frauds for which SBP has already issued a circular to banks regarding collection of information by bank Call Centers.
- 5. Development of database of proscribed persons and PEPs;** PBA's smaller group of the Compliance Sub Committee has asked the shortlisted vendor to provide user ID for initial testing of the portal. Final pricing given by the vendor will be reviewed by the PBA, EC.
- 6. 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.