



# Low Cost Housing, mark-up subsidy scheme: PBA's message and assistance for beneficiaries



3 فیصد ابتدائی مارک اپ\*  
1 کروڑ روپے تک قرض کی سہولت\*

To highlight the incentives being offered by banks through the Prime Minister's, mark-up subsidy scheme for Low Cost Housing, PBA has already launched a dynamic awareness campaign in the media on behalf of the member 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.

With housing loans now available from as low as 3% mark-up, the aim of the Prime Minister's scheme is to increase the outreach for the lower income strata, enabling an improved standard of living for those who had never thought owning a house was a possibility.

PBA has been providing its full support to the Low Cost housing initiative since it was launched and is also the platform for the Working Group established to manage the use of technology and digitization for housing finance activities.

As a recent development, PBA is also coordinating the efforts of banks to collectively provide maximum information about the scheme via an outsourced joint call centre, through which customer queries will be responded to and lead referrals directed to relevant banks.



# CONCLUDED MATTERS

March 2021

## Corporate Governance Regulatory Framework (CGRF) for Banks/DFIs



**PBA** was requested by SBP to provide its comments on the draft Corporate Governance Framework for Banks/DFIs (CGRF) 2021-22, which was developed with

the purpose of strengthening and streamlining the all-inclusive CGRF along with a revised FIT and Proper Test (FPT) proforma.

SBP further informed PBA that in the draft CGRF, various amendments proposed were in line with international best practices and meant to address challenges currently being faced by the banking industry.

PBA sought input from its member banks on the matter and received feedback on several sectoral issues pertaining to the CGRF, which were consolidated and sent to SBP.



## Accounting and Auditing Organisation for Islamic FIs (AAOIFI)

To harmonize and standardize the Shariah practices and procedures of Islamic banking institutions as per internationally recognized standards, SBP has been gradually adopting Shariah Standards as set by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions).

The standards adopted, have been done keeping in view the local environment and needs of Islamic banking industry in Pakistan

As the application of the Shariah Standard and particularly the adoption of the AAOIFI Shariah Standard No: 39, on Mortgage and its Contemporary Applications, has a direct relevance to the Housing and Construction drive in the banking industry, SBP had requested PBA to provide specific comments to identify if there were any issue(s)/ hindrance(s) arising out of it, in the context of promoting Housing Finance in the country.

The PBA Islamic Banking Sub Committee looked into the matter and subsequently a response was sent to SBP after a detailed review.

# PBA Annual General Meeting



PBA's 55<sup>th</sup> AGM was held on February 9, 2021, via Zoom and was presided over by Chairman, PBA, Mr Muhammad Aurangzeb.

PBA's audited accounts for the year ending June 30, 2020, were adopted at the AGM.

## PBA new member application



Representatives from Bank of China, met with PBA senior management on February 26, 2021, with the purpose of seeking membership with Pakistan Banks' Association under the category of commercial banks.

## Covid 19 Vaccination for branch staff

PBA has approached SBP with the request to ask the Government of Pakistan to accept banking as an essential service and to allow the bankers to be immunized in the first round of vaccination, under the Government sponsored mechanism.

Following PBA's request, SBP asked for an estimated number of persons to be vaccinated in priority areas and the information was urgently sought from members and provided to SBP in March.

## 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.

# Matters submitted to SBP

January 1, 2021 – March 31, 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 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.

### ♦ 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.

### ♦ 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 and to curb trade-based money laundering. 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.

- ♦ **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.

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.

- ♦ **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.

- ♦ **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. 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.

## Information sessions

### ♦ **Circular on Unclaimed Deposits**

To facilitate stakeholders, it was decided by SBP, to review and consolidate instructions on Unclaimed Deposits which were first released by SBP in 2006 and since then several subsequent instructions have been issued.

Consolidated instructions by SBP have now been issued after reviewing all previously issued guidelines for requirements, of all deposit instruments which have not been operated upon during the period of last ten years, except deposits in the name of a minor, a government or a court of law, have now been issued by SBP.

The current draft Master Circular on Unclaimed Deposits was sent to PBA for a review and following feedback from PBA's member banks was subsequently submitted to SBP.

### ♦ **Anti-Money Laundering, Combatting the Finance of Terrorism & Countering Proliferation Financing (AML/CFT/CPF) Regulations**

Some of PBA's member banks had raised queries related to compliance of AML/ CFT/ PF regulations issued by SBP. The queries were discussed in the PBA, General Banking Sub Committee meeting and a matrix of queries were sent to SBP for clarifications/ guidance.

### ♦ **The Financial Markets Association of Pakistan (FMAP) – broker accreditation criteria.**

FMAP in its role as a Self-Regulating Organization (SRO) has been tasked with the responsibility of Accreditation of Interbank Brokerage Business as per a certain criteria approved by State Bank of Pakistan.

FMAP recently proposed to make a revision in the accreditation criteria and accordingly shared the revised document with SBP. PBA was sent the revised draft of the brokerage accreditation criteria by SBP for review and feedback. PBA's Sub Committee on Treasury and Capital Markets reviewed the document and following no objections, the approved draft by PBA was sent to SBP.

### **World Bank assessment of Pakistan on insolvency and Creditor/Debtor rights**

A meeting / information session was held between PBA CEO, Mr Tawfiq Hussain, and his team, along with officials of select banks from Risk, Corporate and Legal departments with the World Bank (WB) officials on January 20, 2021 in connection with collecting information from banks for Pakistan's assessment of Insolvency and Creditor/ Debtor Rights (ICR).

The questionnaire prepared by WB to assess Pakistan's non-performing loans (NPLs) and for enhancing access to finance was discussed during the meeting, following which, several suggestions on the questionnaire have been sent to the World Bank.

### **Reducing the Gender Gap in Financial Inclusion**

An SBP-PBA focus session was held in January 2021, on the policy initiative of SBP for promoting women's financial inclusion. Banking industry's input is being sought on the updated draft policy through PBA platform.

# Matters in the pipeline

(As on March 31, 2020)

- 1. PBA Federal Budget 2020-21;** The suggestions having been received from members, PBA is now in the process of formulating its proposal for FBR, as is the yearly practice.
- 2. Cyber frauds in banking - PBA's awareness campaign;** 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. The TVC and print ads have been almost finalized and are expected to be aired/printed towards the end of April.
- 3. Blockchain / E-KYC platform:** Final selection of vendor has been made and approved by PBA, EC. Selected vendor has been asked to provide Proof of Concept (PoC).
- 4. 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.
- 5. Digital bank regulatory framework;** PBA has been requested by SBP to provide feedback on the, 'Digital bank regulatory framework - Exposure Draft'. The Framework provides a regulatory regime for the sponsors desirous of setting up digital banks in Pakistan.  
PBA is seeking members' comments to send a consolidated response to SBP on the matter.
- 6. 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, Islamic Sub Committee and Treasury and Capital Markets, Sub Committee, respectively.
- 7. Fraudulent Transaction Dispute Handling (FTDH);** A consolidated response, subsequent to members' feedback being prepared by PBA, Consumer Sub Committee for SBP.
- 8. Transfer of Common NPAs to PCRCL;** On SBP's request, PBA's Risk Management Sub Committee set up a small group which will be identifying the common Non Performing Assets (NPAs) to build a consensus for transfer of such NPAs to PCRCL for better management. The ToRs of this small group have been formalized and banks have been given a timeline for identification of the NPAs.

## Meetings held

(January 1, 2021 – March 31, 2021)

### Sub Committees

- **Accounting & Taxation:**  
January 1, 2021
- **Risk**  
February 2, 2021
- **Consumer Banking**  
January 1, 2021  
March 3, 2021
- **Treasury**  
January 3, 2021

### Forums

- **Cyber Security**  
January 6, 2021  
January 11, 2021  
January 28, 2021

### Working Groups



- **PBA Technology**  
January 15, 2021  
January 22, 2021  
February 3, 2021  
February 8, 2021  
February 19, 2021  
March 16, 2021  
March 22, 2021

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**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](mailto:pba@pakistanbanks.org)