



## Sectoral matters

October 1 – 31, 2021

Activities/Meetings/Information Sessions

### Scorecard and Income estimation for Naya Pakistan Housing

An agreement was signed between CEO, PBA, Tawfiq Husain and CEO, Tasdeeq, Mumtaz Syed to formalise the agreement of a Consortium of four entities – Creditinfo, Aequitas Information Services Limited, Pakistan Credit Rating Agency and Analytics (Private) Limited – to develop personal scorecards for existing and potential borrowers of Low Cost Housing finance.

The Consortium has been engaged to create automated and statistical credit assessment models as well as income estimation methodology for Naya Pakistan Housing initiatives.



### ICR/ROSC Coordination Committee

The Insolvency and Creditor Rights (ICR) Report on the Observance of Standards and Codes (ROSC) is an independent assessment conducted by World Bank, which benchmarks a country's insolvency and creditor/debtor rights practices against international standards.

An important element in this exercise is the creation of a Coordination Committee to ensure that the information provided to the World Bank is accurate and relevant; that the Report sensitively captures the concerns of stakeholders

### PBA, Joint Call Centre for Mera Pakistan, Mera Ghar



Pakistan Banks' Association, on behalf of all its member banks and with the support of Ufone, formally inaugurated its 'Mera Pakistan Mera Ghar – Helpline', a Joint Call Centre (JCC) of banks for the convenience of low cost housing property borrowers across Pakistan. The inauguration ceremony was held at the Ufone Call Center in Islamabad and Governor, State Bank of Pakistan, Dr. Reza Baqir, formally inaugurated the JCC. Chairman, NAPHDA, Lt. Gen. (Retd.) Anwar Ali Hyder; Chairman, PBA /President, HBL, Mr. Muhammad Aurangzeb; CEO, PBA, Mr. Tawfiq Hussain and Presidents/CEOs of banks were also present at the occasion.

### Environmental and Social Risk Management (ESRM)

The State Bank of Pakistan (SBP) and International Finance Corporation (IFC) have formulated a Steering Committee and Technical Working Group under Pakistan Sustainable Banking Project which focuses on providing regulatory guidance and improving banks' knowledge and capacity by arranging training programs on Environmental and Guidelines (GBGs) and increase the number of intermediaries to provide Environmental, Social &

of the country's ICR system; that it provides a forum for dialogue and discussions on the Report's findings. A meeting of the Coordination Committee (CC) was held on October 26, 2021, via Zoom, in which PBA participated as a representative of the banking sector. The meeting included an assessment of the effectiveness of Creditor Rights & Insolvency in Pakistan under the ICR and ROSC so as to enable a swift feedback from relevant stakeholders on the Report and its finalization at the earliest. The Coordination Committee has been asked to provide feedback by November 5, 2021.

Governance (ESG) training to banks. The Steering Committee and technical Working Group includes representatives from SBP, IFC and PBA and its third meeting was held on October 26, 2021, to review the progress and discuss the draft Implementation Manual for the GBGs.

#### **PBA Annual General Meeting (AGM)**

PBA's 56<sup>th</sup> AGM was held on October 28, 2021 and chaired by Mr Muhammad Aurangzeb, Chairman, where the PBA Audited Annual Accounts for the year ending June 30, 2021 were presented and approved.

Among other agenda items, the appointment of auditors, Yousuf Adil, Chartered Accountants was also approved for the year 2021/2022.

## **Matters in focus**

### **Recommended process for advances/ loans to Sugar Mills**

The Pakistan Sugar Mills Association (PSMA) Chairman and senior office bearers recently met with Mr Muhammad Aurangzeb, Chairman, PBA and Mr Tawfiq Hussain, CEO, PBA and put forward their views and concerns about banks' hesitation to finance the sugar mills seasonal financing following a recent judgement of the Supreme Court of Pakistan (*CP 1057/2019, titled JS Bank Ltd, Karachi, vs Province of Punjab*). The judgement states; "...first charge on the sugar produced by the mills will be of growers and not the banks, which pledge the sugar for advancing credit to sugar mills."

To enable PBA member banks to better manage their risk for lending to sugar mills in the light of this judgement of SC, PBA's Risk Management, Sub Committee has developed a Risk Management Process (for loans to Sugar Mills) which has been circulated to the PBA Members as an advisory for their guidance.

### **Mandatory targets for Housing and Construction Finance**

PBA Members had raised certain concerns on the SBP Circular on the subject (*circular, dated July 15, 2020*), and removal of the cap on Investment/Financing in Real Estate Investment Trust (REIT), Pakistan Mortgage Refinance Company (PMRC) and Micro Finance Banks (MFBs).

SBP had allowed banks/DFIs to count specific exposures on an aggregate basis and capped at fifteen percent (15%) of the assigned targets at quarter-end.

Following up on Members' request and after obtaining feedback from PBA's, Risk Sub Committee, an email has been sent to SBP suggesting the removal of the fifteen percent cap on exposures which may serve as an extra incentive for banks to fund REIT projects.

**Matters submitted to SBP**



### **Enhancing digitization initiatives in banks/MFBs**

SBP's draft circular on 'Enhancing digitization initiatives in banks/MFBs' was sent to PBA, requesting feedback from banks on the instructions intended for circulation by SBP regarding digitization of corporate payments.

SBP had informed that the regulatory instructions are being issued in order to facilitate and promote digitization in the banking sector through usage of digital channels for banking and payment services and to facilitate small businesses/corporates, encouraging them to adopt digital means of payments.

Members' feedback was reviewed by PBA's Working Group on Digital Banking and submitted to SBP.



### **Housing Finance Under G-MSS for government, corporate entities**

State Bank of Pakistan's draft instructions on bilateral arrangements of banks with government/corporate employers, for disbursement of housing finance to their employees, were shared

with PBA for Members' feedback in September 2021. Comments given by members were sent to SBP and the draft instructions were amended in the light of feedback from banks.

The amended version was forwarded by SBP to PBA so that member banks may further verify all legal aspects individually.

Members' responses were consolidated and whetted by PBA's legal counsel and submitted to SBP in October 2021



### **Electronic statement of accounts**

With the banking sector's shift towards online banking channels, and more and more customers availing financial services through internet banking and mobile devices, SBP has decided to revisit instructions contained in BPRD Circular No. 02 dated January 05, 2010 and issue new instructions on Issuance of Electronic Statements of Accounts (eSoA) through registered Email/ WhatsApp . Aligning regulatory requirements with changing customer preferences and expectations and to help support 'Clean Green Pakistan' initiative of the Federal Government, the eSoA will be sent free of charge to customers, subject to consent of account holders.

PBA was asked for feedback on the draft circular, 'Issuance of statement of accounts to account holders' which includes security guidelines, confidentiality clauses and access/storage procedure of the e-statements.

The draft was reviewed by PBA's, General Banking Sub Committee and the comments were submitted to SBP, following which a meeting has been called by SBP to further discuss PBA's response.



### **Enhancing security of banking products and services**

As part of the continuing measures taken by the State Bank of Pakistan, to curb digital banking frauds, a draft circular on, 'Measures to Enhance Security of Banking Products and Services offered through Digital Channels' has been issued by SBP, advising Banks / MFBs to take various control measures to enhance security of services like, internet banking, mobile banking, payment cards, etc.

PBA was requested by SBP to provide its comments (and industry view) on the draft Circular. PBA Members' response was consolidated by PBA's Cyber Security Forum and sent to SBP.



# Matters in the pipeline

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Ending  
October 31,  
2021

- 1. eKYC Platform for the Banking Industry:** Following approval of Proof of Concept by the PBA, EC, the vendor is currently conducting PoC with three banks and a final decision of selecting the vendor will be made after completion and success of PoC.
- 2. Draft Islamic Foreign Exchange Master Agreement & Draft Conventional Foreign Exchange Master Agreement:** The final draft was received from PBA's legal consultants, Mandviwalla & Zafar (M&Z) after their review and has now been forwarded to PBA's Treasury & Capital Markets Sub Committee for necessary action.
- 3. National Financial Inclusion Program (NFLP) - Non-Usage/Inactive Bank Accounts:** A PBA, Project Team (PT) has been formed to address the matter of inactive bank accounts raised by SBP. The PT, has shortlisted three consultants to carry out an in-depth survey/research to understand the key reasons for inactivity in customers' bank accounts. The consultants will be providing their comprehensive proposal to PBA, PT.
- 4. Provision of LACIP Act, ADR:** PBA was requested by SBP to work-out and prepare an implementation plan for banks regarding Loans for Agricultural, Commercial and Industrial Purposes (LACIP) and Alternate Dispute Resolution (ADR). An awareness session on ADR has been conducted and one for LACIP is also planned for the near future.
- 5. Prudential regulations (PRs) for corporate / commercial banking:** SBP has asked PBA to review the final draft of the revised PRs for Corporate / Commercial Banking (Risk Management and Operations). Members' feedback has been received and PBA's Risk Sub Committee is reviewing and consolidating the comments before submitting to SBP. A meeting on this was held on October 28, 2021 and consolidated comments sent to SBP on October 29, 2021.
- 6. Master Circular on Sale of Third Party Products:** PBA's Consumer Sub Committee is considering PBA Members' request of approaching SBP regarding extension in the implementation timeline of this Circular from December 30, 2021 to January 15, 2022. At the members' request, a meeting with SBP is also being arranged to discuss certain points of the Circular.

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