



## Sectoral Matters/ responses sent to SBP

January 1, to January 31, 2022

### ❑ IFC report on diagnostic assessment of Non-Performing Loan (NPL) Market in Pakistan

The IFC report on diagnostic assessment of Non-Performing Loan (NPL) Market in Pakistan was finalized in September '21, taking into account comments of the banks and PBA on assessment of legal, regulatory and taxation framework for effective recovery and resolution of NPLs of banks and DFIs. Subsequently, an Actions Matrix was provided by IFC which included several points to be addressed by PBA and Banks along with other stakeholders.

For timely implementation of IFC's recommended actions and coordination purposes, a Working Group has also been established with representation from all identified stakeholders. PBA has also nominated its representative for the Working Group.

### ❑ High-Risk Accounts with Expired Identity Documents

Following discussions held by the PBA General Banking Sub Committee, PBA had requested SBP to approach NADRA to restore its Bulk/Offline Verification Service for Banks. This service would help the banks to comply with SBP directives of updating customers' records who may have updated their CNIC with NADRA but not shared the information with banks.

SBP has subsequently sent the letter to NADRA and has shared it with PBA.

### ❑ Instructions for Quality Data Reporting in ECIB of SBP

The circular on, 'Instructions for Quality Data Reporting in ECIB of SBP' was issued by SBP in February 2021, which stated that independent

### ❑ GoP / BISP income support seminar

PBA was invited to participate in a seminar via Zoom, organized by the Benazir Income Support Programme (BISP) on 'Innovation in Payments & Social Protection Programmes' and to make a presentation on innovative payment models to help BISP improve on its existing payment model. The session was chaired by Dr Sania Nishtar, Special Assistant to the Prime Minister, and Chairperson, BISP.

PBA CEO/ Secretary General, Mr Tawfiq Hussain led the PBA delegation and was joined by members of the PBA Digital Working Group. Mr Abrar Mir of HBL gave the presentation. The key objective of PBA's presentation was to suggest new and innovative conceptual models to help BISP design and develop an efficient payment system to help their beneficiaries.

### ❑ Green Banking : Environmental and Social Risk Management (ESRM)

The Steering Committee and Working Group formulated by State Bank of Pakistan (SBP) and International Finance Corporation (IFC) includes representatives from SBP, IFC and PBA and it focuses on providing regulatory guidance on Environmental & Social Risk Management (ESRM) for Pakistan's Financial Sector to promote a sustainable business model in Pakistan.

The project's goal is to increase the share and volume of bank loans screened against improved Green Banking Guidelines (GBGs) and increase the number of intermediaries to provide Environmental, Social & Governance (ESG) training to banks.

In its sixth meeting held in January '22, the IFC shared the updated M&E reporting template for all stakeholders and the parameters of MSMEs (Micro Small & Medium Enterprises). SBP also requested PBA for its feedback on the draft manual for Green Banking Facilitation in Pakistan developed by SBP and IFC.

PBA members have sent in their comments on the draft manual which will be reviewed and consolidated by the PBA Risk Sub Committee before being sent to SBP.

validation of data on a monthly basis be submitted to ECIB-SBP as part of a routine process life cycle in addition to the requirement for internal audit findings / report on a half-yearly basis.

The PBA Working Group on Internal Audit held a meeting in November '21 to discuss the above mentioned directive stated in Clauses 2(3) and 2(6) of the said Circular.

A request has subsequently been submitted by PBA to SBP to waive the requirement of monthly validation of data, enabling the banks to complete the submissions efficiently within stipulated timelines.

As per existing protocol, the Internal Audit Function will continue periodic Internal Audit of the Bank's risk management / compliance function which also includes comprehensive review of Bank's ECIB reporting mechanism covering data validation on a sample basis as well. Additionally, independent audit will also continue to be carried out by Internal Audit Function on a half-yearly basis as per the directive of above referred Circular of SBP.



#### **❑ Sindh Budget 2022-23 Invitation of Proposals in relation to the Sindh Sales Tax on Service Act, 2011 (Sindh Act No XII of 2011)**

Proposals for the Sindh Budget, 2022-23 have been sent to the Sindh Revenue Board by PBA.

As per PBA's annual custom, members' suggestions were sought which were then reviewed by the PBA, Accounting and Taxation Sub Committee. The consolidated response with the Sub Committee's suggestions were then sent to SRB.

#### **❑ Revised format of financial statements for Banks/ DFIs**

SBP had informed PBA that they are in the process of implementing the International Financial Reporting Standards (IFRS9) on Financial Institutions (FIs). In this regard, the format of financial statements has been revised in order to meet the presentation and disclosure requirements under IFRS9.

SBP also requested PBA to provide feedback on the stated draft format.

Comments were sought from members and reviewed / consolidated by PBA Accounting & Taxation Sub Committee and sent to SBP.



# Matters in the pipeline

As on  
January 31,  
2022

## 1. **Blockchain eKYC :**

As per agreement, the vendor, AVANZA, has completed and submitted its POC report. The report is being reviewed following which the selection process will be initiated for development of e-KYC platform at sectional level.

## 2. **Framework for managing TBML / TF risks:**

With reference to Trade Based Money Laundering (TBML) a PBA member has suggested developing a portal, where banks may engage in discussion, while sharing valuable experiences, which will help the banking industry to enhance their knowledge and experience. PBA, General Banking Sub Committee is deliberating upon the suggestion.

## 3. **Draft Islamic Foreign Exchange Master Agreement:**

The final draft of the Islamic FX Master Agreement is being reviewed by PBA's legal team, Mandviwalla & Zafar (M&Z). Once legal review of the draft is concluded and concurred by PBA's Treasury and Capital Markets Sub Committee and its Executive Committee, it will be shared with SBP.

## 4. **National Financial Inclusion Program (NFLP) - Non-Usage/In-Active Bank Accounts:**

A PBA Project Team / Working Group has been formed with representations from banks – via their points of contact – to address the above issue. The working Group has appointed a third party consultant – Nielsen IQ – to carry out an in-depth survey/ research to understand the key reasons for inactivity in customers' bank accounts.

## 5. **Agricultural Credit Advisory Committee (ACAC):**

PBA has been asked by SBP to develop a strategy to promote adoption of climate smart agriculture financing products in banks and start awareness campaigns for banks and the farming community. The PBA Agriculture Finance Sub Committee has submitted its recommendations for a way forward which, after review by PBA office, will be sent to EC.

## 6. **Budget and Tax Proposals for 2022- 23:**

PBA's member banks have been requested to forward their suggestions, as per the format provided to them. The suggestions will be consolidated at PBA and sent to FBR, MoF and SBP, as per PBA's annual practice.

## 7. **Actions arising from a meeting in November '21 held between Governor, SBP; DG, FIA and Presidents/CEOs of some banks/MFBs**

- I. PBA is communicating/coordinating with its members on PBA related action points arising from the meeting. In particular, PBA was asked to convey the requirement for banks to get their information systems audited and tested by February 2022.
- II. A Committee formed by SBP with representation from ED (BPRG); Director FIA and some banks has drafted SOPs for calling of record by FIA and for sharing such information systematically, as per the law. The draft of the SOPs was reviewed by the PBA Compliance Working Group and sent to SBP with their feedback, following which the SOPs were finalized. The SOPs have been shared with PBA members whose nominations have been requested for focal points and authorized personnel for future coordination with FIA regarding investigations and enquiries.
- III. A Framework for a centralized portal and data base for frauds committed at the banking industry was requested by the Governor SBP which has been prepared by a bank and sent to PBA for comments. PBA Fraud Prevention Forum and Cyber Security Forum are reviewing the framework.

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