



## Shared eKYC for the banking industry

Shared eKYC project, a platform for sharing customers' KYC (*Know Your Customer*) information amongst banks has been initiated at the request of SBP for the purpose of integrating Financial Institutions.

A virtual awareness session was arranged by PBA on April 27, 2022 for CEOs of member banks to

better understand the eKYC platform. At the session, CEO PBA, Mr Tawfiq Hussain, explained the importance of the Shared eKYC platform. He urged all banks to prepare themselves for the project roll out, especially the formation of in-house task forces which would be coordinating with the PBA

Working Group and the selected vendor when the project gets underway. Mr Tawfiq Hussain further indicated that the cost of the project will be shared by all PBA member banks as per the mechanism of cost sharing already approved/ applied by PBA for earlier, similar projects, undertaken by PBA on behalf of its member banks.

PBA's Working Group is currently evaluating Technical and Financial proposals submitted by two vendors. Final selection will be made with the approval of the PBA EC.

In addition to the Working Group, a Steering Committee (as an oversight body) has also been formed with senior representatives from PBA EC & management and also from SBP.

## Federal Budget and Tax Proposals for 2022- 23

The final recommendations of the Federal Budget and Tax Proposals for 2022- 23 were sent to Chairman, FBR on April 18, 2022 and copy sent to the Governor, SBP.

## Environmental & Social Risk Management and Green Banking

An awareness session on Green Banking (GB) and Environmental and Social Risk Management (ESRM) was held via Zoom on April 21, 2022, arranged by PBA – through the courtesy of IFC – for the benefit of its members to better understand the concepts of the two approaches.

The Environmental & Social Risk Management (ESRM) for Pakistan's Financial Sector is an initiative of the International Finance Corporation (IFC) for which a Steering Committee (SC) and a Working Group (WG) has been providing regulatory guidance since early 2021. The WG includes representatives from IFC

and PBA along with SBP and is committed towards promoting a sustainable business model in Pakistan. Several meetings of the Steering Committee have been held which were also attended by Ms. Sima Kamil, Deputy Governor- DFS, FI, & IT. Mr Tawfiq Hussain represents PBA at this Steering Committee. PBA had also provided its feedback/ recommendations earlier on the 'Mandatory Instructions on Environmental Risk Management' as well as the 'Manual for Green Banking Facilitation in Pakistan' which have both been jointly developed by IFC and SBP.

The awareness session was organized by PBA so that Members may get clarity between the differences and commonalities in Green Banking and ESRM. Mr Yaseen Anwar, Senior Policy Advisor to the IFC Sustainable Banking Project, was the moderator at this session.

PBA CEO/SG, Mr Tawfiq Hussain welcomed the participants and other attendees which were present online, including Mr Syed Samar Hasnain, Executive Director, Development Finance, SBP; Ms Afifa Raihana, Senior Environmental & Social Specialist, IFC and Mr Wei Yuan, Project Lead, ESG Officer. IFC. who explained the ESRM project structure in

## Sectoral Matters/ Information Sessions/ Meetings

April 1, 2022 to April 30, 2022

As per PBA's past practice, the suggestions for the Federal Budget were obtained from members and were deliberated at the PBA office and by a smaller group of taxation heads and members of PBA's Accounting & Taxation Sub Committee. These were then further reviewed by the PBA EC and concurred by them for onward submission to FBR/SBP.

#### □ IFC recommendations on NPL market in Pakistan

A meeting was held on April 20, 2022, between IFC, SBP and PBA to further discuss IFC's report on the Non-Performing Loan (NPL) Market in Pakistan. The International Finance Corporation (IFC) had conducted a diagnostic assessment of the Non Performing Loans (NPL) Market in Pakistan earlier this year, identifying deficiencies in the collateral valuation framework in Pakistan and issuing an assessment report. SBP had subsequently shared the assessment with PBA, requesting feedback and PBA's Risk Sub Committee had given its comments on the relevant action points of the diagnostic report which were shared with SBP.

To further deliberate on the action items, a meeting was held between SBP and PBA on April 21, 2022. On the basis of recommendations made in the Report, *modus operandi* of introducing internationally accepted valuation methods and membership of international professional bodies was discussed. PBA has conveyed its feedback to SBP.

Pakistan as part of sustainable finance.

77 participants attended the session including CEOs and Chief Risk Officers (CROs) of Banks plus other senior officers for whom a Q & A time was reserved for further clarification if required.

#### □ PBA's letter to SBP regarding Amendment to Section 83 of the Banking Companies Ordinance (BCO)

On the request and concern of PBA's members on the proposed amendment to the BCO by way of a private member bill in the Senate, PBA CEO, Mr Tawfiq Hussain has written a letter to the Deputy Governor, SBP, Dr. Inayat Hussain, requesting SBP to take this matter up with the Government to oppose this amendment, which will be seriously detrimental to the banking industry.

The proposed bill aims to amend Section 83 through the Banking Companies (Amendment) Act, 2021, recently introduced in the Senate of Pakistan and proposes to criminalize any refusal/ denial of opening a bank account; issuance of letter of credit; bank guarantee or any other financial facility to Politically Exposed Persons (PEPs). The penalty to be imposed for such a denial/refusal is suggested to be imprisonment up to one year or fine of up to one hundred thousand rupees or both.

The PBA EC upon review of members' request further obtained a legal opinion on the proposed bill following which the letter was written to the Deputy Governor, SBP with a copy of the legal opinion as given by M/s. Mandviwalla & Zafar.

#### □ Strategies to promote adoption of Climate Smart Agriculture Financing (CSAF) Products

Upon SBP's request, PBA has recommended a strategy/action plan for CSAF products based on input given by the PBA Agriculture Finance Sub Committee.

As per the Sub Committee's recommendations, the action plan for 'Strategies to promote adoption of Climate Smart Agriculture Financing Products in Banks and to start Awareness Campaigns for Banks and Farming Community', is to be adopted only by those banks that have the willingness, capacity and ability to undertake such financing.


In March, '22, PBA had sent its recommendations to SBP regarding CSAF Products in Banks and to start Awareness Campaigns for Banks and the Farming Community', which had provided a comprehensive overview of the challenges posed by climate change and the role of financial institutions for risk mitigation. Following PBA's recommendations, SBP had requested that PBA prepare a strategy document with a focused, market based action plan, creating linkage with agri-tech for data portals, monitoring mechanism, innovative climate smart agriculture financing products and risk mitigating tools. The document shared with SBP includes these aspects.



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