



❑ Cyber-attack and key learnings from it

A special, 'learning from experience' Zoom session was arranged by PBA on February 28, 2022, for our Members.

Mr Amin Manji, Chief Technology Officer (CTO) of National Bank of Pakistan (NBP), made a presentation based on lessons learnt by NBP from their recent experience of handling a cyber-attack on October 30, 2021.

Mr Manji detailed how the anomalies were detected in his bank's server infrastructure by the monitoring team and the subsequent realization that the Bank had become a target of malicious cyber actors.

The crucial need to counter such attacks and conduct an information system audit and penetration testing to gauge/maintain readiness in combatting cyber-attacks was earlier discussed in a meeting

held in November '21, at SBP, which was chaired by the Governor SBP and Director General FIA, with Presidents of select banks/MFBs attending along with senior officials from SBP and FIA.

The PBA Zoom session on cyber threats was attended by CIOs/CISOs of 39 member banks of PBA. CEO/SG PBA, Mr Tawfiq Hussain, moderated the session and a Q&A session was held subsequent to the presentation of Mr Manji in which 14 banks raised questions which were responded by Mr Manji.

❑ IMF delegates visit PBA

The new Resident Representative to Pakistan for the International Monetary Fund (IMF), Ms Ester Perez Ruiz, along with her colleagues Dr Zafar Hayat and Ms Saher Masood, called on Mr Tawfiq Hussain, CEO/SG, PBA to discuss matters pertaining to the economy and the banking sector.

Some members of PBA's Executive Committee also attended the meeting.

❑ SOPs for information sharing arrangements and a centralized fraud database

In a meeting held in November '21 between the Governor SBP; DG FIA and Presidents/CEOs of some banks/MFBs, the main action item was to develop Standard Operating Procedures (SOPs) for information sharing.

As a first step, a draft of the SOPs for Information Sharing Arrangements between the Federal Investigation Agency (FIA) and Banks in Enquiries/ Investigations was

prepared by the committee formed by SBP with representation from ED (BPRG); Director FIA and some banks. The draft was reviewed by the PBA

Compliance Working Group and sent to SBP with their feedback, following which the SOPs were finalized.

These SOPs were also shared with PBA members who designated their Focal Points (FPs) and authorized officers for future coordination with FIA regarding investigations and enquiries. The list of FPs has been sent to SBP for onward sharing with FIA.

❑ Offline Verification Service for Banks

PBA had requested SBP to approach NADRA for the purpose of restoring its Bulk/Offline Verification Service for Banks to facilitate banks in complying with SBP directives of updating customers' records (for AML/CFT/CPF regulations).

Clients who may have updated their CNIC with NADRA don't always follow up and share the information with banks.

Sectoral Matters

Concluded

February 28, 2022

❑ PBA facilitating Kamyab Pakistan Program (KPP) for Members

To create awareness and understanding of the Kamyab Pakistan Program (KPP) for more member banks to participate in this new initiative of GoP, PBA had arranged a Zoom presentation on February 3, 2022, given by Mr. Zafar Masud, President & CEO, Bank of Punjab, (and Convener of KPP) who was also joined by Mr. Imdadullah Bosal, Additional Finance Secretary (Internal Finance), MoF.

KPP is an initiative of the Government of Pakistan (Ministry of Finance), launched by the Prime Minister in October 2021, 'to transform the lives of the marginalised segments of the society'. Under this initiative, subsidized new micro loans will be disbursed through MFBs/ MFIs/ RSPs/ HFCs while the liquidity will come from Commercial Banks/ DFIs/ PMRC under 100% guarantee from the GOP.

PBA is coordinating with members to facilitate the Operational Framework of KPP.

Mr Zafar Masud's presentation was aimed at facilitating PBA members to understand the broader aspects of its Operational Framework as well as the main components & key features of the Kamyab Pakistan Project.

With a goal of providing more than 4,500,000 new loans by 2025-26, the KPP has specified the following key pillars;

- ◆ Kamyab Kissan – loans for small farmers
- ◆ Kamyab Karobar – loans for small enterprises & start-ups
- ◆ Kamyab Hunarmand – technical & vocational trainings for skill development
- ◆ Naya Pakistan Low Cost Housing – house loans for affordable housing under Government's Mark-up Subsidy Scheme (GMSS)
- ◆ Sehatmand Pakistan – health insurance for all new borrowers

27 participants from 17 member banks attended the Zoom presentation.

SBP subsequently sent a letter to NADRA with the above request and in February 2022, SBP informed PBA that NADRA has agreed to restore the fee based bulk verification services, as proposed by PBA.

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

The Steering Committee (SC) and Working Group (WG) providing regulatory guidance on Environmental & Social Risk Management (ESRM) for Pakistan's Financial Sector includes representatives from SBP, IFC and PBA and it is committed towards promoting a sustainable business model in Pakistan.

The IFC and SBP have also developed a draft manual for Green Banking Facilitation in Pakistan with an updated M&E reporting template for all stakeholders including the parameters of MSMEs (Micro Small & Medium Enterprises).

The draft manual was shared with PBA by SBP with the request for feedback from Members. The comments received from Members were further reviewed by the PBA Risk Sub Committee and then consolidated at PBA and sent to SBP.

Matters in the pipeline

As on February 28, 2022

1. Blockchain/eKYC :

As per agreement, the vendor, AVANZA, has completed and submitted its POC report and the report has been shared with SBP. Following review, the selection process will be initiated for development of e-KYC platform.

2. Draft Islamic Foreign Exchange Master Agreement:

The final draft of the Islamic FX Master Agreement after review by Mandviwalla & Zafar (M&Z) is being examined by PBA's Treasury & Capital Markets, Sub Committee, and is expected to be finalized shortly.

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

A PBA Project Team / Working Group has been formed with representations from banks to address the inactive bank accounts issue. The Working Group with the concurrence of the PBA EC, is in the process of appointing 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. Once the survey results are available, it will be forwarded to SBP for further necessary action.

4. Agricultural Credit Advisory Committee (ACAC) action for PBA

As per the action item ensuing from the December 2021 meeting of the ACAC, PBA Agriculture Finance Sub Committee has given recommendations for a strategy to promote adoption of climate smart agriculture financing products in banks and for awareness campaigns for banks and the farming community. The recommendations are being set up for review of the PBA EC, after which these will be sent to SBP.

5. Federal Budget and Tax Proposals for 2022- 23

As per past practice, the suggestions for the Federal Budget were obtained from members and were considered at the PBA office and by a smaller group of taxation heads and members of PBA's Accounting & Taxation Sub Committee. The more important suggestions will now be sent to the PBA Accounting & Taxation Sub Committee for review. Thereafter, it will be sent to PBA EC and, with their concurrence, will be forwarded to FBR and SBP.

6. IFC Diagnostic Report on NPL Market - Action Items for PBA

The International Finance Corporation (IFC) conducted a diagnostic assessment of the Non-Performing Loan (NPL) Market in Pakistan and SBP shared the assessment with PBA, requesting PBA's feedback. Comments of PBA's Risk Sub Committee on the relevant action points regarding the IFC's proposal to form a possible roadmap for implementation were subsequently shared with SBP.

On February 28, 2022 a meeting was held between representatives of SBP, SECP, PBA, PCRL and the MoF to further discuss IFC's proposal and all parties agreed to give their input for implementation.

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