



# PBA monthly update

## Follow up to the Finance Bill 2022-23

Since June 2022 PBA has been actively lobbying against the issue of unfair taxation on the banking industry.

In July 2022, the PBA CEO/SG, Mr Tawfiq Hussain wrote a follow up letter to Dr. Miftah Ismail, the Federal Minister for Finance and Revenue, again emphasising the inequitable imposition of Super Tax on banks and the tax on income from Federal Government Securities levied retrospectively as announced in the Finance Bill 2022-23.

With the 10% Super Tax imposed via the Finance Bill 2022-23, on certain industries including banking, the total tax on the banking industry now

49%. Despite requests, that (existing) rate on banks as 35% and not was

the Final approved by

Assembly on June 29, 2022. The all in tax rate for banks has now become 49% instead of 45%, which it would have been if the 4% Super Tax already being paid by the banking industry had been taken into account. This anomaly was specifically explained by Mr Tawfiq Husain to the Finance Minister.

PBA's concern regarding the retrospective tax applied to Income from Government Securities was also disregarded in the Finance Bill passed in the assembly. Only the poverty alleviation tax applied retrospectively was removed.

In his letter of July 1, 2022, the CEO PBA appreciated the removal of the retrospective application of poverty alleviation tax but expressed disappointment at not taking into account the unfair Super Tax being paid by banks and the retrospectively applied, additional tax on income from Federal Government securities for the TY 2022.

amounts to several the applicable corporate tax be considered 39%, the fact disregarded in Federal Budget the National


Matters addressed /  
submitted to SBP  
July 1 – July 31, 2022



## ❑ IFRS 9 implementation

The PBA Accounting & Taxation Sub Committee have given some additional recommendations regarding the IFRS 9 application instructions which were sent to SBP in July 2022. The additional points would make a material impact on the banking industry and the SBP was requested to consider them and advise accordingly.

In June 2022, PBA CEO, Mr Tawfiq Hussain had emailed the DG SBP, Dr Inayat Husain on behalf of the banking sector and had proposed that the implementation of IFRS 9 for the tax year 2022 may be deferred for banks till the next quarter.

The CEO PBA had requested the Deputy Governor to issue a circular extending the application date of IFRS 9 to after the June 30, 2022 financial statements for which SBP response is awaited. 

## ❑ Image Based Clearing

PBA's General Banking Sub Committee has deliberated on the challenges being faced by banks in adopting Image Based Clearing and has outlined some practical solutions to make SBP's initiative of digitization of payments smoother and successful.

The Sub Committee's concerns focused on the following points;

- ♦ The UV image of cheque/ instrument
- ♦ Variants of cheques in circulation
- ♦ Pre 2014 stationery without sufficient or lack of UV security features
- ♦ Dispatch of cheques/ instruments marked 'Non-Standard' or 'Discrepant'

## ❑ IFRS 9 Sustainability Disclosure Standards


PBA has submitted its feedback on the IFRS 9 Sustainability Disclosure Standards to the Institute of Chartered Accountants of Pakistan (ICAP).

In June 2022 PBA's feedback was requested by the (ICAP) on the two drafts of IFRS9 Sustainability Disclosure Standards ;

- *IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information*

- *IFRS S2 - Climate-related Disclosures*


PBA was informed that there have been international developments in sustainability reporting, in view of which IFRS9 has gained significant importance globally. Subsequently, ICAP, through various initiatives, has been promoting the relevance of sustainability, climate change and related inclusions in business strategy.

PBA had requested the Chief Financial Officers of all its member banks to provide their views on the two Disclosure documents who provided their input on the industry based sustainability disclosure requirements and based on their feedback, a consolidated response for ICAP was sent on July 7, 2022. 

## ❑ Payment Card Acceptance Infrastructure


The State Bank of Pakistan had forwarded a draft Circular on improving Payment Card Acceptance Infrastructure in Pakistan for fuel merchants. The Circular was drafted following appeals from Petroleum Dealers Association (PDA) and from


- ♦ Strong control to identify possible tempering/ chemical alteration on MICR line.
- ♦ Management of 'late return'.
- ♦ Establishing CPUs within certain radius.
- ♦ Responsibilities of presenting banks to restrict fake/fraudulent instruments entering the IBCS system.

The feedback of the General Banking Sub Committee on the above points was sent to SBP with the request to review the stated challenges and facilitate the banking industry by advising the National Institutional Facilitation Technologies (Pvt.) Ltd. [NIFT] to provide plausible solutions to make this initiative a success. 

#### **Working Group on Sukuk structures**

A high level Working Group on Sukuk Structures - especially Asset Light Sukuk Structures – is being constituted by SBP, Islamic Banking Department, to address critical issues of availability of regular issuance of Sukuk and to provide liquidity management solutions for the Islamic banking industry.

On the request from SBP, PBA has nominated two senior bankers as members of the Working Group on Sukuk which will include senior executives from SBP, SECP, MoF and PBA as well as Shariah scholars and heads of three Centers of Excellence in Islamic Finance to develop practical solutions on Sukuk structures, especially Asset Light Sukuk Structures. 

Oil Marketing Companies (OMCs) regarding non-acceptance of card payments by petroleum dealers due to negative impact of card payments on their margins primarily due to MDR. SBP had asked PBA for its feedback on the draft Circular. drafted by SBP's Payment Systems Policy & Oversight department, in consultation with the concerned stakeholders and major POS acquiring banks. PBA's Consumer Banking Sub Committee reviewed the circular and the feedback was submitted to SBP earlier in July. 

## Matters in the pipeline

(As on July 31, 2022)

### **1. Shared eKYC project**

The PBA e-KYC Working Group (WG) has completed its technical evaluation of the shortlisted vendors and Based on the Working Group's IT experts' technical evaluation and overall financial proposal's assessment, the e-KYC WG's recommendations on the final selection of the vendor has been done which will be presented to the PBA Steering Committee (SC) on eKYC. Once the concurrence of the SC is obtained, final approval of PBA EC will be sought before awarding the contract.

### **2. Revised PRs for Corporate / Commercial Banking**

SBP has requested PBA to provide feedback on the revised PR R-8 – Classification and Provisioning for Assets. PBA members have been asked for their comments which will subsequently be reviewed by the PBA Risk Sub Committee and thereafter a consolidated PBA feedback will be sent to SBP.

### **3. Centralised Fraud database**

SBP had communicated to PBA that its member banks along with PBA, may devise a format with mutual understanding by listing down the possible categories/typology of Frauds & Forgeries (F&F) so far identified in Regulated Entities (RE) and the same may be updated periodically in a repository, to be maintained by PBA.

PBA's Fraud Prevention Forum is looking into the matter and will soon be outlining a road map to initiate sharing of content/information as per the format requested.



### **4. SOPs for digital and social engineering frauds**

SBP has forwarded Standard Operating Procedures (SOPs) developed by the designated committee for cooperation amongst banks, SBP and FIA for expeditious investigation and prosecution of digital and social engineering frauds. As per SOPs, one of the actions required by Regulated Institutions (RIs) is to make nomination of point of contact for each FIA Zone as follows: PBA has been requested by SBP to send in point of contact nominations from member banks as required under the SOPs for future coordination with SBP/ FIA, which is being collected from the banks and will be accordingly provided.

#### **PBA OFFICE**

Islamic Chamber of Commerce building  
Ground floor, Street 2A,  
Clifton block 9, Karachi

#### **CONTACT:**

 :+92 21 35822986/87  
 :pba@pakistanbanks.org  
[www.pakistanbanks.org.pk](http://www.pakistanbanks.org.pk)