



PAKISTAN BANKS' ASSOCIATION

Monthly E-Newsletter

June 2024



News In-FOCUS

Federal Minister for Finance & Revenue updated on Banking Sector's Strategic Initiatives in Priority Sectors Progress & Growth

18 May 2024

PBA held a meeting with the Federal Minister for Finance & Revenue, Mr. Muhammad Aurangzeb. The meeting focused on enhancing support by the banks for the three key sectors of Agriculture, Small and Medium Enterprises (SMEs), and Digital & Technology in Pakistan. The discussion underlined the banking sector's commitment to fostering financial inclusion in the country.

During the meeting, PBA's Steering Committee presented a comprehensive set of recommendations aimed at promoting growth and sustainability in these vital sectors. The proposals were developed in close consultation with the SBP to ensure they effectively address the unique challenges and highlight the opportunities within each sector.

The key recommendations in the agriculture sector included, among other steps, restructuring crop loan insurance schemes to integrate crop yield factors, revitalizing agricultural cooperative banks and upgrading provincial agricultural cooperative legislations to facilitate the creation of agricultural cooperative lending institutions. The recommendations also included exploring technology-driven solutions to facilitate the distribution of targeted subsidies through banks, particularly to the subsistence-level farmers, similar to BISP, to promote much-needed financial inclusion.

The Minister was apprised that PBA and SBP are actively engaged to revising SME Prudential Regulations (PRs), enhancing clean financing limits, and reviewing Regulatory Retail Portfolio Limits to facilitate SME financing. The Minister was informed that PBA is contemplating to establish "SME and Agriculture Index" to target the customers currently outside the documented economy while also enhancing credit risk management.. (cont. on page2)



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On the Digital & Technology front, PBA recommended facilitating retail foreign investment through digital micro sukuks/infra bonds and integrating freelancers into payment gateways. It was also proposed to enhance foreign remittance flows via specially developed online portals for overseas Pakistanis. It was emphasized that the banks be allowed to offer their own operational products and services in technology space to harness export flows. The recommendations related to documentation of the economy through the use of technology were also discussed, and outlined the role that the banks will play in furthering Government's efforts in this respect.

The Minister commended PBA's Steering Committee for their thorough analysis and valuable recommendations. He highlighted the crucial role of the banking community in driving economic growth. He stressed upon the banks to enhance their efforts in supporting these priority sectors to foster economic development and financial inclusion. The Minister consented on the governance structure for the implementation of the proposed recommendations by PBA, jointly with SBP and the Ministry of Finance & Revenue, spearheaded by him and the Governor SBP.

Federal Budget Proposals 2024-25

To ensure the banking industry's perspectives and needs are adequately represented and considered in the budgetary process, PBA, after due process of consultation with the Executive Committee, submitted its recommendations for the Federal Budget 2024-25 to the FBR.

Projects in Progress

1. Feedback for the Development of the National Financial Inclusion Strategy (2024-2028)

SBP is in the process of finalizing the 3rd edition of its National Financial Inclusion Strategy (NFIS) for 2024-28 and has reached out to PBA for its collective feedback on its devised Action Plan for the said strategy.

The upcoming NFIS 2024-28 aims to further improve financial inclusion in the country by focusing on the development areas and fostering innovation in financial products and services as well as improving upon their delivery and awareness channels.

The shared Action Plan aims to seek formal feedback from the banking industry which will be considered and incorporated into a comprehensive and well-rounded strategy document.

PBA requested its members to share their inputs on the Action Plan last week and is in the process of collating and subsequently sharing the feedback with the SBP for its incorporation in the NFIS 2024-2028.

2. Update on Electronic Know Your Customer (eKYC) Platform

The eKYC project is now close to its soft launch with four banks joining the pilot. Two banks have already signed on the User Acceptance Testing (UAT) and the other two are in the process of conducting the tests to enable them to also sign off.

3. Update on Pakistan Banking Summit

The new date of the Pakistan Banking Summit will be shared with the members in due course.



Meetings Held

1. Executive Committee Meeting

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Special EC Meeting on 03/05/24 at the PBA Offices

2. PBA Sub-Committee Meetings

1. Accounting & Taxation

1. To discuss IFRS-9 on 09/05/24 at the PBA Offices
2. To discuss ADR - Super Tax with FBR on 17/05/25 at PBA Offices

2. General Banking

on 09/05/24 via Zoom

3. Meetings of the Forums

1. Fraud Prevention

06/05/24, 13/05/24, 14/05/24

4. Working Groups

1. eKYC Working Group

06/05/24, 09/05/24, 14/05/24, 16/05/24, 20/05/24, 30/05/24

5. Meetings with SBP

1. SBP-PBA Coordination Meeting

SBP-PBA Coordination Meeting with Governor SBP on 03/05/24 at PBA Offices

2. Priority Sectors Financing

SBP/PBA (SC)/Task Force Meeting with Finance Minister on 18/05/24