



PAKISTAN BANKS' ASSOCIATION

Quarterly E-Newsletter

July 2024



News In-FOCUS

1. Update on the Implementation of the Priority Sector Initiatives by the Banking Industry

April - June 2024

In line with SBP's agenda of promoting financial inclusion in the country and upon the endorsement of the Minister for Finance & Revenue, Mr Muhammad Aurangzeb, PBA initiated a priority sector financing endeavour aimed at supporting Pakistan's three priority sectors i.e., the Small & Medium Enterprise (SME), Agriculture, and Digital & Technology. To run this effort, PBA established a Steering Committee (SC) alongside three dedicated Task Forces for SMEs, Agriculture, and Digital & Technology in the beginning of Q2 2024. The primary responsibility of the SC and Task Forces is to provide financial insights and recommendations, enabling growth and innovation within these sectors.

Consequently, PBA held a detailed discussion with the Finance Minister in May 2024 to update him regarding the progress on the initiative and also put forth recommendations to further the development of the said priority 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.

Among other key recommendations for the agriculture sector, the proposal also includes Electronic Warehouse Receipt Financing (EWRF), which can significantly benefit the agri-sector in terms of improved access to financing, reduced post-harvest losses, boost investment in storage infrastructure, and help farmers to hedge against price volatility, among many other benefits.

Additionally, set-up of Agri and SME Performance Index (SEPI), which will be a comprehensive and valuable tool for assessing, improving, and sustaining the performance of the Agricultural and SME sectors. It will provide critical insights that can drive policy decisions, resource allocation, innovation, and sustainable practices, ultimately leading to a more productive and resilient industry. Other recommendations include restructuring crop loan insurance, revitalizing agricultural cooperative banks and legislation. For SMEs, in addition to SEPI, the initiative includes development of strategy to promote Supply Chain Financing, revising Prudential Regulations, increasing clean financing limits, and upgradation of technology infrastructure. (cont. on pg 2)



In the Digital & Technology sector, the focus is on facilitating retail foreign investment through digital sukuk/-bonds, integrating freelancers into payment gateways, and boosting foreign remittances through online portals for overseas Pakistanis, set up of Private Equity Fund to support fintechs, among other recommendations.

This discussion was followed by a meeting with the Governor SBP in June 2024 where he reiterated the banking sector's commitment towards operationalizing the Government's strategic economic priorities pertaining to these sectors. He said, **"Our goal is to create a robust economic environment where businesses of all sizes can prosper. These measures are designed to stimulate growth, encourage innovation, and support sustainable development. We are committed to ensuring that our financial system provides the necessary support to drive economic recovery and long-term prosperity."**

Zafar Masud, Chairman - PBA stated that these measures, initiated by the banking sector as desired by the Finance Minister, have come at a crucial time when businesses and consumers alike are seeking stability and growth opportunities. He further said that through targeting these essential sectors, the Central Bank and the Ministry of Finance are laying the groundwork for a resilient and dynamic economy going into the future.

Currently, as per SBP's directives, all banks are in the process of developing their implementation plans based on these recommendations along with their respective business targets to be achieved over the next 5 years.

2. PBA and IFC Join Forces to Boost Green Buildings in Pakistan June 2024



PBA, in partnership with the International Finance Corporation (IFC), arranged a workshop on the benefits of green, resilient real estate investment for the Pakistani banking industry. The session was attended by participants from over 25 banks.

IFC, a member of the World Bank Group, is a leader in investing and advising on green building practices globally. Rusmir Musić, IFC's Climate Finance Expert, led an interactive session and equipped participants with concepts related to the commercial value of green buildings for developers and financial benefits for investors.

Sharing his thoughts on the joint initiative Ahmed Bozai – Vice Chairman – PBA said, **"PBA's partnership with the IFC in green real estate investment exemplifies our joint commitment to sustainability. This collaboration aims to identify potential solutions and investment avenues towards fostering a low-carbon economy, reflecting our dedication to creating a sustainable environment for our communities."**

The workshop enabled participatory banks to further learn about green financing and increase their appetite to support green real estate projects in the country. Through similar programs and initiatives, PBA will continue to build the capacity of the local banking industry which will help foster innovation and enhance the overall efficiency and competitiveness of the Pakistani financial services in the region.



Project Updates (April - June 2024)

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

As of June 30, 2024, four banks have either deployed the "Production Environment" onto their systems or are in the process of completing their User Acceptance Testing (UAT) followed by the deployment of Production Environment. At this pace, PBA anticipates that the four banks will soon go live into production, completing Phase I of the eKYC platform's soft launch.

Additionally, two other banks have completed their "System Integration Testing" and are now deploying the UAT environment onto their systems to begin UAT testing soon.

2. PBA Requests SBP to Revisit the Consumer Financing Regulations

SBP issued a Circular Letter No. 29 of 2021, titled "Consumer Regulations for Consumer Financing," on September 23, 2021. This circular introduced measures that affected various consumer finance products, particularly impacting Personal Loans and Car Loans in Consumer Financing.

In May 2022, an additional amendment in BPRD Circular Letter No. 19 of 2022 further tightened the regulatory framework, which over the past 2.5 years, has notably affected the accessibility of financial products, especially for lower-middle and middle-class segments.

Considering the above context, along with the improved economic indicators and reduced inflation rates, PBA, on behalf of its members has requested SBP to revisit the amendments and revert to the original regulation prior to September 23, 2021; fostering a favourable environment for consumer products and financing.

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

May - June 2024

SBP is in the process of finalizing the 3rd edition of its National Financial Inclusion Strategy (NFIS) for 2024-28. The strategy 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.

In light of the above background, the SBP shared an Action Plan for the said strategy with PBA to seek collective feedback from the banking industry.

PBA, after consulting with member banks, duly submitted its feedback on the Action Plan with the SBP for its consideration and incorporation in the NFIS 2024-2028 in June 2024.

4. Federal Budget Proposals 2024-25

May 2024

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 in the month of May 2024.



5. Update on Pakistan Banking Summit

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



Meetings Held

April - June 2024

1. Executive Committee Meeting

Executive Committee Meeting

- 1. Regular EC Meeting on 01/04/24 at the PBA Offices
- 2. Special EC Meeting on 03/05/24 at the PBA Offices

2. PBA Sub-Committee Meetings

1. Accounting & Taxation

- 1. on 19/04/2024 via Zoom
- 2. on 25/04/2024 via Zoom
- 3. To discuss IFRS-9 on 09/05/24 at the PBA Offices
- 4. To discuss ADR - Super Tax with FBR on 17/05/24 at PBA Offices
- 5. Discuss Taxation-related matters arising from the Federal Budget on 13/06/24, 20/06/24, 21/06/24, 25/06/24, 26/06/24

2. General Banking

on 09/05/24 via Zoom

3. Meetings of the Forums

Fraud Prevention

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

4. Priority Sectors' Task Force Meetings

Task Force Meetings

- 1. Meetings on 05/04/24, 09/04/24, 15/04/24, 16/04/24, 17/04/24, 04/06/24, 28/06/24
- 2. Meeting with PBA Consultant on Priority Sectors' implementation on 10/06/24

5. Working Groups

eKYC Working Group

03/04/24, 04/04/24, 16/04/24, 18/04/24, 25/04/24, 30/04/24, 06/05/24, 09/05/24, 14/05/24, 16/05/24, 20/05/24, 30/05/24, 4/06/24, 06/06/24, 11/06/24, 13/06/24, 25/06/24, 27/06/24

6. 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

- 1. SBP/PBA (SC)/Task Force Meeting with Finance Minister on 18/05/24
- 2. Priority Sector Meeting chaired by Governor SBP on 04/06/24 at SBP