

**Keynote Address
By**

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At Seminar on

**Collaboration of Banking Sector and Financial Institutions
with NAB in Combating Corruption**

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Ladies and Gentlemen, it is my pleasure and privilege to address this august gathering of eminent bankers, financial experts and other stakeholders.

Let me first state clearly that coordination & co-operation of the Banking Sector as well as Regulator with National Accountability Bureau is of prime importance in combating corruption and corrupt practices in the banking sector. The majority of banking cases are white

color crimes done in such a professional manner that their detection and subsequent preparation of strong cases is an uphill task. Even in the developed economies prevention of white colour crimes, remains a big issues to tackle.

In Pakistan corruption is a major cause of concern in majority of public sector organizations which has weakened their strength and efficiency and thus they have become a burden on the exchequer. The critical factor behind such failures are mis-management, bad Human Resource Management, immorality, in efficiency and greed. Corruption reduces the welfare activities of the society due to loss of efficiency and effectiveness, reduction of the revenue available for development work and thus weaken the system.

Ladies and Gentlemen,

The behavior and culture of banking sector has altogether been changed in the last two decades. It has transformed itself from 85% in public sector in 1990's, to present more than 80% in private sector. This quantum change has been taken positively & supported by the State Bank. The newly transformed private banking sector is performing responsibly and cooperating with regulators and investigating agencies for eradication of banking crimes. SBP and NAB since its inception in collaboration with each other had agreed on a joint mechanism through which information required for investigation purposes from banking sector, under section 19 of National Accountability Ordinance, 1999,

are obtained through SBP in the greater interest of the fragile economic conditions of the country. Although NAB has absolute powers to obtain these information directly from the banking company yet the collaboration was made to repose confidence in banking community. A dedicated NAB Cell at SBP was established which effectively coordinates with banks/DFIs to ensure expeditious supply of information. The whole process is aimed at facilitating the Bureau in discharge of its responsibility of vital national interest, without unduly disrupting the financial institutions & creating any sort of panic amongst the borrowers or the clients of the banks.

Several cases of delicate in nature were dealt with in close cooperation amongst SBP, NAB & concerned banking company in a professional

way. SBP has been forwarding complaints received from the banks/DFIs to Bureau for initiating investigation, under the provisions of NAO, against those entities/persons which had cheated/deprived the public of their hard earned money through illegal brokerage and banking business.

SBP, in collaboration with SECP, has been advertising a message titled **“Public Warning”** in print media to keep the general public aware of the fake schemes /scams launched by the fraudulent companies / non-corporate entities / individuals.

State Bank of Pakistan has also been playing its role in facilitating the Banking Sector in their efforts to recover from borrowers their long outstanding defaulted loan amounts by referring such cases of Willful Loan default to NAB for inquiry, investigation and proceedings against

them wherever required. About 100 such cases amounting to Rs. 17.5 billion approximately were processed & referred to NAB under section 31-D of National Accountability Ordinance, 1999. I appreciate the role of NAB in speedy processing of these cases which helped not only in recovery of defaulted amount but also saved depositors money. The names of the corrupt persons convicted by NAB under the provisions of NAO, 1999 are also shared with the Banking Industry. The persons convicted under 25(b) of NAO, 1999 are debarred from obtaining any fresh loans from Banking Sector for a period of ten year from the date of conviction. Such weeding out of corrupt elements, from the potential clientele of banking sector, has lead to more prudent lending decisions other than developing a critical data base for the sector.

Ladies & Gentlemen

Development of human resource in the banking industry on sustainable basis is a continuous process. Taking lead in this front on an ongoing basis and conducting workshops, seminars, awareness programs, training sessions internally as well as for the benefit of the banking industry has become an integral part of our efforts to curb corrupt practices, money laundering and countering the financing of terrorism.

The financial institutions are now less prone to be used as ‘the safe heavens’ for the corrupt persons owing to the effective coordination mechanism developed amongst the financial institutions, SBP and NAB.

The introduction of compliance culture and establishment of a separate

compliance department manned with skilled and professional officers has also helped in eradication of unlawful and corrupt practices.

Ladies & Gentlemen

A strong regulator is needed to act as a vigilant watchdog on the banks and banking industry as a whole. You would be delighted to know that SBP has also been maintaining a centralized database with multiple objectives of cross-matching the antecedents of persons being appointed on Key Positions in banks/DFIs as per the requirement under its Fit & Proper Test (FPT) Criteria. Such cross-matching at hiring stage may ensure the entry and presence of professionals with highest integrity and ethical standards in the banking industry. The database almost contains 5000 records of persons terminated/dismissed from banks/DFIs on

various charges. In my view, 50 percent of the job of the regulator is completed if the right persons are appointed and the corporate governance guidelines are observed in letter and spirit. With such grid of human resources, we foresee a high comfort level to manage the common irregularities, procedural lapses and financial scams in the banking industry. On the other hand prudential regulations and their effective enforcement is one of the vital instruments which help regulator to keep a discipline in financial dealings. These regulations have a significant long lasting impact to safeguard the interest of depositors, ensuring prudence in lending and eradication of unlawful banking practices. Ensuring complete compliance of these prudent

standards, a strong oversight of functions is inevitable from Boards of Directors, Chief Executives and senior management of the banks.

State Bank of Pakistan is comfortable with its cooperation with NAB that has strengthened over a period of time. This has also been instrumental in gradually weeding out the irregularities from the banking system, hence facilitated smooth functioning of the banking system.

Looking to professional zeal, exhibited commitment and deliberations on the subject in this seminar, I am hopeful that the cooperation among SBP, NAB & the Banking Sector would further strengthen and go a long way to combat corruption from the banking industry and the society at large.

While the NAB is performing its role quite satisfactorily and enjoying the confidence of banking industry I would like to see NAB on its way ahead as an organization with indigenous strength of technical staff fully equipped to investigate financial crimes, forensic investigation, having international collaboration with key investigating agencies. I am also confident that NAB on its part shall continue to retain the confidence of the banking sector built over the years and achieved through quality, integrity and professionalism of investigator.

At the end, I congratulate NAB for conducting such a successful seminars for exploring further options to improve the investigation system enhancing cooperation amongst stakeholders and eliminate corruption from society. I assure them that regulator and banking sector

of Pakistan within their legal jurisdiction stands behind them to augment
their noble cause.

