

**SBP Governor's Speech on the occasion of MoU Signing Ceremony with
PTA on January 11, 2012 at Karachi**

Honorable Chairman, PTA, Respected Delegates, Executives Distinguished Guests!

Assalam-o-Alaikum,

It is indeed a pleasure to be here among the top professionals gathered to deliberate on finding the most efficient and cost effective solutions to reach the unbanked masses. I would particularly like to thank the Chairman, PTA for arranging this meeting and inviting me to talk to the senior echelon of the Banking Industry and the Telecom sector.

Ladies and Gentlemen,

You will agree that the banking and telecom industries of Pakistan are efficient, vibrant, diversified and dynamic as compared to other industries. But at the same time, both industries are highly competitive in serving their target markets in the most efficient and cost effective manner. This cut throat competition along with the supportive role of the regulators has led to the development of innovative and unconventional products and solutions. Everyone in this room will agree that despite our best efforts and various regulatory initiatives over the past many years, we could not achieve the desired level of financial inclusion through conventional means. We also have to acknowledge that Pakistan is consistently being ranked low in the area of access to finance in terms of per branch population ratio and the number of bank account holders.

Being the regulator of the banking industry and the policy makers, we have to challenge the prevailing situation and come up with a viable and sustainable policy response. In addition to its role in maintaining financial stability, SBP as part of promoting the country's social objectives, has also a key responsibility for alleviating poverty and ensuring provision of adequate financial services to the masses. In order to fulfill these responsibilities, SBP issued its Branchless Banking Regulations in 2008 after thorough deliberations with all concerned stakeholders. These regulations set policy direction and provided the enabling environment for the banking industry to leverage the potential of highly penetrating Telecom sector.

Ladies and Gentlemen,

In the current environment, the state of Information & Communication Technology (ICT) has become one of the financial institutions' most essential and critical requirements. Technology has made it possible for the banking industry to offer a wide menu of services such as e-Banking, Branchless/Mobile Banking, Electronic Clearing Systems, Electronic Funds Transfer, Smart Cards, plastic cards of various forms etc.

As is evident, Branchless Banking has made it possible for banks and the mobile operators to use technology as the primary tool for expanding their outreach to the remotest of geographical locations to reach the unbanked and underserved population. Today, it is very heartening to see the steady growth and expansion in Branchless Banking as stronger & experienced players have entered the industry. Presently, the Agent Network under the Branchless Banking umbrella has exceeded 20,000 agents, who have helped to channelize 50 million financial transactions worth more than Rs.190 billion. These Agents Outlets/Touch Points are spread across several cities, towns and smaller

villages in Pakistan. The average number of transactions a day through Branchless Banking is around 180,000 and the average ticket size per transaction stands at Rs.3,700. The total number of accounts opened till now stands at over 800,000 while the number of bank branches at present is slightly over 10,000.

Branchless Banking has also proved to be an effective instrument in channelizing the Government to Persons (G2P) payments in trying times like serving Internally Displaced Persons (IDPs), devastating floods and rains for the last two years. The Benazir Income Support Program (BISP) beneficiaries are also being served effectively through this mechanism as well. In the coming days, this channel is expected to continue playing an important role towards the promotion of financial inclusion and the management of Government to Persons (G2P) programs like salary disbursements, pensions, BISP, Watan Cards, Pakistan Cards and tax collections services etc. The existing Branchless Banking deployments can cater to the needs of over 10 million potential beneficiaries of G2P payments in Pakistan.

From the business point of view, Branchless Banking helps expand the outreach to untapped areas and increase possibilities of product diversification. From the users' viewpoint, it's a low cost mechanism for carrying out transactions, more conveniently and efficiently with greater flexibility.

I must acknowledge the efforts and initiatives of Pakistan Telecommunication Authority (PTA) and Ministry of Information Technology (MOIT) to promote and develop the emerging field of branchless and mobile banking in the country. It is also heartening to note that PTA is also playing an important role by encouraging its regulatees to play their due part in providing the smooth and efficient Branchless Banking services.

It should be a matter of great comfort and satisfaction for banking and telecom industries that their respective regulators i.e. SBP and PTA share the vision and work in tandem to provide an enabling regulatory environment for providing mobile/branchless banking services.

Keeping in view the importance of interoperability/interconnectivity for the promotion of Branchless / Mobile banking, SBP and PTA are working very closely in developing an appropriate regulatory framework for Third Party Solution Provider (TPSP). Currently, a joint Regulatory Committee of SBP and PTA is considering issuance of Regulations for TPSP. The core objective of TPSP Regulations will be to provide an enabling environment for the development of interoperability (interbank) of Mobile Financial Services. As part of their consultative approach, both the regulators have taken the stakeholders on board by sharing the draft regulations and seeking their feedback. Today's high level gathering is also part of the same consultative process.

I hope this will be an ongoing process and going forward, improvements will be carried out in the regulations, based on continuous consultations with the stakeholders, as has been the practice of State Bank in the past. Though we have cordial working relationship, however, in order to formalize and further strengthen the cooperation between State Bank and PTA, we are going to sign a Memorandum of Understanding (MoU) today.

In conclusion, I would like to acknowledge the concrete steps being undertaken by both the regulators and their concerted efforts towards financial inclusion, which shall have two-fold benefits. For the banks and telecom, it will help generate new business opportunities and sustainable revenue streams and for un-banked/ underserved population it will bring economic prosperity, help alleviate poverty, create jobs and improve living standards.