

**BRIEF MINUTES OF THE GOVERNOR-SBP MEETING WITH PAKISTAN BANKS
ASSOCIATION HELD ON FEBRUARY 15, 2007 AT SBP KARACHI**

The first quarterly meeting for the year 2007 with Pakistan Banks Association (PBA) was held on 15th February, 2007 under the Chairmanship of Governor SBP at the State Bank of Pakistan, Head Office, Karachi. The meeting started with the recitation from Holy Quran. At the outset, Governor welcomed Chairman PBA and his team at the forum.

While sharing her views with PBA representatives, the Governor stressed the need for promoting the micro finance development in order to alleviate poverty from the country. She said that big banks can play pivotal role in the development of this sector. The Governor emphasized large banks with excess liquidity to develop alliances with micro finance institutions, which normally cannot raise liquidity overnight.

The meeting also deliberated upon the setting-up of a School of Business and Finance as also a financial district in Karachi. The Governor emphasized that both these projects need collective efforts of all stakeholders. It was decided to constitute two committees viz. (1) Education Committee, and (2) Financial District Committee, comprising of SBP and PBA representatives to firm up the proposals.

The Governor observed that the exposure of Islamic banking in the country needs to be enhanced as there exists huge untapped potential in this area. She said there exists a huge growth potential in Islamic financial market for conventional banks and thus State Bank expects from them to portray Pakistan on the landscape of Islamic financial market in the region.

The PBA representatives assured the Governor that all decisions of Banking Mohtasib Pakistan would be implemented in letter and spirit within the stipulated time frame provided in the Banking Companies Ordinance, 1962.

The meeting also agreed to form three committees on: (1) interest and deposit rates, (2) sectoral distribution of credit to priority areas, and (3) improvements in technology. The Governor said that at present the private sector credit to GDP ratio is 27% in the country, which can be enhanced if banks focus on their penetration in non-banked areas.

The meeting was informed that the State Bank has adopted international standards for compilation and dissemination of reliable statistics. Chairman PBA assured on behalf of member banks/DFIs to provide their full assistance to regulator for bringing in further improvements in data quality reported to the State Bank. He also agreed that the concerned departments of banks/DFIs would be soon issued necessary instructions in this regard.

The Governor urged the PBA representatives to discuss and provide their collective feedback on a roadmap for banking sector to be followed for the next 10 years. She also briefed the participants about completion of restructuring process at the State Bank of Pakistan.

The meeting also agreed that PBA will shortly formalize and send their detailed suggestions to the State Bank regarding draft Banking Act. The Chairman PBA further informed that he will shortly meet with Chairman NADRA to discuss the issues pertaining to verification charges of CNICs for banks/DFIs.

The participants of the meeting also decided to constitute a joint committee comprising the both ATM switch operators, PBA and SBP representatives in order to sort out and resolve the issues arising out from e-banking.

The meeting further discussed the problem stemming from the shortage of quality human resources in the banking sector. It was decided to form a committee to deliberate on this issue and make recommendations in this regard.
