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Fresh laws needed to ensure information safety: Deputy Governor SBP

Deputy Governor State Bank of Pakistan, Mr. Ashraf Mahmood Wathra, has said that innovative banking practices have increased the need to introduce fresh laws and regulations to ensure client privacy, information safety, and payment accessibility. He was speaking to the InfoSec2013 – 8th International Conference on Information Security. Mr. Wathra said that globally, more than two billion adults did not have access to formal or semi-formal financial services. “They are the financially excluded in a world where access to financial services can mean the difference between surviving or thriving. Innovative modes of financial services delivery can have a transformative effect on poor households. At the same time, one billion people with mobile phones do not have even a basic bank account.”

According to DG SBP, the time is ripe for using technology to address financial exclusion. “Technological innovation changes the cost and access equation – making it economically viable for financial service providers, often in partnership, to reach poor people, with a wider range of products and services.”

Mr. Wathra said that in Pakistan, the banking system despite its major transformation “remains restricted in its outreach. In a population of 185 million, there are only 32 million deposit accounts and 6 million borrowers. On the contrary, the number of mobile phone subscribers has crossed 130 million across all economic and geographic segments.”

“To tackle the challenge of financial exclusion, SBP is promoting the use of alternative delivery channels that leverage technology and agents networks,” he added. He said that with this evolution, the need to consistently strive for holistic risk mitigation “has become greater than ever before and financial institutions around the globe realize that they must proactively work to protect customer data and transactions, as well as their own Information system assets”.

According to Mr. Wathra mobile banking creates a heightened level of potential operations risks adding that security is one of the biggest customer concerns when considering e-banking adoption.

He said that during the last few years, technology adoption (especially, in communication systems cellular/mobile systems) had shown a great momentum and spread at an unbelievable pace across developing countries. New channels such as Short Message Service (SMS), Unstructured Supplementary Service Data (USSD), Wireless Application Protocol (WAP) and SIM Application Toolkit (SAT) are widely being used to conduct financial transactions and transmit customers integrally important and confidential details. “But standards for wireless communication are still evolving, creating considerable uncertainty regarding the scalability of existing wireless products. Financial institutions today more than

ever, need to exercise extra due diligence in preparing and evaluating the cost-effectiveness of investments in wireless technology or in decisions committing the institution to a particular wireless solution, vendor or third-party service provider.”

He mentioned five key principles guiding technology risk management in Mobile Financial Services: Confidentiality, Integrity, Availability, Authentication, and Non-repudiation. “These have been embedded in our regulatory framework for branchless banking,” he added.

He concluded by saying that the deep penetration of mobile phones in developing regions has made cellular networks the preferred communication medium in branchless banking. “As in any financial service, ensuring security of transactions is paramount.”
