



# Payment Systems Review

2nd Qtr. (Oct.—Dec.)

Date: 22 February 2012

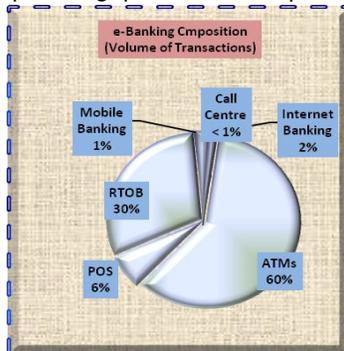
## Points of Interest:

An introduction to ACU (Asian Clearing Union)

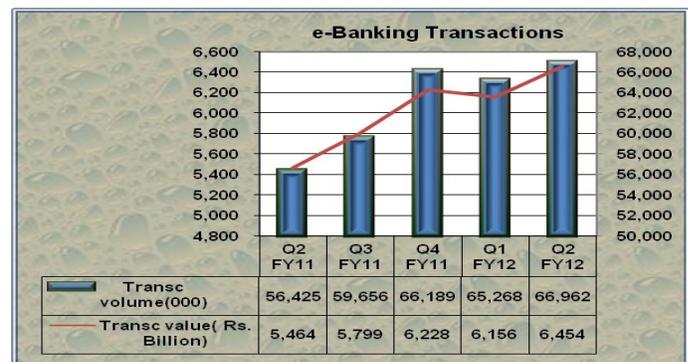
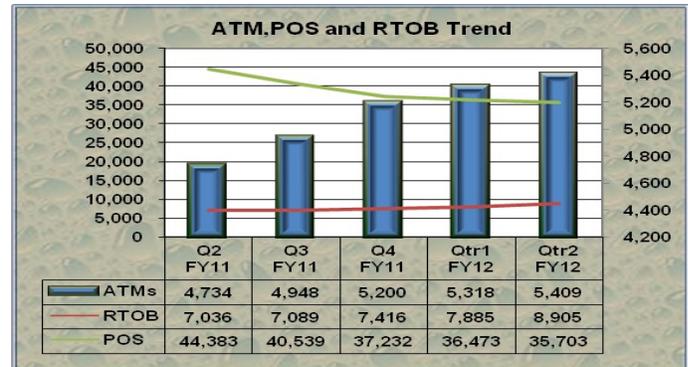
Automated Teller Machines (ATM)

The Payment Systems infrastructure in Pakistan showed an upward growth trend during the 2nd Quarter FY12. A total of 91 more ATMs were added bringing the total number of ATMs in the country to 5,409. Altogether, 1,020 more bank branches were upgraded to Real-Time Online Branches (RTOB) mainly due to higher investments by a public sector bank. Now 8,905 bank branches are offering RTOB services out of the total of 9,948 bank branches across country. The number of plastic cards also increased by 4.88 percent compared to the numbers recorded in the preceding quarter. By the end of quarter under review, there were 15.2 million plastic cards in circulation in the country.

The volume overall e-banking transactions in the country during the quarter under review registered an increase of 2.6 percent to reach 66.96 million. At this level, the value of these transactions also depicted a growth of 4.85 percent compared to the preceding quarter ended Septem-



ber, 2011. ATM transactions also showed an increase of 3.22 percent in number of transactions and 8.33 percent increase in value



resulting in an average value of Rs. 9,558 per ATM transaction. The share of ATM transactions in total e-banking transactions' in terms of volume and value worked out to 59.8 percent and 5.9 percent respectively. The number of Real Time Online Branches (RTOB) transactions also increased by 3.4 percent whereas the value of transactions increased by 4.8 percent compared to the previous quarter, which represented almost 30 percent volume and 93 percent in value of the overall e-banking transactions respectively. The volume and value of transactions through POS terminals stood at 4.2 million and Rs. 19.6 billion showing 1.4 and 8.6 percent

growth respectively as compared to the figures reported in the previous quarter.

The volume of large-value payments through RTGS increased by 2.8 percent, whereas the value of transactions increased by 21.4 percent. The major portion of RTGS transactions in terms of value continued to be in respect of settlements against securities followed by Interbank Funds Transfers and settlement of retail cheques through multilateral clearing contributing 61.5, 28.9 and 9.6 percent respectively.

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## E-Banking Growth Trend— Yearly Comparison

	Qtr.2 FY11 (Oct. – December 2010)		Qtr.2 FY12 (Oct. – December 2011)		Yearly Growth (%)	
	Volume (000)	Value (Rs. Billion)	Volume (000)	Value (Rs. Billion)	Volume %	Value %
<b>E-Banking</b>	56,424.89	5,463.57	66,961.94	6,453.99	19	18
<b>RTOB</b>	18,203.87	5,108.19	20,256.25	5,968.44	11	17
<b>ATM</b>	32,656.54	287.49	40,054.41	382.83	23	33
<b>POS</b>	3,618.23	19.75	4,196.72	19.56	16	-1
<b>Call Center</b>	199.36	1.70	165.93	1.63	-17	-4
<b>Internet Banking</b>	979.97	44.75	1,470.95	78.67	50	76
<b>Mobile Banking</b>	766.93	1.68	817.68	2.86	7	71
<b>E-Banking Infrastructure</b>						
	As of 30 Dec. 2010		As of 30 Dec. 2011		Yearly Growth (%)	
<b>ATMs</b>	4,734		5,409		14	
<b>RTOB</b>	7,036		8,905		27	
<b>POS</b>	44,383		35,703		-20	
<b>Credit Cards(000)</b>	1,564		1,278		-18	
<b>Debit Cards(000)</b>	10,910		13,321		22	
<b>ATM Only Cards(000)</b>	718		637		-11	

*In the retail payment systems, Microfinance Banks data are not included.  
Discrepancy may occur due to rounding of data.*

## News & Updates

**NADRA launches SMS service for Card verification:** In the flood affected areas people were facing problems in relation with the issuance of Cards. While SBP has worked to monitor and issue instructions to all banks to ensure uninterrupted ATM services, NADRA has also launched a mobile SMS service in collaboration with Pakistan Telecommunication Authority PTA and all operating telecom companies. This is in order to determine a person's existence as beneficiary of Pakistan Card project to facilitate the flood affected people and in checking the status of their requests. Out of 62 a total of 47 centers of National Database & Registration Authority are operational in six districts i.e. Badin, Tando Mohammad Khan, Shaheed Benazirabad Mirpurkhas, Tando Allahyar and Sanghar whereas other 15 centers are on the process of completing the task for addressing the

complaints from genuine beneficiaries, who were unable to get registration for Pakistan Cards. NADRA, in addition to setting up centers, has also mobilized its mobile resources MRVs (Mobile Registration Vans) to process CNIC free of cost in all affected areas in coordination with district administrators and public representatives.

**Securing the Card Present Transactions CPT:** Reserve Bank of India (RBI) recognized the need to address security and taken risk mitigation measures for CPT. A separate working group was set-up for suggesting an additional factor of authentication to secure all card present transactions. The Group's major recommendations are: i) Implementation of UKPT Unique Key Per Terminal and terminal line encryption within 2 years time; ii) Introducing additional factor of

authentication; iii) Consideration of biometrics finger print in lieu of PIN at ATM and POS; iv) Introduction of EMV Chip and PIN within 5 to 7 years time for domestic transactions; and v) EMV Chip card and PIN in lieu of Megstripe cards when at least one purchase is evidenced at an overseas location.

RBI accepted the recommendations and in the light of these recommendation prescribed some important measures such as: i) All POS terminals to accept cards with PIN; and ii) EMV Chip card and PIN to be issued to customers who have evidenced at least one purchase using their debit/ credit card in a foreign location. The Biometric, as a second factor of authentication for card present transaction, would be reviewed again by the end of December 2012, to assess the need for a complete switch over to EMV Chip and PIN Technology for card based transactions.



The ACU was established at the initiative of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). The decision was taken at the Fourth Ministerial conference on Asian Economic Cooperation held in December 1970 at Kabul.

ACU is the simplest form of payment arrangements whereby the participants settle payments for intra-regional transactions among the participating central banks on a multilateral basis. The main objectives of a clearing union are to facilitate payments among member countries for eligible transactions, thereby economizing on the use of foreign exchange reserves and transfer costs, as well as promoting trade among the participating countries.

**The Objectives**—of ACU are: i) to provide a facility to settle on a multilateral basis, payments for current international transactions among the territories of participants; ii) to promote the use of participants' currencies in current transactions between their respective territories and thereby effect economies in the use of the participant's exchange reserves; iii) to promote monetary cooperation among the participants and closer relations among the banking systems in their territories and thereby contribute to the expansion of trade and economic activity among the countries of the ESCAP region; and iv) to provide for currency SWAP arrangement among the participants so as to make Asian Monetary Unit available to them temporarily.

**The Organization**—Each participant (member country) appoints one director and one alternate director. The Board elects a Chairman and Vice Chairman from among its members. All decisions of the Board of Directors BoD are taken by a majority votes of all Directors unless a special majority is required by the Agreement. The BoD appoints a Secretary General to conduct the business of the ACU.

The Board **Meets** at least once in a year.

The **Membership** of ACU is open to a central bank, treasury or the monetary authority of each regional member and associate member of the ESCAP located in the geographical area defined in the ESCAP's terms of reference. The Chairman of the Board shall determine the date on which the payments and transfers with respect to such a participant shall be included in the clearing facility. The current composition of members of the ACU are: Bangladesh Bank, Royal Monetary Authority of Bhutan, Reserve Bank of India, State Bank of Pakistan, Central Bank of Islamic Republic of Iran, Maldives Monetary Authority, Central Bank of Myanmar, Nepal Rastra Bank and Central Bank of Sri Lanka.

The **Official Language** of the ACU is English.

Once a year ACU publishes its **Annual Report** with the approval of the BoD. It also publishes a Monthly Newsletter at the beginning of the month outlining the activities and operations of the ACU in the preceding month.

Central Bank of Iran is working as an agent as well as the **Secretariat** of the Union which is based in the capital, Tehran.

## Payment Systems Developments at SBP

### Circulars

During the period under review:

- i) PSD issued a circular dated October 07, 2011, in respect of "Operations of ATMs in Flood Affected Districts of Sindh", advising all commercial banks to make special arrangements to ensure that their ATMs are operational and cash is replenished in a timely manner and that no service charges may be recovered on the use of Pakistan Cards (<http://www.sbp.org.pk/psd/2011/CL4.htm>);
- ii) PSD issued a circular dated October 14, 2011, on "Cut-off Timings for Settlement in PRISM System", as a result of government decision of five days working week and revised banking hours (<http://www.sbp.org.pk/psd/2011/CL5.htm>); and
- lii) PSD also issued a circular dated October 14, 2011 on "Management of ATMs on Weekends" to all commercial banks advising them to ensure that customers and the business community continues to avail uninterrupted access to ATM services and that banks shall deploy dedicated staff to monitor cash replenishment requirements and resolving other problems on real-time basis. This was also due to the government decision to keep the working week for five days (<http://www.sbp.org.pk/psd/2011/CL6.htm>).

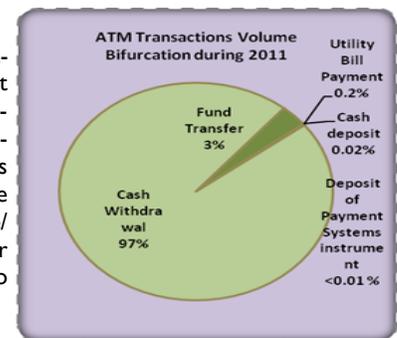
## ATMs...most functional channel in E-banking

ATMs are becoming more powerful than before and banks are consciously deriving its usages under the concept of enabled banking where no branches exist.

ATMs are known by various other names including ATM machine, Automated Banking Machine etc. and have various regional variants which imply "avoids travelling with money" or "any time money". A visit to an ATM helps accomplish myriad value-added transaction services such as cash withdrawals, balance inquiries, fund transfers, Utility Bill payments, cash deposit and payment of instruments. But many still use ATMs just to withdraw cash and to enquire about account balances. The major benefits of an ATM machine include, 24 hours services, convenience to bank's customers, services without any error, facilitating for travelers and above all ATMs provide privacy banking.

### Interconnectivity and Transaction fees

ATMs in Pakistan are connected to an inter-switch network enabling people to withdraw and deposit money from machines not belonging to the bank where they have their accounts. User, however, has to pay a nominal fee in order to use another bank's machine. In case of transaction failure (full/ partial amount), bank has also to refund the transaction charges to the user in addition to the amount involved in such failed transactions. There are no fee/ charges when the user uses the machine of the bank where his/ her account exists. Similarly, to facilitate flood affected people, no charges are levied at all on the cash withdrawal transactions.



### Security

ATM related security has several dimensions such as physical security, transactional secrecy and integrity, customer identity integrity, device operation integrity and the most important of all the customer's security. SBP had issued related instructions to commercial banks by issuing guidelines on operating ATMs in a secure manner. SBP has also instructed all banks to ensure strict monitoring of ATM vestibules through CCTV camera. Most of the banks in Pakistan have their own prescribed security guidelines for customers, drawn from the generic SBP guidelines on security.



### Frauds

ATM security and Fraud issues often follow some distinct patterns based on the location of the ATM security attacks or ATM fraud incidents which mostly involves Credit or Debit card frauds. ATM skimming/ cloning (skimmer read the magnetic strip based information and uses it on the card reader slot to draw cash with the help of a colored dummy card) is now common in most parts of the world. Another common fraud is ATM card theft which includes credit and debit card trapping at vulnerable ATMs. The approach is to trap the card inside of the ATMs card reader with a device so when the customer gets frustrated by not getting the card back and walks away from the machine, the criminal is able to remove the card and withdraw cash from the customer's account. Therefore, customer's have a responsibility to ensure the following at all times:

- Frequently change their ATM PIN code;
- Never share PIN code/ ATM code with other person;
- Ensure safety and security of their ATM cards;
- Keep adequate safety measures while using ATMs; and
- In case of any problem, timely inform his/ her Bank.

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