

# **OVERSIGHT OF THE BOARD OF DIRECTORS**



Current Board of Directors Meeting held at Karachi on September 4<sup>th</sup>, 2003  
(from left to right) Mr. Azhar Hamid, Mr. Yaqoob Vardag, Mr. M. Hussain Dawood,  
Mr. Khair Muhammad Junejo, Dr. Ishrat Husain and Mr. Nawid Ahsan,

# **THE CENTRAL BOARD OF DIRECTORS**

Under relevant provisions of the law (SBP Act-1956), State Bank of Pakistan has been entrusted the responsibility of regulating the monetary and credit system of the country, with a view to securing monetary stability and fuller utilization of the country's productive resources in the best national interest.

The general superintendence and direction of the affairs and business of the State Bank in turn vests in the Central Board of Directors. The Central Board consists of the Governor; Secretary, Finance Division, Government of Pakistan; and seven Directors, including one Director from each Province nominated by the Federal Government while also ensuring representation to the agriculture, banking and industrial sectors. The Governor is the Chairman of the Central Board and all decisions are taken by majority of members present and voting with the provision that in the event of equality of votes, the Governor may exercise a casting vote.

## **FUNCTIONS AND RESPONSIBILITIES OF THE CENTRAL BOARD**

The Board performs the following functions:

- formulates, evaluates and monitors monetary and credit policy
- determines the expansion of liquidity, consistent with targets of growth and inflation ensuring that the monetary and credit policy is consistent with macroeconomic policy objectives
- determines and enforces the limit of credit by the Bank to the Federal and Provincial Governments
- acts as a policy adviser to the Federal Government
- submits a quarterly report on the state of the economy to the Parliament

## **SUB-COMMITTEES OF THE BOARD**

The Board has constituted seven Sub-committees with the objective of enabling meaningful deliberations and comprehensive analysis of the matters / issues relating to the respective areas assigned, so that credible basis / reasoning is established in respect of proposals put up for final decision by the Board.

The Central Board held four meetings in 1999-2000; 6 in 2000-01; 8 in 2001-02. The Board also met eight times during the FY 2003 at different centers and some of the important matters considered at these meetings are listed below.

### **Human Resources**

1. Special Early Retirement Incentive Scheme for OG-3 and above.
2. Promotion of Clerical/Non-clerical staff as OG-1
3. Leave Policy
4. Appointment of Legal Adviser on contract basis in SBP
5. Increase in Salaries
6. Grant of Scholarship/Leave for Study
7. Revision of SBP Scholarship Scheme for Ph.D in Economics/Finance.
8. Increase in Pension/B.F. Grant
9. Separate Salary Structure for Specialized Professionals.

## 10. Entitlement of car to officers under Car Loan Depreciation Policy

## **Accounts**

1. Revenue and Capital Budget proposal for the year 2002-2003
2. Creation of Endowment Funds in the name of Dr. S.A. Meenai (Late), Dr. Ziauddin Ahmed, Mr. Nazir Ahmed Chaudhry (Late).
3. Annual Accounts of the Bank for the year ended 30th June 2002
4. Actual Accounts of the first quarter ended 30th September 2002 and the estimates of profit & loss for the remaining three quarters.
5. Grant of Non-Refundable Advance to Employees against their 'Own Contribution' – General Provident Fund Balances – Relaxation of Age Limit.
6. SBP Business Plan and Developmental Projects – 2002-2003.
7. Management of Retired Employees' Fund.
8. Actual accounts for the period July to December 2002 and the estimates of Profit & Loss for the period January to June, 2003.
9. Declaration of Chinese Currency "RMB" (YUAN) as Approved Foreign Exchange for the Purpose of The State Bank of Pakistan Act, 1956.
10. Appointment of Investment Consultant.
11. Annual Contribution to Institute of Bankers in Pakistan.
12. Actual Profit for the period July 2002 to February 2003 and estimated Profit for March to June, 2003.
13. Review of the Revenue and Capital Budget vis-à-vis expenditure for the half-year ended December, 2002.
14. Appointment of Auditors and Fixation of their Fee – Accounting year 2002-2003.

## **Research and Economic Policy**

1. Monetary and Credit Developments 2001-2002 and Credit Plan for 2002-2003.
2. Annual Report on the working of the Bank for the year ended June 30, 2002.
3. Appointment of Outside Consultant to Conduct a Study on the Export Competitiveness of Pakistan's Textile Sector.
4. The State of Pakistan's Economy – 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Quarterly Report for FY 2002-03

## **Banking Supervision**

1. Annual Report on Banking for the year ended December 31, 2001.
2. Performance Review of the Banking System for the period January to September, 2002.
3. Quarterly performance Review of Banks for the Quarter ended December 31, 2002.

## **Banking Policy**

1. Plan to Strengthen SME Bank
2. Revised Business Plan of SME Bank
3. Establishment of Islamic Banking Institutions, Islamic Export Refinance Scheme (IERS).
4. Full Membership of Islamic Financial Services Board (IFSB).
5. New Guidelines on Write-off of irrecoverable loans and advances.
6. Appointment of Financial Advisor for reconstruction of ABL.
7. Update on Privatization of UBL.

## **Reserve Management**

1. Rates of Lending to the Government.

2. Fee of Investment Consultant.
3. Suit against State Bank of Pakistan in New York Court filed by Liquidators of BCCI (Overseas) Limited – Out of Court settlement.

## **Engineering**

1. Improvement of Physical Environment Renovation and re-furnishing of various floors (5th to 10th floors) of Bank's Main Building, Karachi.
2. Purchase of Plots of Land for Construction of State Bank of Pakistan Own Building at Sukkur, Bahawalpur, Gujranwala, D.I. Khan, Gawadar.
3. Air-Conditioning of 1st to 4th Floor of the Canteen Building at I.I. Chundrigar Road, Karachi – Enhancement of Budgetary Allocation.
4. Remodeling/Renovation of Annexe Building, Karachi for conversion into a Modern Library including construction of Auditorium, face lifting and connecting Bridge with the main building
5. Sale of Bank's Open Plot of Land at Ichra, Lahore

## **Corporate & Media Affairs**

1. Allowing of MP-I scale to Mr. R.A. Chughtai, Deputy Governor, State Bank of Pakistan.
2. Compilation of the History of State Bank of Pakistan.
3. Establishment of the Devolution Trust for Community Empowerment (DTCE).

## **Property Management**

1. Disposal of Bank's Residential Properties.

## **Agriculture Credit**

1. Reimbursement of Bonafide Losses in respect of Agricultural Loans granted by NCBs, ABL & MCB during the period 1995-98 under the State Bank of Pakistan Guarantee Scheme.

## **Audit**

1. Risk Based Audit & Risk Management in SBP

*The sub committees of the board remained equally active during the year and provided much needed inputs and value addition to the decision making processes at State Bank, in their respective areas. The seven sub-committees of the board, their respective mandates and significant matters evaluated were as under:*

**Sub-Committee on Building Projects:** The Sub-Committee is empowered to sanction / approve expenditure in respect of construction of Bank's buildings and their maintenance as well as matters pertaining to the acquisition and disposal of moveable and immovable assets. In addition, the committee may also oversee other works/projects as may be referred to it by the Governor. Five meetings of the Sub-Committee were convened during FY 2003 for decisions and recommendations on the following:

- a. Matters relating to renovation/ installation of new equipments in the Main Building at Karachi.
- b. Award of contract for Air-conditioning of 1st to 4th floor of the Canteen Building at Karachi
- c. Disposal of Bank's Residential properties
- d. Construction of New Office Building for SBP-BSC Sialkot.
- e. Remodeling/Renovation of Annexe Building at Karachi
- f. Award of contract for maintenance services at SBP-BSC (Bank), Multan
- g. Operation of SBP Automation project at SBP BSC (Bank) field Offices – Approval for provision of I.T. Control Rooms.
- h. Annual Operation and Maintenance of Central Air-conditioning system installed at SBP-BSC (Bank), Hyderabad.
- i. Annual Operation and Maintenance of Central Air conditioning system installed at SBP BSC (Bank), Rawalpindi
- j. Sale of Bank's Open Plot of Land at Ichhra, Lahore.
- k. Sale of Bank's Staff Colony premises at Multan Road, Lahore.
- l. Award of contract for Supply & Installation of Fire Alarm System at SBP BSC (Bank), North Nazimabad, Karachi
- m. Supply & Installation of Siemens HI-Com 150E EPABX System for State Bank of Pakistan Sub-Office, Press Building, Kamal Ata-Turk Road, Karachi.
- n. Supply and installation of Siemens HICOM-300 H digital EPABX for SBP BSC (Bank), Lahore.
- o. Annual Operation and Maintenance of A.C. System installed at State Bank's building, North Nazimabad, Karachi.
- p. Renovation of SBP Disaster Recovery (DR) SITE at P-7, KDA Scheme-1, Karachi.

**Sub-Committee on Investment:** The committee is responsible for providing guidance to streamline Foreign Exchange Reserves Management (FERM); ensure optimal placement/ investment of Foreign Exchange Reserves of the country and to periodically review the mechanism of investment of FX Reserves. The Committee met four times during FY 2003 to take up the agenda items as given below:

- a. New strategy to manage reserve in line with current international practices
- b. Presentation from M/s Mercer, Investment Consultants (Mr. Garry Hawker)
- c. Evaluation of the proposal of M/s. Mercer for their appointment as Investment Consultants
- d. Presentation by M/s. Mercer, Investment Consultants, providing an overview of the key recommendation.

**Sub-Committee on Monetary and Credit Policies:** The Sub-Committee is mandated to deal with all matters relating to formulation and implementation of Monetary & Credit Policies. It met three times during FY 2003 and disposed off the agenda items as given below:

- a. Credit Plan for the year 2002-03.
- b. Monetary Policy Statement (Through Circulation)
- c. Revised Credit Plan

**Sub-Committee on Automation:** The Sub-Committee is empowered to deal with all matters relating to Implementation of Information System Strategy Plan, Procurement of I.T. related

items outside the ISSP and may also undertake any other assignment if referred by the Governor. The Sub-committee met once on 2<sup>nd</sup> December 2002 to consider the following:

- a. Status/progress of State Bank Automation Project
- b. Establishment of Computer Control Rooms at the SBP (BSC) Branches.

**Sub-Committee on Budget & Expenditure:** Apart from the budget and expenditure of the bank, TOR of the Sub-Committee covers examining proposals for write off and re-scheduling, concessions and waivers in respect of SBP's loans/Investments outstanding against Banks/DFIs etc. In addition, the committee evaluates and gives recommendations on any other matter referred by the Governor. The Sub-committee met once on 17<sup>th</sup> March 2003 to approve State Bank's Budget for the FY 2003.

**Sub-Committee on Audit:** The Audit Committee is responsible for the review of audit department's organization and structure; to devise a rating system for various Departments based on internal audit reports and to oversee development of a system of internal audit on modern lines.

**Sub-Committee on HR:** The Sub-Committee deals with matters pertaining to the Human Resource Policies viz Recruitment, Promotion, Compensation, Performance Evaluation and Retirement; oversees the Human Resource Audit and acts as the Interview Committee for promotion of OG-6 Officers to the next grade as well as dealing with all matters relating to training policies, their implementation and monetary sanctions etc.

## **SBP - BANKING SERVICES CORPORATION**

In terms of SBP Banking Services Corporation Ordinance, 2001, SBP Banking Services Corporation has been set up as a subsidiary of the State Bank to carry on functions specified in the Ordinance.

The general superintendence, direction and management of the affairs and business of the subsidiary and overall policy making in respect of its operations is vested in its Board of Directors which comprises of:

- All members of the Central Board of the State Bank and
- Managing Director of SBP BSC (Bank)

The Board of SBP Banking Services Corporation met four times during FY 2003 to take up agenda items listed below:

1. Special Early Retirement Package for Employees of Engineering department and all Clerical/Non-Clerical Staff
2. Quarterly Review of Revenue and Capital Expenditure against budget allocation of BSC for the quarter ended September 30, 2002.
3. Currency and Cash Management aspects of BSC's operations
4. Outsourcing of maintenance services for SBP building at Karachi
5. Increase in Salaries
6. Leave Policy
7. Payment of Pensionary Benefits to Employees retired under VGHS-1997.
8. Promotion of Clerical/Non-clerical Staff as OG-1.
9. Scheme for Study Leave in Pakistan.