

# 10 State Bank's Administration

## 10.1 Constitution of the Central Board of Directors

The Central Board of Directors consisted of the following as on 30<sup>th</sup> June 2001:

1.	Dr. Ishrat Husain	Governor & Chairman
2.	Ch. Mueen Afzal	Member
3.	Dr. Salman Shah	Member
4.	Mr. M. Hussain Dawood	Member
5.	Mr. R.A. Akhund	Member
6.	Mr. Azam Faruque	Member
7.	Mr. Fazal-ur-Rehman Dittu	Member
8.	Mr. Qaiser Zulfaqar Khan	Member
9.	Mr. Zia Khaleeli <sup>1</sup>	Member

## 10.2 Meetings of the Central Board

The Central Board held six meetings during the year. Besides administrative & policy decisions, review of monetary and credit developments, the Board approved the Credit Plan and quarterly reports on the state of the economy for FY01.

## 10.3 Banking Legislation

The changes made in banking laws during FY01, are appended below:

Banking Law	Ordinance	Amendment	Subject
1) Banking Companies Ordinance, 1962	Banking Companies (Amendment) Ordinance, 2000. Ordinance No. XLVIII of 2000	i) Section 3A	Provisions of Section 13 of the Ordinance have been made applicable to financial institutions mentioned in Section 3A which enables State Bank of Pakistan to determine capital adequacy of NBFIs as well.
		ii) Section 13	<b>Requirement as to minimum capital:</b> The amendment has been made due to change in mechanism of determining minimum capital requirement (MCR). Contrary to the past practice when MCR was used to be determined as a percentage of total demand and time liabilities, the same is now determined on the basis of Risk Weighted Assets.
2) State Bank of Pakistan Act, 1956	State Bank of Pakistan (Amendment) Ordinance, 2000. Ordinance No. LXIV of 2000	In Section 17, New Clause (19-A) inserted	The new clause empowers SBP to establish funds for the purposes of SBP Act, 1956 or for any specified purposes as the federal government may notify in this behalf; and the purposes of any such fund, its management and any contributions to be made and the rules of the operations of each such fund shall be such as the Central Board may, from time to time, determine.
3) State Bank of Pakistan Act, 1956	State Bank of Pakistan (Amendment) Ordinance, 2001. Ordinance No. IX of 2001	i) In Section 8, New Section 8A inserted.	The new section empowers SBP to establish and maintain a Subsidiary or a Trust.
		ii) Section 49 substituted	Subsidiary or Trust established by SBP shall not be liable to pay wealth tax, income tax or super tax on their income or wealth.

<sup>1</sup> With effect from January 05, 2001.

#### **10.4 Improvement in Service Conditions**

During the period under review, salary scales of the Bank employees were enhanced by 12.5 percent with effect from 01-09-2000. Further, certain improvements were made in the fringe benefits of staff. Upper limit of existing salary scales was increased by 10 percent w.e.f. 01-01-2001.

#### **10.5 SBP Automation Project**

State Bank of Pakistan entered into an agreement with M/s Hyundai Information Technology for supply, implementation and support of information system, network and services at SBP. The project is expected to continue till March 2004. Services of Mr. Zafar Iqbal Siddiqi were acquired, as a Project Manager/IT Advisor to manage and implement the project. As per contract, most of the equipments, namely hardware (servers, standard workstations, laptops, printers, plotter etc.), communication equipment (switches, routers and modems), standard software (office automation, case tools, Oracle 8 enterprise edition, Oracle ERP etc.), cabling, power equipment and security devices have been imported. Almost all the items have been delivered and installed at various users' sites and Information Systems Department. Moreover, to develop core IT team for smooth running and supervision of the project, contractual appointments at managerial level as well as in other specialist categories have been made. As a part of contractual obligation, SBP has made significant progress towards implementation of its systems strategy plan. Key steps so far taken towards implementation of the project plan are as under:

- ?? Initial set-up studies were conducted relating to banking and non-banking applications, Enterprise Resource Planning (covering the areas of human resources, general ledger, accounts payable, accounts receivable, inventory, fixed assets as well as data warehouse applications embodying activities of Statistics and Research Departments) for which users' groups were formed in April, 2001 with a view to get involved and remain associated with the project throughout its implementation phase.
- ?? Functional specifications for Globus including 23 Treasury Modules have been signed off for which user acceptance test is expected to be materialized in September 2001. In Oracle EPR, 40 percent tasks such as, operation analysis, Oracle chart of accounts, and solution design etc. have been completed. In data warehouse (data bank), which includes preparation of duplicate document checklist, verification of items for interface and file layout, all input/output verification of items for interface and file layout, all input/output and processes have been examined as part of detailed study.
- ?? Networking: laying of backbone fiber cabling at 6<sup>th</sup> floor has been accomplished. Radio modems, boxes, connectors etc. have been provided. For data communication, roof towers have been erected at four points, i.e., central directorate (main building), SBP sub-office building, Shahra-e-Kamal Ataturk, canteen building and North Nazimabad office. At present, e-mail connectivity has been provided to 440 users. Local area network has been extended to SBP offices at Boulton market, canteen building, training labs at sub-office building, Shahra-e-Kamal Ataturk and NIBAF, Islamabad, respectively. The networking of central directorate and its other offices such as canteen building, sub-office, Shahra-e-Kamal Ataturk, Boulton market building and North Nazimabad together with delivery of remaining network equipment is expected to be finished by end-December 2001.
- ?? Training is an important part of the on-going project plan. For conducting local training, three training labs at 3<sup>rd</sup> floor, SBP sub-office building, Shahra-e-Kamal Ataturk, Karachi have been set up. In Oracle, trainings regarding general ledger, fixed assets, accounts

payable, purchasing, inventory, systems administration, SQL etc. are being imparted to various level of users. Standard and functional training in Globus are also being imparted. Office automation training has been started with effect from 28<sup>th</sup> March 2001. This training program is split into four parts i.e., unskilled, basic, intermediate and advanced level. Approximately 500 employees have so far attended the training program.

- ?? The trainings in e-mail/internet and outlook were imparted to Chief Managers, E.Ds, Directors, and Sr. Joint Directors.

## 10.6 Training

During FY01, training activities at SBP were revamped and a number of actions were taken to revive training as a capacity building project of the Bank. Following the training needs assessment undertaken for different Departments of the Bank, the Training Committee constituted by the Governor deliberated upon the issues in this area. The draft for consultation for Training Policies and Programs was prepared and Board's approval was sought. The Central Board in its meeting of July 2001, held at Peshawar, approved the training program of 210 weeks and budget of Rs 80 million for FY01 and FY02. The approval of the Board inter alia constitutes the intensive training program for inductees as well as officers working at middle management and policy level.

Based on this approval, following steps have been taken during FY01:

- ?? An institutional system of training has been put in place. The sub committee of Central Board on human resource approved the Training Policies and Programs (TPP) in its meeting of January 2001, held at Islamabad. The TPP envisaged all the details regarding the SBP training policies and procedures, infrastructure, system of identification of team of trainers and their terms of engagement, and institutional arrangements with Pakistan Institute of Development Economics (PIDE) and Institute of Bankers, Pakistan (IBP).
- ?? A restructuring and functional reorganization of NIBAF was undertaken. The ultimate goal is to transform it into a first rate training institute.
- ?? In September 2000, Training Department (TD) at central directorate was revived with the prime responsibilities as under:
  - ?? The Department will formulate and implement the Bank's training policies and undertake costing, budgeting and approval.
  - ?? Implementation of training at the central directorate and, if needed, its design and delivery.
  - ?? Provide administrative support to NIBAF at the central directorate in major areas needed by the Institute.
  - ?? Ensure installation, operation and management of database at NIBAF.
  - ?? Interface with NIBAF concerning all matters related to SBP team of trainers.

### 10.6.1 Training Activities

#### ***SBOT 5<sup>th</sup> Batch***

The training program for 41 inductees of SBOT 5<sup>th</sup> batch was held at NIBAF. The phase I of 24 weeks started on 16<sup>th</sup> August 2000 and concluded on March 2, 2001. The program was based on applied training comprising modules delivered in the areas of accounting, communication skills, macro finance, external sector, financial markets, foreign exchange management, and commercial

banking supervision. These modules were delivered by a team of trainers engaged through PIDE, IBP and core Departments of SBP.

### ***3rd International Commercial Banking Course***

Six-week international commercial banking course was held at NIBAF from January 15, 2001 to February 28, 2001 wherein 32 participants from 18 countries participated. The course was held in collaboration with the Ministry of Foreign Affairs under the Technical Assistance Training Program of the GOP.

### ***Training of Trainers***

The Training of Trainers was held at NIBAF and TD Karachi for SBP team of trainers, training managers and training associates of NIBAF and TD.

### ***Joint Directors Training Program***

Seven-week training program for Joint Directors was held at NIBAF during April-June 2001. Group of newly recruited Joint Directors and OG-4 & OG-5 officers of the SBP attended the program.

### ***CD Based Officers Training Program***

The TPP paper envisaged 80 weeks of training for CD based officers. During FY01, following modules have been delivered at IBP Karachi for the said officers.

- ?? During March – April 2001, a course on fundamentals of banking supervision was conducted. The program was of two-week duration and attended by officers of core departments of SBP.
- ?? A two-week module on applied accounting was held during May 28 to June 9, 2001 at Karachi. Participants included 30 officers from central directorate.
- ?? The module on commercial banking was also held at Karachi from June 18, 2001 to July 6, 2001. The program was delivered in the core areas of commercial banking operations for group of 30 officers from core departments of SBP.
- ?? Under communication skills and report writing training program, 12 workshops were held at Karachi. 400 participants in a group of 30 each attended the workshops. Booster workshops were also arranged for the purpose to make a follow up of the program.

In addition to revamping of training at SBP, the phase-wise change management program was also followed throughout FY01. Under phase I, a banner event of 3 days Change Management Conference (CMC) was held from 3-5 November, 2000 at IBP Karachi which was attended by senior management of SBP, Directors, Additional Directors who came up with their presentations on SBP mission and vision statements. The CMC was followed by 17 dissemination workshops arranged for different departments of SBP to develop their departmental mission statements and identify quick win projects. These quick win projects were subsequently presented in the two days workshop, held in June 4-5, 2001 at IBP Karachi.

## **10.7 Inspection of Banks and NBFIs**

On-site inspections of 35 scheduled banks were conducted in FY01 compared with 34 in FY00. Of these, 23 were Pakistani banks (12 private banks, 2 provincial banks, 4 nationalized commercial banks, 2 denationalized commercial banks and 3 specialized banks) while the remaining 12 were foreign banks. Besides these, 35 NBFIs (10 development financial institutions, 16 investment banks,

4 housing finance companies, 3 discount houses and 2 venture capital companies) were also inspected.

### **10.8 Foreign Exchange Adjudication Department**

2,644 cases were pending at the beginning of the year while 526 were received during FY01. Out of these, 1,260 complaints were disposed of compared to 1,575 during FY00. Most of these complaints were regarding the non-repatriation of export proceeds. An aggregate penalty of Rs 233.6 million was imposed and a sum of Rs 0.8 million has been recovered during the year. Furthermore, foreign exchange equivalent to US\$ 20.4 million was repatriated to Pakistan in FY01 by the exporters as against US\$ 20.6 million in FY00.

### **10.9 Internal Audit and Inspection**

Inspection of 12 regional offices and 13 Departments of central directorate has been completed by the Audit Department during FY01. During the course of inspections, special emphasis was given to the performance of internal audit sections attached to regional offices and various departments of central directorate. During the year, Special Audit Cells continued 100 percent audit of closed export refinance cases at Karachi/Lahore offices and an amount of Rs 7.0 million has been recovered by way of penalty on account of irregularities. In addition, an amount of Rs 15.7 million has also been recovered at Karachi, Hyderabad, Sialkot, Multan and Gujranwala offices, during the course of scheduled inspection.

### **10.10 Building Projects of the Bank**

The new office building of State Bank at Muzaffarabad was inaugurated on 25<sup>th</sup> October 2000. Interior designing/renovation and furnishing of 6<sup>th</sup> floor of SBP main building, which was taken up to improve the physical environment and also to convert it into a model floor, has almost been completed. Other projects taken in hand or completed included: installation of 70 feet high metallic chimney for incinerator at Multan office and water proofing treatment of Bank hall at Islamabad office.