

12 State Bank's Administration

12.1 Constitution of the Central Board of Directors

The Central Board of Directors consisted of the following as on June 30, 2002:

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	Member

12.2 Meetings of the Central Board

The Central Board held 8 meetings during the year. Besides administrative & policy decisions, and review of monetary and credit developments, the Board approved the credit plan and quarterly reports on the state of the economy for FY02.

12.3 Banking Legislation

No changes in the existing banking laws were made during FY02. However, a new Ordinance for the establishment of the State Bank of Pakistan Banking Services Corporation, as a subsidiary of the State Bank (SBP), was promulgated on December 29, 2001.

12.4 State Bank of Pakistan Automation Project

Under the ongoing Technology Up-gradation Project, the following actions have been taken:

12.4.1 Software

For implementation of Globus, the User Acceptance Testing (UAT) for foreign exchange, government securities, and deposit banking (covering 90 percent treasury products) was conducted in South Africa. For this purpose, a team of important users was flown to South Africa in November 2001. The second phase of the UAT was conducted in Karachi during January 14-31, 2002, covering UAT for the remaining 10 percent treasury products, as well as the re-testing of the incidences reported in South Africa. Temenos team was also available to fix the incidences being reported.

12.4.2 Training

A total of 207 SBP users were trained on Globus; 142 from the Karachi Office, 35 from Accounts Department, 18 from External Debt and Management Department, 7 from Audit Department, 4 from Exchange Policy Department, and 1 from Research Department. Furthermore, the following training programs have been completed:

- MS-Office Training for over 750 officers.
- Specialized Technical Training to 32 officers of Information System Department (ISD) in areas of Globus, Data Warehouse, System Administration (Unix), and Networking from UAE, Singapore, and Malaysia.

- Executive Training to 55 Executives on MS Outlook & Internet usage.

12.4.3 Mock Banking

In February 2002, the mock banking exercise was conducted to familiarize SBP users and management with Globus banking system in real time banking environment. This exercise enabled application users to understand issues involved in the real time banking. A major issue noted was the lack of reports specific to some users' requirements. Further, it was felt that a parallel run before going live is imperative for the successful implementation.

12.4.4 Networking

All offices of the State Bank in Karachi are accessing the Internet, email and business applications across the network. At present, 840 email accounts are in use by the employees of the SBP. In addition, the Press Building office is connected to the Central Directorate via Radio at 256Kbps, whereas the North Nazimabad and the Boulton Market offices are linked to the Central Directorate at 128Kbps.

The strategy for the WAN beyond Karachi is to use Digital Cross Connect from PTCL as a primary medium along with VSAT links for a hot backup. The balance will be loaded across the DXX and VSAT links for optimal use of the bandwidth, quick application response times and resiliency in the network.

12.4.5 Procurement of Hardware:

- 803 PCs have been installed in different offices/departments.
- 6 large N-Class Server machines received; 3 are in operation; remaining 3 are being energized.
- 30 laptops were distributed to different departments.
- 4 large high-end Laser Printers have been installed in different offices.
- 48 Network Printers have been delivered and installed in different offices/departments.
- 83 dot matrix printers are operational in different offices/departments.
- 14 desktop printers have been installed.
- 1 Plotter and 1 Scanner have been installed in ISD.

12.5 Training

During FY02, the policy as outlined in the Training Policies and Programs Paper was followed throughout the year to further strengthen and institutionalize training arrangements within SBP. With the objective of providing applied training to SBP officers, resources were deployed to impart managerial training through different programs such as Grid Managerial Workshops, Leadership Works, and Creative Problem Solving Workshops. In addition, concerted efforts were put forth to assist the departmental teams in developing their Business Plans with respect to their Key Result Areas and Key Performance Indicators, developmental goals and objectives for the year 2002-03. These Business Planning Workshops held throughout the year and departmental heads have presented their Business Plan, which will be integrated with the overall business plan of the SBP.

12.5.1 Training Activities

SBOT 6th Batch

The training program for 45 inductees of SBOT 6th batch was held at NIBAF. Phase 1 of 24-week was started in mid-September, 2001 and concluded in March 2002. The program was focused on applied and modular training in core areas of central banking such as macro finance, external sector, financial market, monetary management, foreign exchange management, and banking supervision. In addition, inductees were also imparted training in accounting and communication skills. In Phase II (May – September,

2002), the practical hands-on training was carried out in different departments of SBP, commercial banks and financial institutions. The objective of these hands-on training was to give them practical exposure so that they can undertake new assignments efficiently, once posted to the departments of SBP.

Research Officers Training Program

Training program for newly appointed Research Officers in SBP was designed and conducted at NIBAF Islamabad. The program was of 18-week duration, and broadly focused on providing conceptual background of modern quantitative techniques, monetary policy issues, macro-finance concepts, Islamic banking etc.

SBP Foundation Courses

SBP Foundation Training Program remains a regular feature of training activities at NIBAF, Islamabad and NIBAF, Karachi Campuses. The program aims to provide modular training for officers (OG-2 to OG-5) working in SBP. During FY02, a total of 65 weeks of training was imparted through various modules developed for the Foundation courses, in which 1,007 officers participated.

International Courses

The 33rd International Central Banking Course was conducted at NIBAF Islamabad (March 11- April 20 2002) for twenty participants from Bangladesh, Libya, Iraq, Nepal, Thailand, Sudan, Sri Lanka and Pakistan.

Foreign Training

During FY02, 83 officers working at senior & middle management level were imparted foreign training through participation in different courses of IMF, World Bank, Bank of England, Federal Reserve Bank of New York, SEACEN Research and Training Centre & Bank Negara Malaysia. The principal areas where foreign training imparted included: Treasury & Risk Management Operation; Consolidated Banking Supervision; Financial Markets, Operations, Role & Perspective; Asset Price Modeling; Macro Economic Management, Financial Sector issues and money laundering.

Change Management Program

As a follow-up to the Change Management Conference (CMC) in FY00, another conference was held in November 2001. In addition, 17 workshops and various dissemination seminars were organized, in which more than 600 officers from the Bank participated.

12.6 Inspection of Banks and NBFIs

During FY02, on-site inspection of 30 scheduled banks was conducted as against 35 in FY01. Out of these, 19 were Pakistani Banks (11 Private Banks, 2 Provincial Banks, 4 Nationalized Commercial Banks, 1 Denationalized Commercial Bank and 1 Specialized Bank) and the remaining 11 were Foreign Banks. Besides this, inspection of 26 NBFIs (5 DFIs, 12 Investment Banks, 4 Housing Finance companies, 4 Discount Houses and 1 Venture Capital Company) was also conducted during the year.

12.7 Foreign Exchange Adjudication Department

Pursuant to the amendments made through Finance Act, 1987 in Section 23 of Foreign Exchange Regulation Act, 1947, SBP has been given powers to impose penalty for the contravention of provisions of the said Act or any rule, direction or order made thereunder for non-repatriation of export proceeds, non-compliance of instructions/directions etc. of the SBP. This power is exercised by the Foreign Exchange Adjudication Courts established at Karachi, Lahore, Faisalabad and Sialkot.

1,910 cases were outstanding as on July 1, 2001. During FY02, a total of 578 cases were filed by the Exchange Policy Department. However, 669 cases were disposed-of by the Foreign Exchange Adjudication Courts till June 30, 2002. During the year, penalties aggregating Rs 122.8 million were imposed, out of which a sum of Rs 1.6 million has been recovered. Further, as a result of Court proceedings, foreign exchange equivalent of US\$ 9.8 million has been repatriated to Pakistan by exporters.

12.8 Internal Audit and Inspection

The Audit Department revamping study was carried out by the Consultants. This study has totally changed the approach from conventional compliance based to Risk-based audit. The audit during the period has attempted to gradually implement the risk-based audit approach on the following departments:

1. Internal Bank Security Department
2. Legal Services Department
3. Foreign Exchange Adjudication Department
4. Information System Department
5. Statistics Department
6. Training Department

The following departments are presently being audited and reports will be submitted shortly:

1. Human Resources Department
2. Exchange Policy Department
3. Purchases from Kerb Market
4. Project Management Office

The Audit Department will also ensure that recommendations/observations raised in Audit Report has been complied by the Department concerned.

12.9 Building Projects of the Bank

During FY02, several projects were completed by the Engineering Department. These included:

- The renovation/furnishing of remaining portion of 6th floor occupied by the Statistics Department, which was completed by end-February 2002.
- The renovation work to house Training Department of the Bank at 2nd floor of North Nazimabad Office Building, which was completed by the September 30, 2001.
- The work for housing IT Lab on 1st floor of North Nazimabad Office Building, awarded to M/s. Bestow Interiors, was completed on 15-10-2001.

The Building Sub-Committee in its meeting held on March 8, 2002 approved the pre-qualification of Contractors for renovation/furnishing of remaining floors of Main Building. The renovation and furnishing of 5th floor will be taken up first, and Banking Supervision Department & Banking Policy Department presently housed at 7th floor would be shifted to 5th floor after completion of work on the latter, by October 31, 2002. The expected date for completion of 7th floor is by end-February 2003, while the expected date for completion of renovation work on all the floors of Main Building is December 31, 2003.