

# Contents

---

<b>Governor's Message</b>	<b>1</b>
<b>Governance Structure of State Bank of Pakistan</b>	<b>5</b>

## **Strategic Objectives of SBP**

<b>1. Maintaining Price Stability with Growth</b>	<b>15</b>
1.1 Overview	15
1.2 Monetary Policy Statement	15
1.3 Conduct of Monetary Policy and Credit Policy	16
1.3.1 Open Market Operations (OMOs)	16
1.3.2 Discount Window Operations	17
1.3.3 Statutory Liquidity Requirement (SLR) and Cash Reserve Requirement (CLR)	17
1.4 Interest Rate Trends / Yield Curve	18
1.5 Segregation of Debt and Monetary Management	19
1.6 Government Bonds Market	19
1.7 Strengthening the Process of Monetary Policy Formulation and Implementation	20
1.8 Macro Modeling and Forecasting	21
1.9 Strengthening of Research Functions	22
1.9.1 SBP Working Paper series	22
1.9.2 SBP Research Bulletin	22
1.9.3 SBP International Conferences and Seminars	22
1.9.4 Disseminating SBP Analysis in National Language	23
1.9.5 SBP Annual/Quarterly Reports	23
1.9.6 Inflation Monitor	23
1.9.7 Inflation Snapshot	23
1.9.8 Publications from Statistics and Data Warehouse Department	23
1.10 Library Services	24
<b>2. Broadening Access to Financial Sector</b>	<b>27</b>
2.1 Overview	27
2.2 SME	27
2.2.1 SME Credit Profile	27
2.2.2 SBP Initiatives for Growth of SME Finance	28
2.2.3 Financing under Export Finance Scheme	29
2.3 Microfinance	31
2.3.1 Progress on Microfinance Programs	33
2.4 Housing and Infrastructure Finance	35
2.4.1 Housing Finance Market in Pakistan	35
2.4.2 Infrastructure Finance Market	36
2.4.3 SBP Initiatives to Promote Housing and Infrastructure Financing	37
2.5 Agricultural Credit Targets for FY09	38
2.5.1 SBP's Initiatives for Promotions of Agricultural Credit	39

<b>3.</b>	<b>Ensuring Soundness of Financial Sector</b>	<b>43</b>
3.1	Overview	43
3.2	Ensuring Stability of Banking System	44
3.2.1	Changes in CRR/SLR and Changes in CRR/SLR on F.E. 25	44
3.2.2	Consolidated Supervision: Needs and SBP Efforts	44
3.2.3	Strengthening of Capital Adequacy Regime	45
3.2.4	Developments in Implementation of Basel-II	46
3.2.5	Stress Testing	47
3.2.6	Risk Management	47
3.3	Strengthening Legal Framework	48
3.3.1	Anti-money laundering Evaluation	48
3.3.2	Enhanced Focus on Corporate Governance	48
3.3.3	Restructuring / Privatization of Banks / DFIs	49
3.3.4	Mergers and Acquisitions in the Banking Sector	49
3.3.5	Strengthening Overseas Operations of Pakistani Banks	50
3.3.6	Enhancing the Outreach of Bank Services	50
3.3.7	New Bank Licenses	51
3.3.8	Fair Debt Collection Guidelines	51
3.4	Status of Islamic Banking in Pakistan	51
3.4.1	Initiatives Taken by SBP to Promote Islamic Banking	52
3.5	Vigilant Supervisory System	54
3.5.1	Online Submission of Returns	54
3.5.2	Automated Quarterly NPLs Reports	54
3.5.3	Liquidity Management Post September 2008	54
3.5.4	Framework for Problem Bank Management and Contingency Plan	55
3.5.5	Problem Banks Resolution	55
3.6	Proactive Inspection	55
3.6.1	Restructuring the Department	56
3.6.2	Inspection of Information System	56
3.6.3	Basel-II Implementation	56
3.6.4	Development of Inspection Manual and IT Tools for Evaluation of Consumer Finance Portfolio	56
3.7	Consumer Protection	56
<b>4.</b>	<b>Exchange Rate and Reserve Management</b>	<b>57</b>
4.1	Overview	57
4.2	Interbank Market	57
4.3	Regional Perspective	59
4.4	Support for POL Payments	59
4.5	Foreign Exchange Reserve Management	59
4.6	Home Remittances	60
4.7	Exchange Companies	61

<b>5.</b>	<b>Strengthening Payment Systems</b>	<b>63</b>
5.1	Overview	63
5.2	Real Time Gross Settlement (RTGS)	63
	5.2.1 PRISM Payment Statistics	64
5.3	Branchless / Electronic Banking	64
5.4	The Retail Payments through Branchless Banking / Electronic Banking	65
	5.4.1 Branchless / E-Banking Composition	65
5.5	Branchless / E-Banking Infrastructure in Pakistan	65
	5.5.1 Online Branch Network and Automated Teller Machines (ATMs)	65
	5.5.2 Number of Cards (Credit/Debit/ATM)	66
5.6	E-Banking (Cash Based - Online Banking & ATM)	66
	5.6.1 Real Time Online Banking (RTOB) Transactions	66
	5.6.2 Transactions through ATM	67
5.7	Branchless Banking / E- Banking (Virtual /Plastic Money)	67
	5.7.1 POS (Point of Sale) Transactions	67
	5.7.2 Call Centre Banking	67
	5.7.3 Internet Banking	68
	5.7.4 Mobile Banking	68
	5.7.5 Internet Merchant Banking	68
5.8	Cross Border Transactions through E-Banking	68
5.9	Non-financial E-Banking Transactions	69
5.10	The Retail Payments through Paper Based Instruments	69
5.11	Transition to E-Banking	70

## **Management Strategy of SBP**

<b>6.</b>	<b>Human Resource Developments</b>	<b>73</b>
6.1	Overview	73
6.2	HR Profile	73
	6.2.1 Reorganization of Departments & Functions	74
	6.2.2 Change in Leadership	74
	6.2.3 HR Policies	74
	6.2.4 HRD Activities in FY09	76
6.3	Training & Development	77
	6.3.1 In-house and Domestic Training	78
	6.3.2 Foreign Training	78
	6.3.3 Internship Programs	78
	6.3.4 International Internship Program	78
	6.3.5 Visit Programs	78
6.4	Business Support Services Department Achievements	79
<b>7.</b>	<b>Information Technology Developments</b>	<b>81</b>
7.1	Overview	81
7.2	Globus Banking and Currency Solutions	81
7.3	Oracle ERP	81
7.4	Data Warehouse	82
7.5	Web	82

7.6	Infrastructure	82
7.7	Disaster Recovery Setup	83
7.8	IT Security	83
7.9	Trainings	83

## **SBP Subsidiaries**

<b>8.</b>	<b>SBP Banking Services Corporation (SBP BSC)</b>	<b>87</b>
8.1	Overview	87
8.2	Currency Management	87
8.3	Banking Services to the Government	89
8.4	Payment System	90
8.5	Foreign Exchange Operations and Adjudication	90
8.6	Development Finance Support Services	91
8.7	Internal Audit and Controls	93
8.8	Human Resource Management	93
8.9	Organizational Development/Change Management Project	95
8.10	Training & Development	96
<b>9.</b>	<b>National Institute of Banking &amp; Finance (NIBAF)</b>	<b>97</b>
9.1	Overview	97
9.2	Composition of Trainings and Development	98
9.3	Training Delivery and Participation	98
	9.3.1 State Bank of Pakistan	98
	9.3.2 SBP BSC (Bank)	100
	9.3.3 International Training	101
9.4	Priority Sectors-Certification	102
	9.4.1 Rural Finance Resource Centre (RFRC)	102
	9.4.2 Mortgage Training Program on Housing Finance	103
	9.4.3 Islamic Banking Certificate Course	103
	9.4.4 Other activities in Islamic Banking	103
9.5	Other Training Programs/Services	103
9.6	Public Sector Capacity Development Program	104
9.7	NIBAF Linkages with other Institutions	104
9.8	Evening Talks/Lectures Series Program	104
9.9	Outsourced Training Programs and Activities at NIBAF	105

## **Finances of SBP and Subsidiaries**

<b>10.</b>	<b>Annual Budget Review 2008-09</b>	<b>109</b>
10.1	Overview	109
10.2	Corporate Expenses	109
10.3	Establishment Expenses	110
10.4	Operating Expenses	110
10.5	Provisions	110
<b>11.</b>	<b>Annual Financial Performance Review 2008-09</b>	<b>111</b>
11.1	Overview	111
	11.1.1 Summary of Profit and Loss Account	111

11.2	Income		111
	11.2.1	Net Discount/Interest/Markup and/or Return Income	111
	11.2.2	Discount, Interest/Markup and/or Return Earned	112
	11.2.3	Interest/Markup Expense	112
	11.2.4	Commission Income	113
	11.2.5	Exchange Gain/(Loss) – Net	113
	11.2.6	Dividend Income	113
	11.2.7	Other Operating Income – net	113
	11.2.8	Other Income – net	114
11.3	Expenditure		114
	11.3.1	Bank Notes Printing Charges	114
	11.3.2	Agency Commission	114
	11.3.3	General Administrative and Other expenses	114
	11.3.4	Provisions	114
11.4	Distribution of Profit		115
<b>12.</b>	<b>Consolidated Financial Statement of SBP and its subsidiaries</b>		<b>117</b>
<b>13.</b>	<b>Financial Statement of SBP</b>		<b>159</b>
<b>14.</b>	<b>Financial Statement of SBP-BSC (Bank)</b>		<b>197</b>
<b>15.</b>	<b>Financial Statement of NIBAF</b>		<b>217</b>
<b>Annexure:</b>			
<b>A</b>	<b>Chronology of Policy Announcements</b>		<b>3</b>
	A-1	Banking Policy & Regulation Group	<b>3</b>
	A-2	Development Finance Group	<b>11</b>
	A-3	Financial Market/Reserve Management Group	<b>20</b>
	A-4	Payment System	<b>25</b>
<b>B-1</b>	<b>Central Board – Decisions and Deliberations during 2008-09</b>		<b>27</b>
<b>B-2</b>	<b>Business Continuation Management</b>		<b>30</b>
<b>B-3</b>	<b>Risk Based Audit Approach</b>		<b>32</b>
<b>B-4</b>	<b>General ‘Counsel’s’ Office</b>		<b>33</b>
<b>C</b>	<b>Organizational Chart</b>		<b>35</b>
<b>D</b>	<b>Management Directory</b>		<b>37</b>
<b>E</b>	<b>External Relation Department’s Achievements</b>		<b>41</b>