

# Governance Structure of the State Bank of Pakistan

The State Bank of Pakistan (SBP) is incorporated under *the State Bank of Pakistan Act, 1956*, which gives the Bank the authority to function as central bank of the country. The Bank is owned by the government to the extent of 99.9 percent of its shares. According to the Act, general superintendence, direction of the affairs, and business of the Bank rest with the Central Board of Directors chaired by the Governor SBP. All directors of the Central Board are non-executive members, except the Governor. The Governor also acts as chief executive officer of the Bank, and manages affairs of the Bank on behalf of the Central Board.

## Central Board of the State Bank of Pakistan

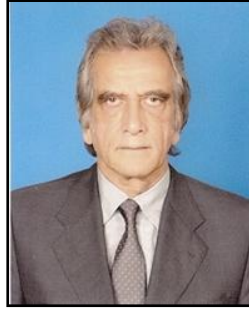
*The State Bank of Pakistan Act, 1956*, provides for an independent Central Board of Directors, comprising the Governor SBP, Secretary Finance, and seven non-executive directors nominated by the federal government. The directors, at least one from each province, bring a wide range of experience from agriculture, banking, and industrial sectors to the deliberations of the Board.

The directors of the Central Board hold office for a term of three years and are eligible for re-nomination on completion of the term. The Central Board of the Bank submits a quarterly report on the state of economy to the Parliament. The report mainly covers economic growth, money supply, credit, balance of payments, and price developments. The Bank releases annual audited accounts, and a report on performance of the Bank during the year to the federal government and public at large.

During FY10, the Central Board had two new members namely; Mr. Asad Umar and Mr. Waqar A. Malik who succeeded Mr. Abdul Razak Dawood and Mr. Iftikhar A. Allawala. Later on two positions became vacant as Mr. Mohsin Aziz and Mr. Tariq Sayeed Saigol also completed their tenures, and nominations against the vacant positions are in process.

The Central Board met eleven times during the year and the decisions taken include approval of Financial Statements of SBP and its Subsidiaries, *Annual Report on the State of Pakistan's Economy*, *Monetary Policy Statements*, *Review of Banking System*, *Annual Performance Review*, Annual Budget, IT matters, Corporate Governance, and HR development policies. A dedicated meeting of the Central Board was also conducted to discuss and formulate strategic plan of the Bank for the next five years. A list of decisions taken in the Board meetings is attached at annexure B-1.

### **Central Board of Directors**



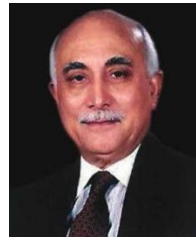
**Syed Salim Raza**, former Governor/Chairman <sup>1</sup>



**Mr. Salman Siddique**<sup>2</sup>



**Mr. Mohsin Aziz**<sup>3</sup>



**Kamran Y. Mirza**



**Zaffar A. Khan**



**Mr. Tariq Sayeed Saigol**<sup>3</sup>



**Mirza Qamar Beg**



**Mr. Asad Umar**<sup>4</sup>



**Mr. Waqar A. Malik**<sup>4</sup>

### **The Governor**

The Governor of the State Bank of Pakistan is appointed by the President of Pakistan for a term of three years and may be re-appointed for another term. On behalf of the Central Board, the Governor directs and controls affairs of the Bank. After the acceptance of resignation of Syed Salim Raza, the then deputy governor Mr. Yaseen Anwar was appointed as acting Governor SBP

---

<sup>1</sup> Mr. Shahid Hafiz Kardar assumed the charge of Governor SBP on September 9, 2010. Prior to him Mr. Yaseen Anwar was appointed Acting Governor/Chairman of the Board for three months on acceptance of resignation of Syed Salim Raza from the office of the Governor on June 3, 2010.

<sup>2</sup> Mr. Salman Siddique served the Board as Secretary Finance Division, Government of Pakistan.

<sup>3</sup> Mr. Mohsin Aziz and Mr. Tariq Sayeed Saigol completed their tenures as Directors on December 15, 2009 and May 7, 2010, respectively, and nominations against the vacant positions are in process.

<sup>4</sup> Mr. Asad Umar and Mr. Waqar A. Malik were appointed on August 21, 2009 and October 17, 2009, respectively, in place of Mr. Abdul Razak Dawood and Mr. Iftikhar A. Allawala on completion of their terms as Directors of the Central Board.

on June 3, 2010 for three months. On September 9, 2010, Mr. Shahid Hafiz Kardar was appointed as Governor SBP for next three years.

### **Corporate Secretary**

The Corporate Secretary organizes meetings of the Central Board, Board of SBP-BSC, and Monetary Policy Committee of the Central Board (MPC). He also provides relevant information and documents to all directors of the Central Board for review before meetings. The Corporate Secretary records important discussions and decisions taken in the Board meetings and reports back to the Board regarding status of implementation of the decisions. He interfaces with the federal government regarding parliamentary queries and also facilitates the Governor in governance related matters of the Bank.

Office of the Corporate Secretary facilitates in matters such as nomination of the prominent economists and senior executives of the Bank on NIBAF Board of Directors. The Office also coordinates in nomination of SBP executives to the board of directors of designated government institutions such as Pakistan Security Printing Corporation, Securities Exchange Commission Pakistan, and Trade Development Authority of Pakistan.

### **Monetary Policy Committee of the Central Board**

An independent Monetary Policy Committee of the Central Board (MPC) was established on September 29, 2009, by the Central Board to include prominent economists from outside the Bank as External Members. The Committee assists the Board in formulation and implementation of monetary and exchange rate policies. MPC primarily reviews the monetary policy statement and other proposals for monetary policy measures and forwards its recommendations for the consideration of the Central Board. Having its first meeting on November 24, 2009, it replaced the Committee of the Central Board on Monetary and Credit Policies.

Meetings of MPC are held every month where monetary policy information compendium containing latest available economic data is discussed. Monetary policy decision is issued on bi-monthly basis along with a brief on monetary policy decision and relevant monetary policy information compendium. Detailed monetary policy statement is issued twice a year. As per the terms of reference of MPC, the minutes of meetings where monetary policy decisions are taken are placed on SBP website.

MPC met five times during the year<sup>5</sup>. Composition of MPC during the year remained as under<sup>6</sup>:

Syed Salim Raza	Governor/Chairman <sup>6</sup> (former)
Mr. Yaseen Anwar	Deputy Governor <sup>6</sup>
Mr. Tariq Sayeed Saigol	Member/Director Central Board <sup>7</sup>
Mirza Qamar Beg	Member/Director Central Board
Dr. Hafiz A. Pasha	Member/External Expert

---

<sup>5</sup> One meeting of the Committee of the Central Board on Monetary and Credit Policies was also held during the year.

<sup>6</sup> Present Chairman MPC, Mr. Shahid Hafiz Kardar assumed the charge of Governor SBP on September 9, 2010. Previously Mr. Yaseen Anwar remained Acting Governor /Chairman MPC for three months after the acceptance of resignation of Syed Salim Raza from the office of the Governor on June 3, 2010.

<sup>7</sup> Position presently vacant as Mr. Tariq Sayeed Saigol completed his tenure on May 7, 2010.

Dr. Ijaz Nabi	Member/External Expert <sup>8</sup>
Mr. Riaz Riazuddin	Member/Chief Economic Adviser, SBP
Mr. Asad Qureshi	Member/ ED (FMRM), SBP
Dr. Hamza A. Malik	Member/Director MPD, SBP

### **Committees of the Central Board**

Committees of the Central Board extend the oversight function of the Board in certain specialized areas. During FY10 number of the committees was rationalized as desired by the Board and committees on IT and Building Projects were dissolved. Presently, committees of the Board on HR, Audit, and Investment are functioning in addition to the ad-hoc Budget Committee to review budgetary process of the Bank. The structure of the committees was also revised during the year and the committees now comprise Directors of the Central Board in addition to external experts, where needed, and have relevant management representatives as its secretaries. Two limited time working groups were also established by the Board to develop strategy in the areas of IT and Building Projects with each group chaired by a Director Central Board with relevant management representatives and one external expert of the respective area as co-opted member. The committees are as under:

#### ***Committee on Audit***

The Committee assists the Central Board in reviewing SBP's financial statements, auditing, accounting and relating reporting processes, the systems of internal controls, governance, business practices, and conduct established by the management and the Central Board. The Committee met eight times during the year, and has these members:

Mr. Kamran Y. Mirza	Chairman
Mr. Waqar A. Malik	Member
Syed Mohammad Shabbar Zaidi	Member (independent accounting expert)

#### ***Committee on Investment***

The Committee assists the Central Board in management of foreign exchange reserves. The mandate of the Committee includes recommending, for Board's approval, the strategy and policy for investment and foreign exchange regarding management of foreign exchange reserves and approving operational guidelines for the investment of the reserves. The Committee also reviews performance of the reserves managed in-house and externally, and also approves appointment of asset managers, custodians, investment consultants, and broad risk tolerance within which the Bank should operate in the area of investments. Similarly, the Committee reviews appropriateness of the approved investment policy, its benchmarks, and guidelines, on annual basis. During the year membership of the Committee was extended to include one more director of the Central Board. It now has four non-executive directors. The Committee met two times during the year, and has the following composition:

Secretary Finance	Chairman
Mr. Tariq Sayeed Saigol	Member <sup>9</sup>

---

<sup>8</sup> Dr. Ijaz Nabi succeeded Mr. Shahid Hafiz Kardar who resigned as member MPC on January 5, 2010.

<sup>9</sup> Position presently vacant as Mr. Tariq Sayeed Saigol completed his tenure on May 7, 2010.

Mr. Asad Umar	Member
Mr. Waqar Malik	Member

### **Committee on Human Resources**

The Committee assists the Central Board in human resources area. It reviews all the proposals requiring approval of the Central Board regarding revision, modification or interpretation of human resources policies, and submits its recommendations to the Central Board. During the year membership of the Committee was extended to include one more director of the Central Board. It has now four non-executive directors. The Committee met five times during the year and has the following composition:

Mr. Zaffar A. Khan	Chairman
Secretary Finance	Member
Mr. Kamran Y. Mirza	Member
Mr. Waqar A. Malik	Member

### **Committee on Budget**

The ad-hoc Committee was established on July 25, 2009, to review the budgetary process of the Bank. The Committee met four times during the year, and has the following composition:

Mr. Zaffar A. Khan	Chairman
Mirza Qamar Beg	Member

### **Management Structure**

The Governor is the chief executive officer, and on behalf of the Central Board directs and controls the affairs of the Bank. The Governor has the authority to conduct the business, and manage the affairs of the bank except in matters mandated specifically for the Central Board. The Governor is assisted by Deputy Governors and Executive Directors / Chief Economic Advisers.

### **Corporate Management Team**

The Corporate Management Team (CMT) acts as principal forum for debates and consultations on critical operational issues affecting the quality of work at institutional level. CMT is headed by the Governor and consists of Deputy Governors and other nominated executives.

### **Management Committees on Information Technology and Building Projects**

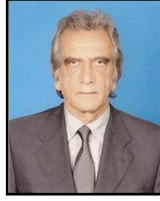
To facilitate cascading of financial power of the Governor, management committees on IT and Building Projects were constituted during FY10 and their composition/TORs were updated to reflect subsequent changes. These committees are mandated to approve capital expenditure of up to 35 million in their respective areas.

### **Other Major Committees**

In addition to CMT, the following management committees assist the Governor in making decisions, and in formulation of various policies:

- Banking Policy Committee
- BCP Committee
- Investment Committee of the Management
- Enterprise Risk Management Task Force

## Corporate Management Team



**Syed Salim Raza**, former Governor/Chairman<sup>10</sup>



**Mr. Yaseen Anwar**  
Deputy Governor - Banking



**Mr. Muhammad Kamran Shehzad**  
Deputy Governor - Operations



**Mr. Riaz Riazuddin**  
Chief Economic Adviser (MP&R)



**Mr. Aftab Mustafa Khan**<sup>11</sup>  
Corporate Secretary/ED-HR



**Mr. Amer Aziz**<sup>12</sup>  
ED (BS&HR)



**Mr. Azhar I. Kureshi**<sup>13</sup>  
Executive Director-Operations



**Mr. Asad Qureshi**  
Executive Director-FMRM



**Mr. Muhammad Ashraf Khan**<sup>14</sup>  
Executive Director-DFG



**Mr. Qasim Nawaz**<sup>14</sup>  
Managing Director SBP-BSC



**Mr. Inayat Hussain**<sup>14</sup>  
Executive Director BPR



**Dr. Mushtaq A. Khan**<sup>15</sup>  
Chief Economic Adviser-PD



**Mr. Muhammad Haroon Rasheed**<sup>13</sup>  
Executive Director FRM



**Syed Wasimuddin**  
Director ERD/Chief Spokesperson



**Mr. Zafar Iqbal**<sup>16</sup>  
Director HRD

<sup>10</sup> Mr. Shahid Hafiz Kardar assumed the charge of Governor SBP on September 9, 2010. Prior to him, Mr. Yaseen Anwar remained Acting Governor /Chairman of the Board for three months after the acceptance of resignation of Syed Salim Raza from the office of the Governor on June 3, 2010.

<sup>11</sup> Mr. Aftab Mustafa Khan, Corporate Secretary was entrusted additional responsibilities as ED-HR on July 2, 2010.

<sup>12</sup> Kazi Abdul Mukhtadir was nominated as member CMT on July 29, 2010 and prior to him Mr. Amer Aziz remained member CMT as ED-BS & HR.

<sup>13</sup> Nominated as member CMT on May 6, 2010.

<sup>14</sup> Nominated as member CMT on September 8, 2009

<sup>15</sup> Nominated as member CMT on October 14, 2009.

<sup>16</sup> Mr. Ahsan Kamal, Director HRD was nominated member CMT on July 29, 2010 in place of Mr. Zafar Iqbal on his transfer as Director Training & Development Department. Mr. Noman Ahmed Qureshi, Executive Director IA&CD was also nominated member CMT on July 29, 2010.

## **SBP Subsidiaries**

*The State Bank of Pakistan Act, 1956*, provides for the establishment of subsidiaries for handling the functions of receipt, supply, and exchange of currency notes and related operational functions and for catering to the training needs of its employees. Presently, two subsidiaries of the Bank exist namely; State Bank of Pakistan-Banking Services Corporation (SBP-BSC), and National Institute of Banking and Finance (NIBAF), both owned by the Bank.

### **SBP-BSC**

Established under, *SBP-BSC Ordinance 2001*, SBP-BSC is a fully owned subsidiary of SBP and is entrusted to perform tasks such as handling of currency and credit management, facilitating inter-bank settlement system, sale/purchase of savings instruments of the government on behalf of CDNS, collecting revenue and making payments for and on behalf of the government. It also carries out operational work relating to development finance, management of debt, foreign exchange operations and export refinance. Board of Directors of SBP-BSC comprises members of the Central Board of SBP and the Managing Director of SBP-BSC.

### **NIBAF**

National Institute of Banking and Finance (NIBAF) is a subsidiary of SBP acting as the training arm of SBP and provides foundation and executive development trainings to new inductees and other SBP employees at various levels. The subsidiary conducts international courses on central and commercial banking in collaboration with federal government. NIBAF also offers training programs to SBP-BSC and other financial institutions. NIBAF's Board of Directors was reconstituted during FY10 on completion of terms of its members and with the appointment of new Managing Director-NIBAF.