

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 the central bank of the country. The Bank aims at regulating the monetary and credit system of Pakistan and to foster its growth in the best national interest with a view to securing monetary stability and fuller utilization of the country's productive resources.

Central Board of Directors

State Bank of Pakistan is governed by an independent Board of Directors, which is responsible for the general superintendence and direction of the affairs of the Bank. The Board is chaired by the Governor SBP and comprises of non-executive directors and Secretary Finance to the Federal Government. The Governor SBP is also the Chief Executive Officer of the Bank and manages the affairs of the Bank on behalf of the Central Board. The Bank's governance structure was amended by the SBP (Amendment) Act 2012, promulgated on March 13, 2012 as a result of which the number of non-executive directors has increased from seven to eight. The amended eligibility requirements of the Board members stipulate that the directors should be eminent professionals from the fields of economics, finance, banking and accountancy, as against the previous requirement of representing the areas of agriculture, banking and industry. However, the requirement of provincial representation on the Board continues to be maintained. The amendments further stipulate that those appointed on the Board shall have no conflict of interest with the business of the Bank.

During FY12, Mirza Qamar Beg completed his first term as Director on the Central Board and was re-appointed for a second term of three years on May 26, 2012, whereas Mr. Asad Umar resigned as Director, Central Board on May 3, 2012. In Q2-FY13, Mr. Waqar A. Malik and Mr. Zaffar A. Khan completed their first and second terms respectively as Directors on October 16, 2012. Subsequent to the acceptance of resignation of Mr. Asad Umar by the Federal Government and completion of tenures of the two Directors, there are currently 7 vacant positions on the Board. The delay in appointing members on the Board has serious implications for governance and Board effectiveness and is a breach of SBP (Amendment) Act, 2012.

Twelve meetings of the Central Board were held during FY12. One of the Board meetings was primarily convened to assess the Board's effectiveness, whereas SBP (Amendment) Act 2012 was also discussed in a few Board meetings in the context of the role and responsibilities of the Board. An overview of the key decisions taken in the Board meetings is attached at **Annexure B-1**.

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 such term. The Governor directs and controls the affairs of the Bank on behalf of the Central Board.

Mr. Yaseen Anwar was appointed as Governor SBP with effect from October 19, 2011 for a period of three years. He is the 17th Governor of SBP since the inception of the Bank in 1948. His appointment followed the resignation of his predecessor, Mr. Shahid H. Kardar, after which Mr. Anwar was appointed as Acting Governor by the Federal Government on July 18, 2011 for an interim period of three months. Previously, he was also appointed as Acting Governor, SBP from June 3, 2010 to September 8, 2010. Mr. Anwar has been associated with the Bank as Deputy Governor since March 2007 and during this period; he supervised and managed all the four clusters of the Central Bank i.e.

Banking, Reserve Management, Monetary Policy, Operations, as well as SBP subsidiaries - Banking Services Corporation (SBP BSC) and the National Institute of Banking & Finance (NIBAF).

Corporate Secretary

The Corporate Secretary organizes meetings of the Central Board and its Committees and ensures compliance with statutory and regulatory requirements for effective implementation of the Board's decisions. The Corporate Secretary is also responsible for ensuring effective Corporate Governance standards in the organization, and ensures that the relevant information is available to the Board members, in order to facilitate the informed decision-making. In addition to his/her responsibilities of recording the proceeding of the meetings of the Board and its Committees, he/she also interfaces with the Federal Government on the matters related to Governor/Deputy Governors and Directors of the Board.

The Corporate Secretary was re-instituted as the Secretary to all the Committees of the Central Board on July 9, 2011 in line with the good corporate governance practices, so as to ensure an enhanced level of coordination between the Board and its Committees.

Central Board of Directors¹

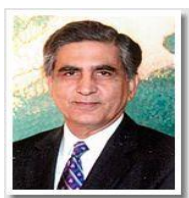


Mr. Yaseen Anwar, Governor/Chairman



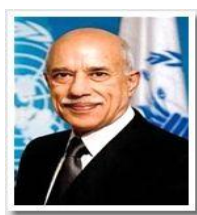
Mr. Abdul Wajid Rana (Member, SBP Board since February 10, 2012)

Mr. Rana is the Federal Secretary Finance, Government of Pakistan.² Prior to this, he held various senior positions such as Federal Secretary Economic Affairs Division, Special Secretary Finance, Economic Minister/Financial Advisor, Embassy of Pakistan, Washington D.C. USA/Canada, and Principal Officer to the Prime Minister of Pakistan.



Mr. Zaffar A. Khan³

Mr. Khan has over 40 years of experience in the corporate sector. He is a former CEO of Engro and the Chairman of PTCL, KSE, and PIA. Currently, he is serving on the Boards of six prominent corporates. In addition, he is teaching at IBA as Adjunct Faculty. Mr. Zaffar Khan is a recipient of Sitara-e-Imtiaz.



Mirza Qamar Beg (Member, SBP Board since May 27, 2009. This is his second term)

Visiting Fellow at Cambridge University, UK and Member of the Board of National School of Public Policy. A public servant of long standing, he has served as Federal Secretary Commerce, Chief Secretary Baluchistan, Ambassador to Italy, and Chairman/CEO of Pakistan Steel. He has also been the President of the World Food Program.



Mr. Waqar A. Malik⁴

A Chartered Accountant by profession, Mr. Waqar A. Malik has over 26 years of experience in the corporate sector. He holds key positions in leading public and private enterprises such as non-executive Director on the Boards of Engro Polymer & Chemicals Limited and IGI Insurance Limited, Director of the Pakistan Business Council and former President of Management Association of Pakistan (MAP) and Overseas Investors Chamber of Commerce & Industry (OICCI).

¹ Board composition is as of June 30, 2012.

² Mr. Abdul Wajid Rana was appointed as Principal Officer, Finance Division, w.e.f. November 5, 2012 and has taken charge of the responsibilities of Secretary, Finance.

³ Completed his tenure as Director, Central Board on October 16, 2012. This was his second term.

⁴ Completed his tenure as Director, Central Board on October 16, 2012. This was his first term.

Committees of the Central Board⁵

Committees of the Central Board extend the oversight function of the Board in certain specialized areas. The details regarding Committees of the Board are summarized as under:

Committee on Audit

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

Mr. Waqar A. Malik*	Chairman
Mirza Qamar Beg	Member

Committee on Investment

The Committee assists, and recommends to the Board, strategy and policy for investment and management of foreign exchange reserves. The Committee also approves operational guidelines for the investment of reserves and appointment of asset managers, custodians, investment consultants and broad risk tolerance within which the Bank should operate under information to the Board. It also reviews the performance of the reserves managed in-house and externally, and the appropriateness of the approved investment policy, its benchmarks, and guidelines on an annual basis or as warranted by the global market conditions. The Committee has the following composition/structure:

Mr. Yaseen Anwar	Governor SBP/Chairman
Mr. Abdul Wajid Rana	Member/Secretary Finance
Mr. Waqar A. Malik*	Member
Director, Central Board ⁶	Member, Position Vacant

Committee on Human Resources

The Committee assists the Central Board in human resources management and has a strategic/policy formulation role in the HR area. It reviews all the proposals requiring approval of the Central Board on formulation, revision, modification or interpretation of HR policies, and submits its recommendations to the Central Board. The Committee also reviews the terms and conditions of employment of senior level Bank officers including those reporting directly to the Governor. The Committee met eight times during the year and has the following composition:

Mr. Zaffar A. Khan	Chairman ⁷
Mirza Qamar Beg	Member
Mr. Waqar A. Malik*	Member
Executive Director – HR	Member

Advisory Committee on Monetary Policy

The erstwhile Monetary Policy Committee (MPC) was reconstituted as the Advisory Committee on Monetary Policy (ACMP) on July 9, 2011. The composition/structure of the ACMP is as under:

⁵ Committee composition is as of June 30, 2012.

⁶ Position vacant after the resignation of Mr. Asad Umar on May 3, 2012.

⁷ After the completion of tenure of Mr. Zaffar A. Khan as Director, Central Board, Mirza Qamar Beg has been appointed as the Chairman, HR Committee.

*The position is now vacant with the completion of Mr. Waqar A. Malik's term on October 16, 2012.

Mr. Yaseen Anwar	Chairman/Governor SBP
Mirza Qamar Beg	Member
Director Central Board ⁸	Member, Position Vacant
External Expert	Member, Position Vacant
External Expert	Member, Position Vacant
Deputy Governor (Banking)	Kazi Abdul Muktadir
Mr. Riaz Riazuddin	Member/Chief Economic Adviser, SBP
Mr. Asad Qureshi	Member/ ED-FMRM, SBP
Dr. Hamza A. Malik	Member/Director MPD, SBP

Management Structure

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 supported by Deputy Governors and Executive Directors/Chief Economic Advisers (Organogram is placed at **Annexure-C**).

Deputy Governors

One or more Deputy Governors (DGs) may be appointed by the Federal Government for a term not exceeding five years, to perform duties as assigned by the Central Board. The Deputy Governors are entitled to attend the meetings of the Central Board without voting rights. Prior to 2012, the Governor was assisted by two DGs, each in the area of Operations and Banking.

During FY12, the positions of both DGs became vacant after the appointment of Deputy Governor (Banking) as Governor, SBP on October 19, 2011 and retirement of Mr. Kamran Shehzad, Deputy Governor (Operations) on March 11, 2012. On July 6, 2012, Kazi Abdul Muktadir was appointed as Deputy Governor by the Federal Government for a period of three years. Prior to his appointment as D.G, Mr. Kazi served the Bank as its Executive Director since December, 2002 and was entrusted to oversee Banking Supervision Group since June, 2010. Prior to taking over the Banking Supervision Group, he worked in the capacity of Managing Director NIBAF, from December 2002 onwards. He had also headed several key departments since joining the Bank in 1997.

Corporate Management Team (CMT) and CMT-HoDs forum

The Corporate Management Team (CMT) acts as the principal forum for debates and consultations on critical policy and operational issues. It facilitates decision making and implementation, especially in matters where several departments are involved. The CMT is headed by the Governor and consists of Deputy Governors and other nominated executives including MD SBP-BSC. In addition to the CMT, combined meetings of the CMT and the Heads of Departments (HoDs) provide a wider platform to deliberate issues of wider implications and is generally referred to as the CMT-HoD forum. Depending on the agenda, HoDs of SBP-BSC and Managing Director, NIBAF also participate in the meetings of the CMT-HoD forum.

⁸ Position vacated after the resignation of Mr. Asad Umar as Director, Central Board on May 3, 2012.

Corporate Management Team⁹



Mr. Yaseen Anwar
Governor/Chairman



Kazi Abdul Muktadir
Deputy Governor (Banking)



Mr. Riaz Riazuddin
Chief Economic Adviser (MP)



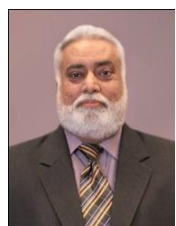
Mr. Aftab Mustafa Khan
Managing Director SBP-BSC



Mr. Asad Qureshi
Executive Director (FMRM)



Mr. Muhammad Ashraf Khan
Executive Director (DFG &
BPR)



Mr. Qasim Nawaz
Executive Director (BS)



Mr. Inayat Hussain
Executive Director (O)



Dr. Mushtaq A. Khan
Chief Economic Adviser (PD)



Mr. Muhammad Haroon
Rasheed
Executive Director (FRM)



Ms. Sahar Z. Babar
Corporate Secretary

⁹ CMT Composition is as of December 31, 2012.

Management Committees

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

- Banking Policy Committee
- Monetary Policy Committee (internal)
- Management Committee on Information Technology
- Management Committee on Properties and Equipment¹⁰
- Investment Committee of the Management
- BCP Committee

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. In line with these provisions, 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 the 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 the inter-bank settlement system, and sale/purchase of savings instruments of the government on behalf of CDNS. SBP-BSC also collects revenue and makes 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. The Board of Directors of SBP-BSC, Chaired by the Governor SBP, comprises of all members of the Central Board of SBP and the Managing Director of SBP-BSC. The Corporate Secretary is also the Secretary to the Board of Directors of SBP-BSC.

NIBAF

National Institute of Banking and Finance (NIBAF) is the training arm of SBP, providing executive development trainings to the new inductees and various levels of SBP employees. The subsidiary also conducts international courses on central and commercial banking in collaboration with the federal government. Furthermore, NIBAF offers training programs to SBP-BSC and other financial institutions.

Strategic Planning at State Bank of Pakistan

The process of Strategic Planning at State Bank of Pakistan was initiated in the early 2000s and culminated in the Strategic Plan 2005-10.

A reassessment of the strategic goals and development of a new Strategic Plan 2011-15 was initiated in February, 2010. As a result of this exercise, five strategic goals were identified by senior management for the next 5-10 years, and documented in the draft Strategic Plan (SP) document. These numbers of goals were later on enhanced to seven, which are given below:

1. Improve the efficiency and effectiveness of monetary policy
2. Develop a financial stability framework (macro-prudential)
3. Improve the soundness/efficiency of the financial system

¹⁰ Before August, 2012, the Committee was known as 'Management Committee on Building Projects'.

4. Strengthen prudential standing of banks
5. Address development needs of the financial system, including broadening access to financial services
6. Strengthening Exchange, Market and Reserve Management
7. Management Strategies for improving Corporate Governance and institutional strengthening of SBP & its subsidiaries

At its meeting held on July 30, 2010 under the Chairmanship of the then Acting Governor, the Board approved the Strategic Plan. The sub-goals of the Strategic Plan have since been translated into action plans at department level and became part of operational and developmental goals of their respective business plans.