

A Chronology of Important Policy Announcements

A-1 Banking Policy & Regulation Group

Financial Consumer Protection: The Banks/DFIs/MFBs were advised to develop and implement their own Financial Consumer Protection Framework, duly approved by their BoDs (CPD Circular # 04¹ dated August 29, 2014).

Strengthening of Internal Controls for Processing of Payment Orders / Demand Drafts / Cash Deposit Receipts / Bankers' Cheques: The banks/MFBs were advised to strictly observe a list of controls, in addition to the controls already in vogue (CPD Circular # 05 dated October 17, 2014).

Guidelines for Banking Services to Visually Impaired/Blind Persons: In order to provide visually impaired/blind persons with equitable access to banking and financial services, guidelines were issued on opening and operation of bank account, cash withdrawal, issuance of cheque books, Credit Cards and ATM/Debit Cards, phone/internet banking, lockers' operations and extension of loans, etc (CPD Circular # 06 dated December 05, 2014).

Questionnaires for Self-Assessment-IRAF: The submission of IRAF Self Assessment Questionnaires to SBP was discontinued. However, Banks / DFIs / MFBs / IBs would continue to fill in IRAF Self Assessment Questionnaires on half yearly basis and obtain the approval of Board of Directors within forty-five days of the cutoff date (OSED Circular # 01 dated January 06, 2015).

Guiding Principles on Fairness of Service Charges: Broader guiding principles for determining charges for various banking services were issued. The principles require banks to ensure that the service charges commensurate with the service provided and are disclosed/presented in a simple and easy to understand manner. (CPD Circular # 01 dated January 26, 2015)

Amendment in Prudential Regulation G-1: In order to further enhance the independence of Audit function the banks / DFIs were advised that Audit Committee of a bank / DFI shall be chaired by an Independent Director (BPRD Circular No. 08 dated September 09, 2014).

Exit Control List Policy 2014: The policy instructions for placement of names of bank loan defaulters & bank's employees / staff involved in fraud / forgeries etc were withdrawn. However, for all fresh placements on ECL, banks / DFIs were advised to avail remedy available under Exit from Pakistan (Control) Rules 2010 (BPRD Circular No. 09 dated September 10, 2014).

Minimum Capital Requirements for Islamic Banking Subsidiary: To encourage conventional banks to upscale their Islamic banking operations by establishing Islamic banking subsidiaries, the initial paid-up capital requirement was revised to Rs6 billion subject to raising the paid-up capital (net of losses) to Rs10 billion within a period of 5 years from the date of commencement of operations (BPRD Circular No. 10 dated October 17, 2014).

Financial Integrity Requirements for Service Providers: To further strengthen and enhance the regime of financial integrity, the banks / DFIs / MFB's were advised to ensure fulfillment of certain minimum requirements at the time of acquiring of the services, consultancy or advisory service from any company / firm / individuals (BPRD Circular No. 13 dated December 11, 2014).

¹ The circular numbers are based on calendar year i.e. at the start of each calendar year the circular number of each department starts with #1.

Currency Transaction Report (CTR) under Anti-Money Laundering Act, 2010: The amount of Rs 2 million was set-out for CTR reporting to Financial Monitoring Unit under Section 7 of the *Anti Money Laundering Act, 2010* (BPRD Circular Letter No. 04 dated January 28, 2015).

Fit and Proper Test Criteria: Banks / DFIs were advised to formulate and implement rotation policy for their key executives and conduct prior self assessment of the fitness and propriety of their Directors, Presidents / CEOs and Key Executives (BPRD Circular No. 05 dated March 12, 2015).

AML / CFT Regulations: Banks were advised to install bio-metric machines by 31-12-2015 at all their branches for efficient and instant verification of their customers (BPRD Circular Letter No. 13 of June 08, 2015).

Guidelines on Low Risk Bank Accounts with Simplified Due Diligence - Aasan Account: To enhance outreach of financial services to un-served segments of the society under financial inclusion program, banks were advised to open 'Aasan Account' of low risk customers with simplified due diligence procedures and minimum initial deposit of Rs 100 with no minimum balance requirement (BPRD Circular No. 11 dated June 22, 2015).

A-2 Development Finance Group

Refinance Scheme for Revival of SMEs & Agricultural Activities in Flood Affected Areas of 2014: Under the scheme, financing has been provided at concessional mark-up rates through banks/DFIs for which Rs 10 billion has been allocated (IH&SMEFD Circular No. 7 dated 2014).

Guidelines for Value Chain Contract Farmer Financing: Banks have been advised to use the guidelines for developing their own products for providing credit to contract farmers according to bank's credit policy, operational and marketing requirements and compliance with SBP's regulations (AC&MFD Circular No. 05 dated September 30, 2014).

Relief Measures for Agricultural and Microfinance Borrowers of Flood Affected Areas: To provide relief to the borrowers of flood affected areas as reported by National Disaster Management Authority (NDMA), Banks/DFIs/MFBs were encouraged to reschedule/restructure agricultural and micro loans/advances of such borrowers, as per existing Prudential (PRs) of Agriculture and Microfinance (AC&MFD Circular No. 06 dated October 23, 2014).

Amendment in Prudential Regulation R-5 for Microfinance Banks (MFBs): SBP directed the MFBs to limit their aggregate loan exposure against the gold backed loans upto 35 percent of their gross loan portfolio (AC&MFD Circular No. 02 dated June 18, 2015).

Changes in Section 4.8 of Guidelines for Value Chain Contract Farmer Financing: In order to encourage banks to lend to individual farmers, corporate guarantee was added to the eligible securities/collateral under section 4.8 of the guidelines for value chain contract farmer financing (AC&MFD Circular Letter No. 01 dated January 02, 2015).

A-3 Financial Market/Reserve Management Group

Outright Purchase or Sale by SBP of GOP Ijara Sukuk (GIS) as part of Open Market Operations: It has been decided that SBP may outright purchase or sale Government of Pakistan Ijara Sukuk (GIS) either on deferred payment basis (Bai-Muajjal) or on ready payment basis through Open Market Operations (OMOs) based on multiple price competitive bidding auction process (DMMD Circular No. 17 dated October 15, 2014).

Derivative Transaction Reporting System (DTRS): SBP launched the Derivative Transactions Reporting System (DTRS) to automate the data collection and monitoring processes of derivative transactions executed by banks (DMMD Circular No. 6 dated April 6, 2015).

SBP's Policy Rate and Overnight Repo / Reverse-Repo Facilities: In order to enhance the effectiveness of monetary policy and better manage liquidity in the interbank market, SBP improved the structure of its Interest Rate Corridor (IRC) framework (DMMD Circular No. 9 dated May 23, 2015).

Revised Reporting Format for Hotels having Restricted Authorization to Deal in Foreign Currencies: To improve supervision and monitoring of hotels having restricted authorization for purchasing foreign currencies, the format for reporting requirement for hotels has been revised as per International Statistical Standards (EPD Circular Letter No. 06 dated July 25, 2014).

Allowing Branchless Banking Business to Exchange Companies as agents of Authorized Financial Institutions: Exchange Companies are allowed to conduct branchless banking activities as agents of authorized financial institutions (commercial/Islamic/microfinance banks) offering these services (FE Circular No. 04 dated April 02, 2015).

Change in Buying/Selling Spreads of Foreign Currencies: The instructions related to the buying/selling spread of foreign currencies have been modified (FE Circular No. 06 dated May 12, 2015).

Reimbursement of T.T Charges against Home Remittances: With a view to rationalize the scheme, reimbursement charges have been revised downward from Saudi Riyals 25 to Saudi Riyals 20 per transaction. Further, minimum amount of remittance to qualify for reimbursement of T.T. Charges has also been revised from US\$ 100/- to US\$ 200/- or equivalent foreign currency (EPD Circular Letter No. 12 of 2015 dated June 01, 2015).

Duration of Renewed license: The duration of the renewed licenses of exchange companies (Category A) has been increased from three to five years from the date of expiry of the license (FE No. 01 dated February 03, 2015).

Collection of Utility Bills and Installation of ATMs: In order to enhance their scope of business, exchange companies have been allowed to collect utility bills on behalf of utility companies (FE Circular No. 07 dated June 03, 2015).

A-4 Operations Group

Circular on Machine Fitness Sorting Parameters of Pakistan Rupee Banknotes: The Machine Fitness Sorting Parameters will ensure that banknotes will be sorted through a defined criteria leading to standardization in sorting of clean and soiled notes (FD Circular No. 1 dated September 9, 2014).

Demonetization of All Old Design Banknotes (Rs 10, 50, 100 & 1000): Effective from December 1, 2016, old design banknotes of Rs 10, 50, 100 and 1000 will cease to be Legal Tender. Commercial / microfinance banks shall exchange the old design banknotes with the new designs up to November 30, 2016. From December 1, 2016, onwards, the old design banknotes will only be exchangeable from SBP Banking Services Corporation field offices up to December 31, 2021 (FD Circular No. 2 dated June 11, 2015).

Standardization of Customer's Cheque Layout: The deadline of June 30, 2014 for compliance of Circular No.1 dated January 31, 2014 for 'Individual' and 'Corporate' customers extended to December 31, 2014 and March 31, 2015 respectively (PSD Circular Letter No. 4 dated

October 31, 2014)

Rules for Payment System Operators (PSO) and Payment Service Providers (PSPs): SBP issued detailed rules for PSOs and PSPs which will not only bring existing payment systems operators under a formal regulatory ambit but would also provide conducive environment for establishment of new payment processing institutions for automated clearing house, electronic payment gateway for e-commerce, ATM switches, domestic POS and pay card schemes (PSD Circular Letter No 4 dated October 23, 2014).