

Annexure

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A Chronology of Policy Announcements

A-1 Banking Policy Inspection & Supervision

Date of Announcement	Circular No.	Policy Decision
2006 01-Jul	BPD-12 Circular Letter	<p>Prudential Regulation M-1- Obtaining Computerized National Identity Card (CNIC) from All the Banks/DFIs Customers /Clients: The deadline of June 30, 2006 on above instructions has been extended for meeting the subject requirement as under:</p> <p>a) Dormant account customers / clients whose attested copy of Computerized National Identity Card (CNIC) is not available in bank/DFI's record shall be allowed operations in such account only upon producing the attested copy of his/her CNIC and fulfillment of all other formalities for activation of the account.</p> <p>b) For all other bank clients/customers including depositors & borrowers, banks/DFIs shall obtain the attested copies of CNICs by June 30, 2007. Banks/DFIs shall discontinue relationship with such customers who fail to submit a copy of their CNIC by the above deadline.</p> <p>Banks/DFIs are encouraged to carry on public campaign</p>
2006 24-Jul	BPD-14 Circular Letter	<p>Appropriate Utilization of Loan Proceeds: To avoid enhancement of level of risk due to misuse of loan and loss for the lending bank, banks/DFIs are advised to ensure that loans are utilized for the acquired purpose. In this respect, risk of diversion of loans to real estate and capital markets for speculative purposes and export finance loan should be closely monitored to ensure that they are not diverted. The banks/DFIs ensure suitable steps to check the misuse of loans</p>
2006 01-Aug	BPD-16 Circular Letter	<p>Strategic Investment Under Regulation R-6: Banks are required to cap their investment in shares at 20% of their equity except strategic investment. For prior approval from SBP, the following criteria is prescribed for strategic investments:</p> <p>(a) The strategic investment will continue to be excluded from the 20% aggregate exposure limit in stocks.</p> <p>(b) The strategic investment, marked as such at the time of investment, shall be retained by the banks/DFIs for at least 5 years.</p> <p>(c) If there are a series of purchases of stocks of a company, the minimum retention period of 5 years shall be counted from the date of the last purchase.</p> <p>(d) The banks/DFIs' investment in a company can be segregated to be categorized as strategic and non-strategic.</p> <p>(e) A committee clearly designated/empowered by the bank should take decision for strategic investment. All Record of transactions/decisions should be properly kept in a separate file.</p>

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2006 05-Sep	BPD-18 Circular Letter	Replacement of Diesel Oil by CNG: Government of Pakistan has chalked out a policy for gradually phasing out inter-city diesel engine public transport in Karachi, Hyderabad, Lahore, Faisalabad, Peshawar, Quetta and Islamabad/Rawalpindi by end 2007. Since it will require a huge investment, the banks/DFIs are encouraged to develop credit products for financing of CNG buses/mini/buses/wagons and their manufacturing facilities in Pakistan in terms of their respective credit policies.
2006 26-Sep	BPRD-22 Circular Letter	Prudential Regulation M-1-Verification Cost of Computerized National Identity Cards (CNICS) of the Bank/DFI Customers/Clients: Banks/DFIs should not pass on the cost of verification of CNIC from NADRA database to their account holder(s) (either existing or prospective) as this verification is not a direct service to the Bank/DFI rather it is to mitigate financial institution's own risk.
2006 08-Dec	BPRD-28 Circular Letter	Requirement of Documents for Opening Account Under Prudential Regulation M-1: Keeping in view the banks requests for waving of conditions for obtaining the (i) board resolution and (ii) certificate of commencement of business of Joint Stock Companies for the purpose of opening bank account as it is not issued in few countries, it has been decided to relax the both conditions of only such foreign companies/entities belonging countries where said requirement are not enforced under their law/regulations. However such foreign companies will have to provide the following documents in lieu thereof: (a) Power of Attorney from the competent authority for opening bank accounts. (b) A certificate from the company Secretary, duly authorized by the Board, that the entity started its business from certain date and that certificate of Commencement of Business is not issued in that country.
2007 16-Jan	BPRD-01 Circular Letter	Copies of CNICS of Governing Body & Executive Body of Pakistan Defence Officers Housing Authority or Similar Other Authorities: Bank/DFIs were described the minimum set of documents to be obtained for opening bank accounts of various categories of customers including attested photocopies of identity cards of all the directors in case of Joint Stock Companies. It has been decided that banks should obtain copies of CNICs of all the members of Governing and Executive Bodies of DHA or ask for delegation of power to Administrator and accept copy of CNIC of Administrator as well as authorized signatories for the purpose of opening accounts of DHA or similar other authorities subject to the condition that all other requirements shall be complied with in letter and spirit. The existing accounts of DHA or similar other authorities, shall be regularized on the above lines within a period of three months from the issuance of this circular letter.

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2007 30-Mar	BPRD-10 Circular Letter	<p>Prudential Regulation M-1, Opening of Accounts: In terms of Prudential Regulations M-1 the requirement of documents for opening of a bank account of a trust is as follows</p> <ol style="list-style-type: none"> 1. Attested copy of Certificate of Registration. 2. Attested copy of identity cards of all the trustees. 3. Certified copy of 'Instrument of Trust'.
2006 08-Jul	BPD-05	<p>Prudential Regulations - Anti Money Laundering Measures: State Bank of Pakistan has made the following amendments/additions, in public interest, in the Prudential Regulations for Corporate / Commercial Banking with immediate.</p> <ol style="list-style-type: none"> 1.Regulation M-1-Know Your Customer (KYC) 2.Regulation M-2 Anti-Money Laundering Measures 3.Regulation M-5 Suspicious Transactions <p>Para (2) has been substituted as following:</p> <p>If the bank / DFI suspects, or has reasonable grounds to suspect, that funds are the proceeds of a criminal activity or terrorist financing, it should report promptly, its suspicions, through Compliance Officer of the bank / DFI to Banking Policy Department of the State Bank of Pakistan. The report should contain, at a minimum, the following information:</p> <ul style="list-style-type: none"> ▪ Title, type and number of the accounts. ▪ Amounts involved. ▪ Detail of the transactions ▪ Reasons for suspicion
2006 14-Jul	BPD-06	<p>Disclosure of Lending / Deposit Rates By Banks/DFIs: In order to create awareness and to facilitate the public in making informed decisions, the State Bank of Pakistan has decided that henceforth banks/DFIs shall make complete disclosure of the lending and deposit rates of all consumer products offered by them by posting this information on their website as well as prominently displaying on entrance/ or window of their branches. Banks/DFIs would also disclose annualized percentage rates on all consumer products.</p> <p>The banks/DFIs, in addition to the above, will also take adequate measures to inform their customers about the intricacies of ATM, Credit Card and their charges as well as the cardholders' obligations.</p>
2006 21-Jul	BPD-07	<p>Master Circular- Unclaimed Deposit: In terms of Section 31 of Banking Companies Ordinance, 1962 all Banks/DFIs in Pakistan are required to surrender to State Bank of Pakistan (SBP) all those deposits which have not been operated upon during the period of last ten years, except deposits in the name of a minor or a Government or a court of law. In order to facilitate Banks/DFIs, instructions on the following subjects issued since 1968 till to date have been reviewed and consolidated -:</p>

Date of Announcement	Circular No.	Policy Decision
		<ul style="list-style-type: none"> ▪ Definition of unclaimed deposit / instrument ▪ Reporting of unclaimed deposits/ instruments ▪ Surrender of unclaimed deposit ▪ Notice to the holder of unclaimed deposit/instrument ▪ Preservation of documents ▪ Information in account opening form (AOF) ▪ Procedure for refund of unclaimed deposit surrendered to SBP
2006 24-Jul	BPD-08	<p>Statement of Accounts to PLS/Current Account Holders & Basic Banking Account Holders: In order to minimize the difficulties being faced by Banks in delivery of statement of accounts to their account holders, as also to ensure that the customers receive the periodic statement of accounts regularly, the existing instructions have been revisited and consolidated as under:-</p> <ol style="list-style-type: none"> (a) The banks shall dispatch, free of charge, statements of accounts periodically (at least twice in a year on six monthly basis) to all their account holders (PLS/Current accounts) within 15 days from the close of half-year, i.e. 30th June & 31st December. (b) The statement of accounts shall be dispatched free of charge and irrespective of amounts of balance in the accounts of depositors/customers. (c) The statement of accounts of account holders/customers having a balance exceeding Rs.10,000 or above shall be sent either through a courier company or express post services of Pakistan Post. (d) The banks may charge a maximum of Rs.50 for: (i) each duplicate statement of account (ii) additional statement of account (over and above two periodical statements indicated at (a) above). (e) The banks shall make arrangements with the delivery companies for confirmation of dispatch of all statement of accounts to the account holders. (f) Where statement of account is returned/ undelivered, the banks may make all efforts to update record/address of the account holders. <p>Basic Banking Account (BBA): The statement of accounts to BBA customers/account holders would, however, continued to be dispatched once a year. The banks may charge a maximum of Rs.50 for duplicate statement.</p>
2006 29-Jul	BPD-09	<p>Significant Investment/Stake by Banks/DFIs: It has been decided that the banks/DFIs will obtain prior approval in writing from the State Bank while purchasing shares of a company in excess of 5% of their paid-up capital or 10% of the capital of investee company, whichever</p>

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		<p>Is lower.</p> <p>In this respect, the bank's/DFI's request will be considered in the light of the nature of relationship of the investing bank and the investee company along with other factors.</p> <p>In case, shares in excess of above limit are acquired by the bank/DFI through settlement of a facility or by any other means, the information to this effect will be conveyed to the State Bank of Pakistan within three days of the acquisition of such shares. Furthermore, the shares so acquired should be disposed off within one year to comply with the limits.</p>
2006 31-Jul	BPD-10	<p>Margin Restrictions for Financing Against the Security of Sugar Stock (Both Raw and Refined): Banks/DFIs are advised that:</p> <ol style="list-style-type: none"> The deadline for adjustment of financing facilities against the security of sugar stock (pledged/hypothecated) whose expiry date was 31st July 2006 extended up to 31st October 2006. Ensure one-third minimum decline every month in outstanding against security of sugar stock for full adjustment by the deadline. Observe a cleanup period of at least one month after the settlement of each loan. Their progress will be closely monitored by State Bank through weekly statements which should be submitted within three (3) working days of the end of the reporting week. The above directions and instructions shall not be applicable on financing against the security of molasses, ethanol, etc. and financing provided to Trading Corporation of Pakistan. <p>The banks/DFIs are allowed to extend financing facilities against the securities of imported sugar without the requirement of 50% cash margin and this shall be adjusted within 45 days of the disbursement of funds</p>
2006 01-Aug	BPD-11	<p>Customers' Prior Consent for Availing any Insurance or Other Product/Service: In order to address the number of representations received from the banks' account holders/customers complaining certain premium charges by the banks under the head "insurance covers" on consumer products, viz., credit cards, Debit/ATM cards, etc without obtaining prior consent in writing from them, it has been decided that henceforth no bank/DFI shall charge any amount under the head of "insurance premium" (by what so ever name called) without obtaining the consent of each existing & prospective customer in writing.</p>
2006 16-Aug	BPD-12	<p>Proper Arrangements in Commercial Banks for Depositing Utility Bills: Banks were required to complete all necessary formalities with the Utility Companies and submit a compliance report to State Bank of Pakistan latest by 31st July, 2006. It has been decided to allow a final extension to all the banks for completion of the required</p>

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		arrangements / formalities upto 31st August 2006. Banks failing to finalize the arrangements within the above period will be considered as non-compliant banks and the same will be indicated in our report to the Supreme Court. State Bank of Pakistan will carry out surprise checks of the banks' branches to ensure adherence to the above instructions.
2006 12-Oct	BPRD-14	<p>Recovering Penalty Amount Imposed by State Bank of Pakistan From Customers: The banks/DFIs are advised to stop the practice of recovering the amount of penalty imposed by State Bank of Pakistan for violating SBP regulations/guidelines/directives etc. from their customers as it is the duty of the banks/DFIs to make sure that all SBP regulations/guidelines/directives are meticulously complied with at all times and this impact of penalty should not be passed on to their customers who do not have any responsibility in this respect.</p> <p>In exceptional cases, banks/DFIs should approach SBP for exemption/relaxation which will be considered on the merit of the case.</p>
2007 03-Apr	BPRD-02	<p>Deduction of Withholding Tax on Cash Withdrawal: In terms of CBR's Circular, the rate of withholding tax has been enhanced from 0.1% to 0.2% of the amount withdrawn. Furthermore, the limit of Rs.25,000/- per transaction has been changed to per day basis.</p>
		Banks have been advised to immediately discontinue the practice of clubbing cash/ATM transactions done on different dates into single posting date for the purpose of determining the amount of withholding tax on such transactions. Furthermore, the excess amount of withholding tax, deducted from the customers should be refunded to them.
2007 23-Apr	BPRD-03	<p>A. Amendments in Regulation G-1 Of Prudential Regulations: State Bank of Pakistan has been emphasizing upon the banks / DFIs to strengthen and improve the corporate governance level for better management of their affairs for which guidelines have been issued vide Prudential Regulation G-1. In order to have effective compliance, it is important that Board of Directors and the management should play their roles within the parameters specified in SBP Prudential Regulations and other relevant instructions. Accordingly, for further improving and strengthening of the Corporate Governance practices, some amendments have been made in section B & C of Prudential Regulation G-1 for Corporate and Commercial Banking. Revised text of both sections is reproduced below:</p> <p>B. Responsibilities of the Board Of Directors:</p> <p>1. The Board of Directors shall assume its role independent of the influence of the Management and should know its responsibilities and powers in clear terms. It should be ensured that the Board of Directors focus on policy making and general direction, oversight and supervision of the affairs and business of the bank / DFI and does not</p>

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		<p>play any role in the day-to-day operations, as that is the role of the Management.</p> <p>2. The Board shall approve and monitor the objectives, strategies and overall business plans of the institution and shall oversee that the affairs of the institution are carried out prudently within the framework of existing laws & regulations and high business ethics.</p> <p>3. All the members of the Board should undertake and fulfill their duties & responsibilities keeping in view their legal obligations under all the applicable laws and regulations. All Board members should preferably attend at least 1-2 weeks training program(s) which will enable them to play effective role as a director of bank/DFI, at an institution like Pakistan Institute of Corporate Governance or other similar institution within first year of their directorship on the Board of bank/ DFI.</p> <p>4. The Board shall clearly define the authorities and key responsibilities of both the Directors and the Senior Management without delegating its policy-making powers to the Management and shall ensure that the Management is in the hands of qualified personnel.</p> <p>5. The Board shall approve and ensure implementation of policies, including but not limited to, in areas of Risk Management, Credit, Treasury & Investment, Internal Control System and Audit, IT Security, Human Resource, Expenditure, Accounting & Disclosure, and any other operational area which the Board and/or the Management may deem appropriate from time to time. The Board shall also be responsible to review and update existing policies periodically and whenever circumstances justify.</p> <p>6. As regards Internal Audit or Internal Control, a separate department shall be created which shall be manned preferably by professionals responsible to conduct audit of the bank's/DFI's various Divisions, Offices, Units, Branches etc. in accordance with the guidelines of the Audit Manual duly approved by the Broad of Directors. The Head of this department will report directly to the Board of Directors or Board Committee on Internal Audit.</p> <p>7. The business conditions and markets are ever changing and so are their requirements. The Board, therefore, is required to ensure existence of an effective 'Management Information System' to remain fully informed of the activities, operating performance and financial condition of the institution, the environment in which it operates, the various risks it is exposed to and to evaluate performance of the Management at regular intervals.</p> <p>8. The Board should meet frequently (preferably on monthly basis, but in any event, not less than once every quarter) and the individual directors of an institution should attend at least half of the meetings held in a financial year. The Board should ensure that it receives</p>

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		<p>sufficient information from Management on the agenda items well in advance of each meeting to enable it to effectively participate in and contribute to each meeting. Any advisor, if appointed by the Board member, shall neither attend the Board meeting(s) on behalf of the Board member nor shall regularly sit in the Board meeting(s) as an observer or any other capacity.</p> <p>9. The Board should carry out its responsibilities in such a way that the external auditors and supervisors can see and form judgment on the quality of Board's work and its contributions through proper and detailed minutes of the deliberations held and decisions taken during the Board meetings.</p> <p>10. To share the load of activities, the Board may form specialized committees with well-defined objectives, authorities and tenure. These committees, preferably comprising of 'Non-Executive' Board members, shall oversee areas like audit, risk management, credit, recruitment, compensation etc. These committees of the Board should neither indulge in day-to-day affairs/operations of the bank nor enjoy any credit approval authority for transaction/limits. These committees should apprise the Board of their activities and achievements on regular basis.</p> <p>11. The Board should ensure that it receives management letter from the external auditors without delay. It should also be ensured that appropriate action is taken in consultation with the Audit Committee of the Board to deal with control or other weaknesses identified in the management letter. A copy of that letter should be submitted to the State Bank of Pakistan so that it can monitor follow-up actions.</p> <p>C. Management:</p> <p>1. No member of the Board of Directors of a bank / DFI holding 5% or more of the paid-up capital of the bank/DFI either individually or in concert with family members or concerns/companies in which he / she has the controlling interest, shall be appointed in the bank/DFI in any capacity except as Chief Executive of the bank/DFI. Further, maximum two members of Board of Directors of a bank/DFI including its CEO can be the Executive Directors.</p> <p>2. The banks/DFIs during a calendar year may pay a reasonable and appropriate remuneration for attending the Board or its committee (ies) meeting(s), to their non-executive directors and chairman. However, the remuneration to be paid shall be linked to the actual number of Board or committee meetings attended by an individual director / chairman i.e. no fixed remuneration on periodical basis (monthly or yearly etc.) shall be paid to the non-executive directors. Furthermore, the scale of remuneration to be paid to the non-executive directors and chairman for attending the Board and / or committee meetings shall be approved by the shareholders on a pre or post facto basis in the Annual General Meeting. However, no such remuneration shall be paid to the executive directors, except usual TA/DA as per banks/ DFIs standard</p>

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		<p>rules and regulations. Banks/DFIs shall also ensure that except as mentioned above, no additional payment or perquisites will be paid to the non-executive directors and chairman. Furthermore, no consultancy or allied work will be awarded to the non-executive directors or to the firms / institutions/ companies etc. in which they hold substantial interest.</p> <p>3. The Directors on the Boards of banks/DFIs should not appoint, at the bank's/DFI's expense, any advisor(s) to assist them in discharge of their duties / responsibilities as members of the Board of Directors of a bank/DFI. In case any Board member feels it necessary to appoint an advisor for his/her assistance, his/her remuneration/expenses shall be borne by the concerned Board member himself/herself. Furthermore, the advisor so appointed by the Board member shall be required to sign an appropriate confidentiality agreement to ensure confidentiality of documents / information that may come to his/her knowledge, before assuming any such role.</p>
2007 05-Jun	BPRD-05	<p>Master Circular on Security Standards for Enhancement of Security of the Lockers: State Bank of Pakistan has observed that some banks are reluctant to honor the claims with regard to vandalism of lockers by the security guards or by their employees. This is being attributed to a clause in their agreement with the insurance companies, which restrict them to honor such claims. This position has been reviewed and it has been decided to issue following instructions on the subject:-</p> <p>i) The banks/DFIs shall ensure that safe deposit locker rooms in their respective branches are adequately secured from all sides</p> <p>ii) In case the bank branches are providing safe deposit locker facility in areas where security agency on the PBA approved panel is not available, the bank/DFI shall carry out due diligence at the branch for the appointment of their own security guard(s).</p> <p>iii) The banks/DFIs shall review their existing insurance agreements and shall obtain comprehensive insurance with clear cut "Cap Limits" on various sizes of lockers at competitive rates from the insurance companies ready to cover the act of vandalism of lockers both by the security guards and employees of the banks/DFIs.</p> <p>iv) The banks/DFIs shall properly convey the terms & conditions (including size, rent/p.a, insurance ceiling etc) to the existing locker holders / new locker holders. Consent of all existing/new locker holders shall be obtained for the insurance ceiling etc.</p>
2006 13-Nov	OSD-04	<p>Reserve Requirements Against FE-25 Deposits Maintained by IBS & IBBS: As new Islamic Banks (IBs) /Islamic Banking Branches (IBBs) are being established which are desirous of offering FE-25 deposits schemes to their customers in a Shariah compliant manner, the following instructions are being issued to IBs/IBBs regarding reserve requirements against FE-25 deposits. IBs will maintain CRR (cash reserve requirement) and <i>special Cash Reserve (SCR)</i>.</p>

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2007 07-Feb	BSD-02 Circular Letter	Minimum Capital Requirements for Banks/DFIs: All banks and DFIs who are anticipating shortfall in MCR compliance for the coming year-ends (viz. December 2007 and onward) are required to develop realistic plans on annual basis to meet the prescribed MCR and send a copy of same duly approved by their Board of Directors to Banking Surveillance Department by 30th April of every year (i.e. upto 2009). The plan to meet the threshold of Rs. 4 billion by 31st December 2007 may be submitted by 30th April 2007. Failure of the banks/DFIs to meet the prescribed MCR of Rs4 billion by December 2007 will automatically invoke penal provisions.
2007 18-Jan	BSD-01	Maintenance of Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR): It has been decided to revise the daily minimum requirements for Cash Reserves to 6% and 2% of demand and time liabilities respectively with effect from 19th January 2007 for all banks/DFIs including Islamic Banks. While the weekly average CRR will remain the same. Cash Reserve Requirements will now stand as follows: a) Weekly average of 7% (subject to daily minimum of 6%) of total demand liabilities (including Time Deposits with tenor of less than 6 months). b) Weekly average of 3% (subject to daily minimum of 2%) of total time liabilities (including Time Deposits with tenor of 6 months and above).
2007 04-Apr	BSD-03	Policy Framework in Banks / DFIS: The banks / DFIs are advised to formulate policies in the following areas, as a minimum, and ensure their regular updation: - 1. Risk Management Policy 2. Credit Policy 3. Treasury & Investment Policy 4. Internal Control System and Audit Policy 5. I.T. Security Policy 6. Human Resource Policy 7. Expenditure Policy 8. Accounting & Disclosure Policy
2006 21-Jul	BSD-09	Maintenance of Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR): SBP decided to revise the reserve requirements with effect from 22 nd July, 2006 as under. <i>Cash Reserve Requirement (CRR)</i> a) Weekly average of 7% (subject to daily minimum of 4%) of total Demand Liabilities (including Time Deposits with tenor of less than 6 months); and b) Weekly average of 3% (subject to daily minimum of 1%) of total Time Liabilities (including Time Deposits with tenor of 6 months and above).

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		<p><i>Statutory Liquidity Requirement (SLR):</i> 18% (excluding CRR) of total Time and Demand Liabilities.</p> <p>Further, all Time and Demand Liabilities, except borrowings from SBP and interbank borrowings, shall be accounted for in the calculation of Time and Demand Liabilities for the purpose of CRR and SLR. The break-up of Time and Demand Liabilities to be used for calculating the required CRR and SLR is given in the enclosed annexure-A. Moreover, the separate CRA and SCRA in US\$ against FE-25 Deposits would continue to be maintained at the prescribed rate.</p>
2006 22-Jul	BSD-10	<p>Statutory Liquidity and Cash Reserve Requirements: It has been decided to revise the Cash Reserve Requirements (CRR) for Islamic Banks (IBs) /Islamic Banking Branches (IBBs) as under with effect from 22nd July 2006:-</p> <p>a) Weekly average of 7% (subject to daily minimum of 4%) of total Demand Liabilities (Including Time Deposits with tenor of less than 6 months); and</p> <p>b) Weekly average of 3% (subject to daily minimum of 1%) of total Time Liabilities (including Time Deposits with tenor of 6 months and above).</p> <p>Moreover, IBs / IBBs would continue to meet the Statutory Liquidity (SLR) of 8% (excluding CRR) of their Time and Demand Liabilities in the prescribed manner.</p>

A-2 Development Finance

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2007 5-Mar	IBD-01	Salient Features of Products and Services: Islamic Banking Institutions have been advised that before launching new products and services, they shall submit salient features of the products as per prescribed format along with Certificate from their Shariah Advisor to the Islamic Banking Department, State Bank of Pakistan.
2007 20-Mar	IBD-02	Fit and Proper Criteria For Shariah Advisors: To further promote professionalism in Islamic Banking Institutions (IBIs), Fit and Proper criteria for appointment of Shariah Advisor has been revised by SBP. The revised guidelines specify the educational qualification, experience, exposure, track record, etc. for appointment as Shariah Advisor.
2007 17-Mar	IBD-01	Data Based on Annual Audited Accounts: Islamic Banking Institutions were asked to submit to Islamic Banking Department, data based on their Annual Audited Accounts for the year ended December 31, 2006 on a prescribed format for its utilization in SBP's Publication "Banking System Review" for the Year 2006.
2007 28-May	IBD-02	Submission of Returns to Islamic Banking Department: Islamic Banking Institutions (IBIs) have been asked to discontinue sending the hard copy of the Weekly Statement of Position to the Islamic Banking Department. However a soft copy of the same will be submitted instead. Further, the IBIs have been advised to submit hard and soft copies of newly introduced Monthly Statement of Position on a prescribed format to the Islamic Banking Department.
2007 02-Jul	IBD-03	Islamic Financial Accounting Standard -1 Murabaha: In terms of SRO No 865(I)/2005 dated August 24, 2005 issued by SECP on captioned subject, Islamic Financial Institutions were required to disclose Murabaha transactions at amortized cost. Moreover, as per BSD Circular No 4 of 2006 dated February 17, 2006, banks were advised to prepare the Annual Audited Accounts on revised formats.
2006 14-Jul	SMED-14	Export Refinance Scheme- Re-fixation of Rate: Referring to SMED Circular No.12 dated June 30, 2006 along with other instructions issued from time to time on the captioned subject. 1. It has been decided that rate of refinance under the Export Finance Scheme (EFS) with immediate effect shall be 6.50% p.a. The commercial banks shall, however, ensure that where financing facilities are extended by them to the exporters for availing refinance facilities under the Export Finance Scheme, their maximum margin / spread does not exceed 1.0% p.a. The final rate of EFS to the borrowers shall, therefore, not exceed 7.50% p.a. (SBP refinance rate 6.50% p.a. +1.0% p.a. spread of the banks) as against prevailing rate of 9% p.a. 2. The above arrangements are on temporary basis and the practice of review and fixation of rate on monthly basis shall be continued and change in the rate, if any, shall be made accordingly. 3. The financing facilities under Part-B (Export Sales) of the Scheme for financing Locally Manufactured Machinery shall also attract similar mark up rate structure.

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		<p>4. Banks are advised to perform enhanced due diligence while granting loans under EFS to eligible borrowers to avoid its misuse. Any violation or circumvention of the instructions would attract penal action under relevant provisions of BCO, 1962.</p> <p>5. Other instructions on the subject shall remain unchanged.</p>
2006 14-Jul	SMED-15	<p>Scheme for Long Term Financing for the Export Oriented Projects (LTF-EOP): Referring to the captioned Scheme circulated vide BPD Circular No. 14 dated 18th May, 2004 along with other instructions issued from time to time. In May 2004, State Bank of Pakistan introduced the captioned Scheme to enable the exporters to upgrade their manufacturing capacities and to improve the quality of products for competing in the international market.</p> <p>The LTF-EOP Scheme is being re-visited and revamped by eliminating a number of procedural complexities. The existing scheme for Financing Locally Manufactured Machinery (LMM) is also being merged with it, to provide a level playing field to exporters for setting up and balancing, replacement and modernization (BMR) of Export Oriented Projects/Units including consideration of SWAP of long term loans for imported machinery, equipment & accessories (only for textile sector excluding spinning) with proposed scheme. The new proposed scheme titled as “<i>Long Term Financing Scheme for Imported & Locally Manufactured Machinery</i>” is under finalization and shall be issued shortly which will replace the existing LTF-EOP and LMM Schemes. In the meantime the LTF-EOP Scheme issued by aforesaid circular has been modified or amended as under with immediate effect. Other instruction on the subject remained unchanged.</p>
2006 29-Jul	SMED-16	<p>Enhancement of Repo Rate: It has now been decided that with effect from 31st July, 2006 the minimum rate of return to be paid by recipients of financing facilities from State Bank for meeting temporary liquidity shortage and SBP 3-day Repo facility against Government of Pakistan Market Treasury Bills and Federal/Pakistan Investment bonds has been enhanced by 50 basis points i.e. from 9% to 9.5% p.a.</p>
2006 31-Jul	SMED-17	<p>Re-fixation of Export Refinance Rate for August 2006: It has been decided that rate of refinance under the Export Finance Scheme notified vide our Circular referred to above i.e. 6.5% p.a., shall continue to be applicable for the month of August 2006. The commercial banks shall, however, ensure that where financing facilities are extended by them to the exporters for availing refinance facilities under the Export Finance Scheme, their maximum margin / spread does not exceed 1.0% p.a.</p>
2006 09-Aug	SMED-04	<p>Scheme for Long Term Financing for the Export Oriented Project (LTF-EOP) modification thereof: In this connection it is clarified that instructions regarding reduction in spread of banks/DFIs on financing provided by them under the LTF-EOP Scheme are also applicable on the loans sanctioned/dispensed prior to the issuance of above circular. Banks/DFIs are, therefore, advised to revise their rates of finance on the loans outstanding under LTF-EOP Scheme effective from July 14, 2006 so as to pass on the benefit of reduction in spread to the borrowers of export oriented projects.</p>

Date of Announcement	Circular No.	Policy Decision
2006 31-Aug	SMED-18	Re-fixation of Export Refinance Rate for September 2006: It has been decided that rate of refinance under the Export Finance Scheme notified vide our Circular referred to above i.e. 6.5% p.a., shall continue to be applicable for the month of September 2006. The commercial banks shall, however, ensure that where financing facilities are extended by them to the exporters for availing refinance facilities under the Export Finance Scheme, their maximum margin / spread does not exceed 1.0% p.a.
2006 04-Sep	SMED-19	Refinance of Long Term Loans extended to Textile Sector for import of Plant & Machinery with SBP's LTF-EOP: In order to facilitate the export oriented industry to overcome the prevailing crises and to remain competitive in the world market, it has been decided to allow a one time opportunity to the Textile Sector to refinance their outstanding fixed term loans availed from banks/DFIs for import of plant & machinery with loans under SBP's LTF-EOP Scheme on the basis of certain parameters.
2006 1-Sep	SMED-05	Export Finance Scheme- Export of Gold Jewellery: It has henceforth been decided that export refinance will also be admissible under the Scheme for export of gemstones/precious and semi precious stones on self consignment basis in line with the facility extended to export of gold jewellery as per the procedure laid down in the Circular referred to above. Further, the exporter shall be required to disclose value of gemstones duly authenticated by the Valuation Committee as constituted in terms of the said SRO and produce the same along with copy of contract/export order containing terms of payment and the schedule of shipment/date at the time of availment of refinance loan under the Scheme. However, the exporters will be liable to invariably repatriate export proceeds through normal banking channel against export of gemstones within the permissible period of repatriation of export. proceeds
2006 30-Sep	SME &MFD-20	Export Finance Scheme Fixation of Rate for October 2006: It has been decided that rate of refinance under the Export Finance Scheme notified vide our Circular referred to above i.e. 6.5% p.a., shall continue to be applicable for the month of October 2006. The commercial banks shall, however, ensure that where financing facilities are extended by them to the exporters for availing refinance facilities under the Export Finance Scheme, their maximum margin / spread does not exceed 1.0% p.a.
2006 17-Oct	SME &MFD-06 Circular Letter	LTF-EOP- Clarifications: Pursuant to issuance of our SMED Circular No.15 dated 14th July, 2006 and SMED Circular No. 19 dated 4th September, 2006 on the captioned subject, some of the stakeholders have raised certain issues requiring our clarifications. In order to ensure smooth operations of the Scheme and to facilitate the transition of debt equity swap by banks/DFIs, the issues raised by the stakeholders and our response thereto are given accordingly.
2006 31-Oct	SME &MFD-21	Export Finance Scheme Re-fixation of rate for November 2006: It has been decided that rate of refinance under the Export Finance Scheme notified vide our Circular referred to above i.e. 6.5% p.a., shall continue to be applicable for the month of November 2006. The commercial banks shall, however, ensure that where financing facilities are extended by them to the exporters for availing refinance

Date of Announcement	Circular No.	Policy Decision
		facilities under the Export Finance Scheme, their maximum margin / spread does not exceed 1.0% p.a.
2006 11-Nov	SME &MFD-07 Circular Letter	LTF-EOP Clarifications: Pursuant to issuance of our SME&MFD Circular Letter No. 06 dated October 17, 2006 on the captioned subject, some of the stakeholders have raised additional issues requiring our clarifications. In order to ensure smooth operations of the Scheme and to facilitate the transition of debt equity swap by banks/DFIs, the issues raised by the stakeholders and our response thereto are given accordingly.
2006 24-Nov	SME &MFD-08 Circular Letter	Export Finance Scheme-Modification: It has been noticed that some of the exporters, instead of submitting Bill of Lading/Airway Bill, submit House Bill of Lading or House Airway Bill along with Forwarder's Cargo Receipts (FCRs) to their bankers as a confirmation of shipments of their goods against which refinance has been obtained. The said documents are not valid documents presently for showing performance against refinance loans availed under the scheme at pre-shipment stage.
		It has now been decided that in cases where Forwarders Cargo Receipts (FCRs) are submitted in lieu of copy of B/L or AWB, the same may be accepted as proof of shipment under the Scheme, provided further that such document is backed by i) Letter of Credit specifically requiring submission of FCRs and ii) Mate's Receipts (M. R. – where shipment is by sea) or Export General Manifest (EGM – where shipment is by air) and that iii) export proceeds thereof have been realized in relation to the shipment involved. Thus when export proceeds are not realized as per time frame prescribed by our Exchange Policy Department the shipment will be treated as irregular.
2006 30-Nov	SME &MFD-22	Export Finance Scheme Re-fixation of rate for December 2006: It has been decided that rate of refinance under the Export Finance Scheme notified vide our Circular referred to above i.e. 6.5% p.a., shall continue to be applicable for the month of December 2006 and onward till further instructions. The commercial banks shall, however, ensure that where financing facilities are extended by them to the exporters for availing refinance facilities under the Export Finance Scheme, their maximum margin / spread does not exceed 1.0% p.a.
2006 23- Dec	SME & MFD-09 Circular Letter	LTF-EOP- Clarifications: Pursuant to issuance of SMED Circular No. 19 dated September 4, 2006 and other clarifications on the subject, some of the stakeholders have raised additional issues requiring clarifications. In order to ensure smooth operations of the Scheme and to facilitate admissible debt swaps by banks/DFIs, the issues raised are clarified hereunder for guidance accordingly.
2007 26-Jan	SME & MFD-01	Procurement of wheat by the private Sector for 2007 crop: With a view to further streamline the procedure, certain modifications have been made which will reduce documentation to be submitted to the SBP for the purpose of consideration of requests for refund of fine. An updated copy of the procedure is attached herewith, for strict compliance by all concerned. All cases presently under consideration at the State Bank shall be processed as per the new procedure.

Date of Announcement	Circular No.	Policy Decision
2007 02-Feb	SME & MFD-01 Circular Letter	Submission of periodical Returns and Minutes of Board of Directors/General Meetings: As a consequence of recent internal restructuring at the State Bank, the Offsite Supervision & Enforcement functions have been transferred to the “Offsite Supervision and Enforcement Department (OSD)”. All Micro Finance Banks are, therefore, advised to henceforth submit periodical returns (i.e. Biweekly statement of Affairs and Quarterly Report of Conditions -QRC) to OSD instead of this department. Microfinance Banks shall also submit certified copies of the approved minutes of meeting of their Board of Directors (BoD) and the general meetings (AGMs / EOGMs) to OSD with a copy to SME & Microfinance Department, within fifteen days.
2007 21-Mar	SME & MFD-02 Circular Letter	Export Refinance Scheme- Export of Wheat: Pursuant to the issuance of mechanism/procedure / conditions for export of 500,000 Metric Tons of wheat by the Ministry of Food, Agriculture & Livestock (copy of which has already been circulated vide EPD Circular Letter No. 04 / EPP 1(51) Wheat-PER- 2007 dated February 28, 2007).
2007 22-Mar	SME & MFD-02	Export Finance Scheme – Non performance by the Exporter: 1. In order to streamline the processing for refund of fines charged to exporters on account of their failure to meet the requirements under the Export Finance Scheme, a procedure was put in place and circulated by State Bank of Pakistan vide BPD Circular No.23 dated 31st August, 2002. 2. With a view to further streamline the procedure, certain modifications have been made which will reduce documentation to be submitted to the SBP for the purpose of consideration of requests for refund of fine. An updated copy of the procedure is attached herewith, for strict compliance by all concerned. All cases presently under consideration at the State Bank shall be processed as per the new procedure.
2007 06-Jun	SME & MFD-03 Circular Letter	Export Refinance Scheme – Extension of Limits: Refinance limits sanctioned in favour of banks for the year 2006-07 are due to expire on 30-06-2007. Under the present system, exporters are required to submit EE-1 statement for the year 2006-07 duly verified by our Foreign Exchange Operations Department latest by August 31, 2007. Banks would therefore not be in a position to work out revised entitlement of limits for each exporter for availments under Part-II of the Scheme for the year 2007-08.
2006 28-Aug	ACD-01	Guidelines for Livestock Financing: Livestock is the largest sub-sector of the agriculture accounting for 47 percent of value addition in the sector and constitutes about 11 percent of the GDP. In view of the contribution of the livestock sector to GDP & employment creation especially in rural areas, SBP has framed ‘Guidelines for Livestock Financing’ to facilitate and encourage Banks/FIs in enhancing credit flow to the livestock sector. The guidelines cover all areas of the livestock financing business including loan purpose and objectives, product development, eligibility of borrowers, delivery channels, monitoring mechanism etc. With the issuance of these guidelines, Banks/FIs are expected to considerably enhance the credit flow to this important sector of the economy.

Date of Announcement	Circular No.	Policy Decision
2007 2-Mar	ACD-01	<p>Guidelines for Fisheries Financing: Fisheries is an important sub-sector of agriculture. Pakistan with a coastline of more than 1000 km and a total area of approximately 0.25 million sq km of marine and 0.08 million sq km of inland waters, has great potential for fisheries that can play a significant role in the national economy by contributing towards food security of the country, reducing pressure on demand for mutton, beef and poultry and earning of foreign exchange.</p> <p>In order to facilitate the banks/DFIs to increase the flow of credit to this sector, SBP has developed guidelines for fisheries financing in consultation with key stakeholders. The Guidelines cover all areas of the fisheries financing including purposes and objectives of the loan both for marine and inland fisheries, eligibility of borrowers, types of financing, fixation of loan limit, repayment terms, loan monitoring mechanism, etc.</p>
2007 15-Jun	ACD-02	<p>Rationalization of Database on Agri. Credit / Discontinuation of Returns: With a view to rationalize the existing reporting requirements by banks on agricultural finance, SBP, in consultation with stakeholders, has reviewed all the data / returns being received from banks in Agricultural Credit Department in terms of variables, data dimensions, periodicity, utility, redundancies, etc. It has been decided to discontinue the existing twenty three (23) returns as against the newly proposed ten returns that shall cater to all the existing needs of agri credit data. From July onwards, only ten (10) returns will be required to be submitted to ACD.</p>

A-3 Exchange Policy

Date of Announcement	Circular No.	Policy Decision
2006 20-Jul	EDMD-11	Reporting of Demand and Time Liabilities and Cash Reserve 1) Banks were advised that MMCRS data capture screens are being revised and all concerned will be informed as soon as screens will be available for data entry. 2) Banks were requested to send information in respect of demand & time liabilities separately to EDMD through hard copy & through e-mail by 9:30 a.m. daily. Information regarding demand & time liabilities may separately be updated on each Tuesday by 10:30 a.m.
2006 20-Jul	EDMD-12	Appointment of Primary Dealers for the Financial Year 2006-07: List of institutions was announced, who were selected to act as Primary Dealer for Government Securities.
2006 31-Jul	EDMD-13	Rate of Remuneration on cash reserve requirement for deposits raised under FE-Circular 25 of 1998: Rate of remuneration for the month of August 2006, was announced on Special cash reserve account maintained with SBP for deposits raised under FE 25 of 1998.
2006 23-Aug	EDMD-14	Money Market Computerized Reporting System-New Version: All Banks / DFIs were advised that MMCRS data capture screens have been revised to capture data for separate CRR against demand and time liabilities. The new version with necessary instructions was uploaded on SBP's website. Banks were advised to download it and ensure that this new version is used for feeding day end positions, required to be reported on subsequent day by 9:30 a.m. to EDMD.
2006 31-Aug	EDMD-15	Rate of Remuneration on cash reserve requirement for deposits raised under FE-Circular 25 of 1998: Rate of remuneration for the month of September 2006, was announced on Special cash reserve account maintained with SBP for deposits raised under FE 25 of 1998.
2006 28-Sep	EDMD-16	Cut-Off time for settlement of Inter bank deals during Ramadan: Settlement timings for inter-bank deals were announced for the month of Ramadan.
2006 30 Sep	EDMD-17	Rate of Remuneration on cash reserve requirement for deposits raised under FE-Circular 25 of 1998: Rate of remuneration for the month of October 2006, was announced on Special cash reserve account maintained with SBP for deposits raised under FE 25 of 1998.
2006 17-Nov	DMMD-01	Money / FX Markets Computerized Reporting System: All Banks / PDs / DFIs / Islamic Banks were advised to ensure that MMCRS & FXCRS reports must reach DMMD through floppy diskettes/ e-mail by 9.30 a.m. on daily basis.
2006 31-Oct	FSCD-01	Rate of Remuneration on cash reserve requirement for deposits raised under FE-Circular 25 of 1998: Rate of remuneration for the month of November 2006, was announced on Special cash reserve account maintained with SBP for deposits raised under FE 25 of 1998.

Date of Announcement	Circular No.	Policy Decision
2006 30-Nov	FSCD-02	Rate of Remuneration on cash reserve requirement for deposits raised under FE-Circular 25 of 1998: Rate of remuneration for the month of December 2006, was announced on Special cash reserve account maintained with SBP for deposits raised under FE 25 of 1998.
2006 30-Dec	FSCD-03	Rate of Remuneration on cash reserve requirement for deposits raised under FE-Circular 25 of 1998: Rate of remuneration for the month of January 2007, was announced on Special cash reserve account maintained with SBP for deposits raised under FE 25 of 1998.
2007 17-Jan	FSCD-01	Revised list of Primary dealers for the financial year 2006-07: List of PDs was revised after mergers of Standard chartered with Union Bank, American Express with Jahangir Siddiqui Investment Bank and inability of Jahangir Siddiqui & Co. to work as PD.
2007 24 Jan	FSCD-02	Cut-off Timings for dealing by bank treasuries: Cut-off timings for bank treasuries was extended up to 4:30 pm from Monday to Friday and up to 1:00 pm on Saturday
2007 31 Jan	FSCD-03	Rate of Remuneration on cash reserve requirement for deposits raised under FE-Circular 25 of 1998: Rate of remuneration for the month of February 2007, was announced on Special cash reserve account maintained with SBP for deposits raised under FE 25 of 1998.
2007 16 Feb	FSCD-04	Export of Surplus Cash Dollars by Authorized dealers: Acceptance of surplus cash US dollars was restricted to Karachi office of SBP-BSC only, from February 20, 2007.
2007 28 Feb	FSCD- 05	Rate of Remuneration on cash reserve requirement for deposits raised under FE-Circular 25 of 1998: Rate of remuneration for the month of March 2007, was announced on Special cash reserve account maintained with SBP for deposits raised under FE 25 of 1998.
2007 26 Mar	FSCD-06	Foreign Exchange Exposure Limit: FEEL of banks was enhanced from 10% to 15% of their paid-up capital.
2007 31 Mar	FSCD-07	Rate of Remuneration on cash reserve requirement for deposits raised under FE-Circular 25 of 1998: Rate of remuneration for the month of April 2007, was announced on Special cash reserve account maintained with SBP for deposits raised under FE 25 of 1998.
2007 30 Apr	FSCD-08	Rate of Remuneration on cash reserve requirement for deposits raised under FE-Circular 25 of 1998: Rate of remuneration for the month of May 2007, was announced on Special cash reserve account maintained with SBP for deposits raised under FE 25 of 1998.
2007 17 May	FSCD-09	Price Calculation of Securities involved in SBP Repo Transactions: Market participants were informed that from 19 May, 2007 SBP will use market rate instead of transaction rate in calculating the price of securities involved in SBP repo transactions (OMO mop-up/injection, discounting).
2007 23 May	FSCD-10	Primary Dealer Selection for the year 2007-08: Applications were invited from interested financial institutions for appointment as Primary dealer for Government Securities for the financial year 2007-08.

Date of Announcement	Circular No.	Policy Decision
2007 31 May	FSCD-11	Rate of Remuneration on cash reserve requirement for deposits raised under FE-Circular 25 of 1998: Rate of remuneration for the month of June 2007, was announced on Special cash reserve account maintained with SBP for deposits raised under FE 25 of 1998.
2007 30 Jun	FSCD-12	Rate of Remuneration on cash reserve requirement for deposits raised under FE-Circular 25 of 1998: Rate of remuneration for the month of July 2007, was announced on Special cash reserve account maintained with SBP for deposits raised under FE 25 of 1998.
2006 08-Jul	FE-08	Nostro Accounts With Exchange Companies Abroad and Sale of Foreign Exchange in the Interbank Market: It has been decided that Nostro Accounts with Exchange Companies abroad will be closed latest by 25th July 2006. Accordingly, FCYs on account of home remittances or against export of foreign currencies (other than US \$) should either be received in Exchange Company's Nostro Accounts with the Banks abroad or in FCY A/Cs maintained with Banks in Pakistan. Exchange Companies will be further required to report, on transaction-to-transaction basis, export of foreign currencies (other than US \$) and date of receipt of credit, the name of branch & the bank.
2006 14-Jul	FE-09	Remittance of Membership/Affiliation Fee to Professional Bodies/Principals Abroad: Authorized Dealers are allowed to make remittances on behalf of individuals covering subscriptions or membership fee at actual, to bona fide scientific, technical, professional and educational Institutions abroad. With a view to further enhance scope of this permission, it has since been decided that in addition to the individuals, the above facility will also be available to institutions/professional bodies in Pakistan with international affiliations.
2006 21-Jul	FE-10	Trading Through Special Convertible Rupee Account (SCRA): Trade in shares in Futures Market is allowed through Special Convertible Rupee Account (SCRA) subject to the following procedure: <ul style="list-style-type: none"> A separate sub-account under SCRA shall be opened by foreign investors through which an investor will route receipts/payments, initial margin, mark-to-market settlement, transaction charges, commission, fees etc. Authorized Dealers shall report information on market value of foreign investments through future trading in their weekly returns to the Statistics Department on the revised proforma.
2006 03-Jul	EPD-10 Circular Letter	6% Research and Development Support to the Garments Industry: In accordance with MoC's decision, 6% R&D support to garment industry was also allowed on export of readymade textile garments from EPZ units on the production of bank certificate that the export proceeds of R&D Support claims have been received in Foreign Currency.

Date of Announcement	Circular No.	Policy Decision
2006 01-Aug	EPD-12 Circular Letter	<p>Procedure for Disbursement of Subsidy on the Imported Whole Gram Black:</p> <p>Ministry of Food, Agriculture and Livestock have clarified that the subsidy of Rs. 8 per Kg on imported whole gram black (for splitting into Dal Channa) is available on import of gram/ chick peas having botanical name as Cicer Arietinum. Yellow peas are not eligible for the said subsidy.</p> <p>Authorized Dealers are, therefore, advised to ensure before forwarding subsidy claims that the evidence by the concerned agency of the exporter's country should be submitted showing botanical name of the gram/chick peas being imported as "Cicer Arietinum".</p>
2006 04-Aug	EPD-13 Circular Letter	<p>Agency Agreements of Exchange Companies with Foreign Entities Abroad: Exchange Companies were required to close their Nostro Accounts with Exchange Companies abroad latest by 25th July 2006. Accordingly all permissible inflows/ outflows of Exchange Companies are only to be routed through either their Nostro Accounts with banks abroad or their FCY Accounts maintained with Commercial Banks in Pakistan. Thus, Funds against all individual inward remittances must first be received in Exchange Company's accounts as above and all outward remittances must also be separately accounted for</p>
2006 21-Nov	EPD-21 Circular Letter	<p>ACU Transactions in Accordance With the ACU Mechanism: It has been observed that during the course of ACU transactions, Commercial Banks face difficulty in maintaining an efficient and prompt operational relationship with correspondent banks due to the following reasons:</p> <ul style="list-style-type: none"> • Reconciliation problems as Banks do not receive comprehensive bank statements regularly/timely from their correspondent banks. • Settlement problem as some correspondent banks do not answer promptly to the queries made by local commercial bank. • No compensation even if the delays are due to lapses of the correspondent banks. <p>In order to tackle such difficulties, Authorized Dealers are advised to ensure the Improved services of the banks and act promptly to any queries raised by their counterparties in ACU countries and Issue ACU Dollar account statements as and when a transaction occurs.</p>

A-4 Payment System

Date of Announcement	Circular No.	Policy Decision
2006 01-Jul	PSD- 01 Circular Letter	Amendments in Annexure-II of Master Circular of Payment Systems' Statements: In order to capture data pertaining to basic, supplementary and cancelled cards, amendments have been made in variable 9-12 Annexure II of Master Circular.
2006 20-Oct	PSD- 02	Management of ATM Cash and Downtime: To minimize the incidents of ATMs out of cash/service and to ensure continuous availability of ATM facility particularly during the days of 1 st of Ramadan, Eid holidays and other long weekends.
2006 18-Dec	PSD- 03	Utility Bills Payments on ATMs: To offer facility of utility bills payment across ATM network in phases. In the first phase by January 31, 2007, the bank will provide this service through their own ATMs and in the second phase, utility bills can be paid through any ATM linked to any of the Switches. All member banks will be hooked through their respective switch for centralized accounts maintenance & payment to utility bills companies.
2007 12-Jan	PSD-01 Circular Letter	Refund of Charges on Failed Transactions: All member banks of 1-LINK and MNet Switches to refund the charges deducted on failed transactions including partial/full cash retract along with the amount of such failed transactions

B-1

Central Board Decisions and Deliberations during 2006-07

The key matters where decisions were taken by the members of the Central Board of Directors are given as under:

Corporate Governance

1. Reorganization of SBP
2. Reconstitution of Committees of the Central Board
3. Nomination on NIBAF Board
4. Annual Performance Review of SBP 2005-06 (Volume-II)
5. Meeting fee of the Directors of the Central Board
6. Re-appointment / Appointment of Directors of the Central Board of SBP
7. Nomination/Re-nomination of Directors on the Central Board of State Bank of Pakistan
8. Appointment of Mr. Yaseen Anwar, Deputy Governor (CS), SBP
9. Re-appointment of Mr. Mansur-ur-Rehman as Deputy Governor

Monetary Policy & Research

1. NCCC-Meeting
2. Credit Plan for FY-2006-07 and Monetary Policy Statement
3. Restructuring of National Credit Consultative Council (NCCC)
4. Monetary Policy Statement (Jan-June,2007)-Mid Term Review
5. The State of Economy – Annual Report of SBP 2005-06 (Volume-I)
6. The State of Pakistan's Economy – Third Quarterly Report FY2005-2006
7. The State of Pakistan's Economy – 1st Quarterly Report FY – 2006-07
8. Pakistan Financial Services Report-2005
9. Results of Consumer Confidence and Business Tendency Surveys
10. The State of Pakistan's Economy – 2nd Quarterly Report FY – 2006-07
11. The State of Pakistan's Economy – 3rd Quarterly Report FY – 2006-07

Banking

1. Banking System Review for the year ended Dec, 2005
2. Quarterly Performance Review of the Banking System for the quarter ended March 31, 06.
3. Report on Suo Moto Case No 4/2006- Proper seating arrangements in the Commercial Banks for the depositing of Utility Bills.
4. Memorandum of Understanding between SBP and SME Bank for Repayment of SBP liabilities due to SME Bank
5. Re-imbursement of bonafide losses in respect of Agricultural Loans Guaranteed by ABL, MCB, NBP, UBL during the year 2001 under the State Bank of Pakistan's Guarantee Scheme
6. Quarterly Performance Review of the Banking System June30, 2006
7. Quarterly Performance Review of the Banking System for the Quarter ended Sept, 2006.
8. Banking System Review – 2006

Financial Markets and Reserve Management

1. Transfer of Custodial Services from HSBC Provident Fund Trustee Hong Kong Ltd. to the Bank of New York.
2. Engagement of Investment Consultant M/s Mercer on Retainer

Corporate Services

2. SBP Memorial Chairs in Economics at various universities-Revision of the Scheme
3. Hiring of Advisor to the Governor on various matters
4. Hiring of Special Counsel
5. Appointments in the Bank
6. Revision in Salaries of SBP Employees-2006
7. Increase in Pension-2006
8. Reorganization of State Bank of Pakistan
9. Creation of Salary Scale for Director's position and new salaries for the positions of Directors Executive Directors
10. Selection/Appointment of Corporate Secretary
11. Review of HR related policies
12. SBP Compension-2007
13. Subsistence grant during the suspension period
14. Promotion Policy 2006 for OG-2 & above position
15. Amendments in the SBP Staff Regulation -2005
16. Interpretation of Promotion Policy-2006 for OG-2 and above position
17. Promotion of OG-1 Employees to OG-1 positions under the Internal Job position Concept
18. New Compensation and Benefits Structure-2007
19. Voluntary Separation Scheme (VSS-2007)
20. Voluntary Separation Scheme – 2007 for OG-1 and below grade employees
21. Implementation status of New Compensation and benefits Structure
22. Anomalies in Promotion Policy-2006
23. Creation of Trust and Regulations of new funds under new compensation and benefit structure
24. Enhancement of maximum limit of the old salary scales in SBP
25. Conveyance charges & Daily Allowance (DA) – Revision of
26. Revision of Staff Loan Policy
27. Enhancement in the Ways and Means Advance Limit of AJK
28. Enhancement in the Ways and Means Advance Limit of the Punjab Government
29. Amendments in Public Procurement Rules-2004
30. Electrical works of SBP New Office Building Complex at Sialkot – Award of work
31. Revision of State Bank of Pakistan Expenditure Regulations-2004
32. Approval of consolidated Annual Accounts of the Bank for the Year ended 30 June, 2006
33. Proposals for Expenditure Capital Budget for SBP & its subsidiaries FY 2006-07
34. Sale of old State Bank Building at Nabha Road to Supreme Court of Pakistan

35. Actual Profit & Loss for July to September 2006 Quarter and Estimates for the
36. October 2006 to June 2007
37. 35.. Subscription of Right shares for Rs. 440 million in Pak-Libya Holding Company Ltd
38. Review of Budget vis-à-vis Expenditure from July to September 30 ,2006
37. Re-allocated Budget – Fiscal Year 2006-07
38. Electrical works of SBP New Office Building Complex at Sialkot- Award of work
39. Agency agreement between the State Bank of Pakistan and National Bank of Pakistan
40. Actual Profit & Loss for the Half year July to December 2006 and Estimates for January to June, 2007
41. Appointment of Auditors & Fixation of their fee FY 2006-07
42. Actual Profit & Loss for the Period ended 31st March-2007 and Estimates for the Quarter April to June, 2007
43. Provision/Appropriation requirements for FY 2006-07
44. Review of Budget vis-à-vis actual Expenditure from July 01, 2006 to March 31, 2007
45. Establishment of fund for funding Beautification and Reconstruction of I.I. Chundrigar Road.
46. New Design Bank Notes
47. Reassessment of Provincial ways and means advance limit
48. Re-evaluation of Gold and IMF Fund position on monthly basis
49. Disaster Recovery Site – Determination of

B-2 Business Continuation Management

In critical times a central bank will need to lead, consult and participate in an appropriate response to crises. Pro-active Business Continuity Management (BCM) plays a significant role in ensuring that the central bank can fulfill its own role and that of the community it serves. BCM ensures that the essential functions of business can be carried out despite an emergency. In a nutshell, BCM is an umbrella for all activities planned and implemented before, during and after the event. The ability to perform under pressure is the hallmark of smart, organized and professionally managed institutions. In the case of State Bank of Pakistan, its inherent capacity to operate under any business circumstances would be critical. The provision of mission-critical & time sensitive services and a seamless transition from unusual to usual operations determines the robustness of financial system and builds confidence amongst the stakeholders. To further improve our Business Continuity Program significant initiatives have been taken in the field of Business Continuity during the last one year. These initiatives include organization of BCM workshops, development of BCP Communication Cards and up-gradation of BCP Book I & II.

Workshops on Business Continuity Management: An extensive training program was initiated in which four workshops were organized at Karachi, Multan, Lahore and Islamabad where around 225 officers from State Bank and the field offices participated. The underline objective of the workshop was to:

- Promote Business Continuity Culture and Create awareness about BCP.
- Equip BCP coordinators with the knowledge and skills of Business Continuity Planning, management and the relevant processes, procedures and policies.
- Understand the need and importance of maintaining an effective BCP.

Development of BCP Communication Cards: The BCP communications cards have been developed. The purpose of developing these cards was to ensure that in the event of a disaster, where people are unable to act in a planned manner, could be aware of the key people to contact. These BCP cards also clearly elaborate on the responsibilities of various committees responsible for managing the situation under crisis, a brief on what-to-do and information on the activation levels.

Version Up-gradation of BCP Books: Business Continuation Plans Book-I for critical departments of SBP & SBP-BSC and Book-II for SBP-BSC field offices was initially developed in year 2002. In light of the restructuring at SBP it was felt that these plans need to be up-graded and the activity to up-grade the plans were undertaken. In the up-graded version new chapters have been included which give an introduction of BCP, emphasize on risk identification and provide guidelines on Testing and Updation. It also include annexure which elaborate on emergency response instructions for all staff with reference to fire, bomb, flooding, on hearing an alarm, handle bomb threat call and emergency contact numbers. All the previous chapters were revised and updated according to current requirements.

B-3 Risk Based Audit Approach

The Internal Audit & Compliance Department (IA&CD) at State Bank of Pakistan conducts financial, operational and information systems audits of SBP operations. IA&CD performs independent checks for compliance with policies, guidelines, laws & regulations, evaluates the reliability of financial records and the security of information systems in SBP. In addition to recommending improvements in internal efficiencies, IA&CD also works with other departments to review the controls in new systems and business processes.

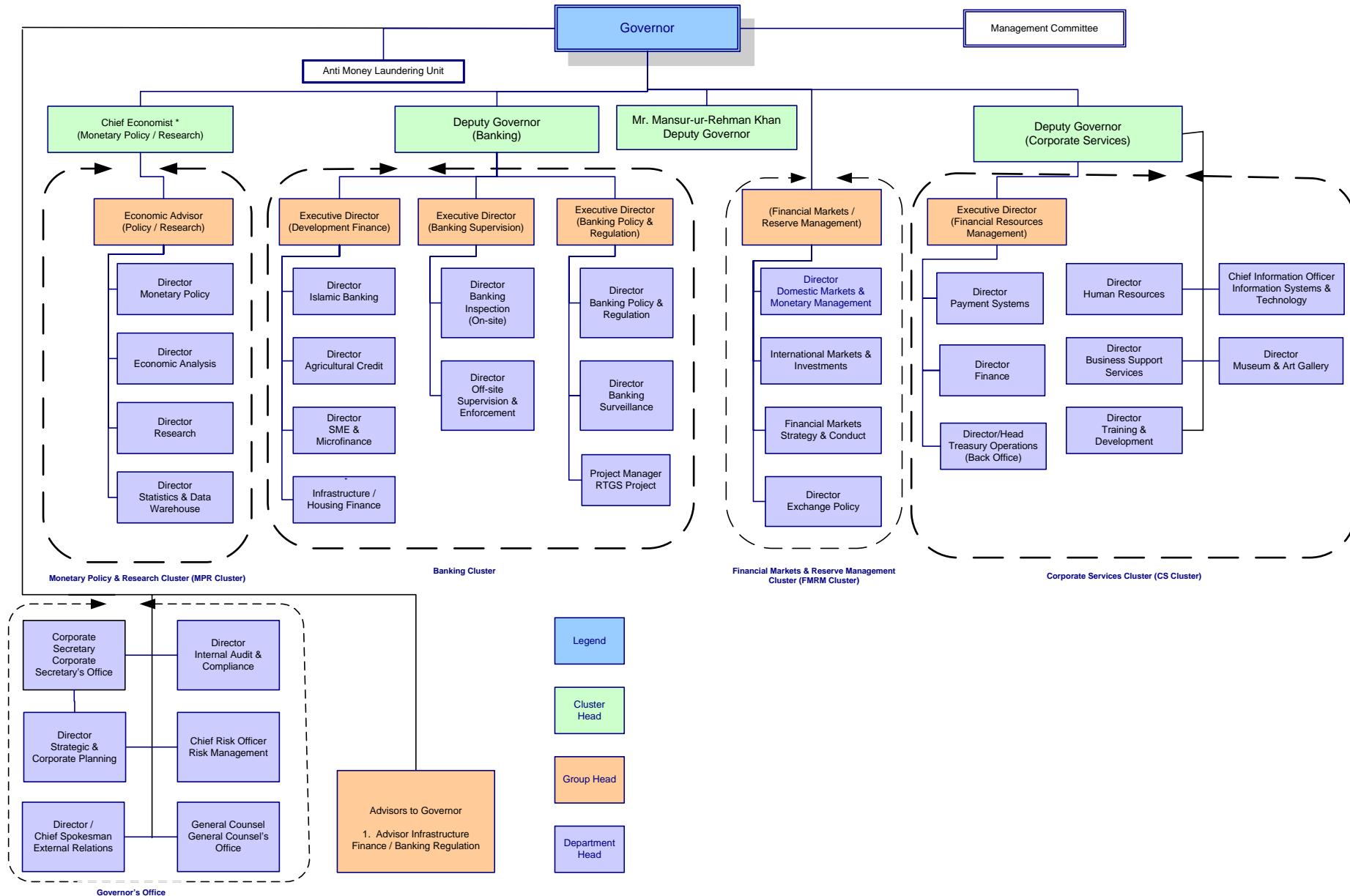
The objectives of audit department include among others, advising and recommending senior management improvements in internal control and risk management systems. IA&CD reviews the effectiveness of internal controls employed by each department once in a year in order to reduce noncompliance and provides independent appraisal on the activities of SBP aiming to add value, improve operational efficiency, risk management and internal control systems. All this contributes towards minimizing all types of Risks and generally contributes towards efficiency improvement.

The Risk based internal audit approach is followed in accordance with the Internal Audit Charter approved by the Governor SBP. Additionally, the department has different operational Manuals which help in conducting annual internal audits of SBP departments. In order to streamline the departmental functions and to achieve the objectives on time, separate divisions for financial / operational Audit, IT audit and Compliance have been created with clearly defined roles and responsibilities. An Audit sub-committee of the Board is also carrying out oversight of Financial Statements and Internal Audit functions.

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State Bank of Pakistan - Organization Structure

As On Jun 30, 2007



D Management Directory

Name	Designation	E-Mail	Phone
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