

Banking Services to Governments and Banks



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As a statutory obligation on behalf of State Bank of Pakistan, the SBP Banking Services Corporation carries out the operational work relating to the banker to Governments and banks through its 16 Field Offices and a wide network of National Bank of Pakistan branches all over the country. SBP BSC's Accounts Department also prepares annual accounts, manages preparation and monitoring of yearly budget of the Corporation.

1.1 Overview

SBP BSC, under Section 21 of SBP Act 1956 read with Section 15 (3) e of SBP BSC Ordinance 2001, provides various types of banking services to the Federal, Provincial and District Governments through its 16 Field Offices all over the country (**Box 1.1**).

Box 1.1: Services Provided to Governments, Banks and Non-bank Financial Institutions

- Collection of revenues and payments on behalf of Government Departments.
- Reporting of transactions to Federal Board of Revenue (FBR) through online network, on a daily basis, under Collection Automation Program (CAP).
- Facilitating Government Departments for settlement of payments and receipts through National Bank of Pakistan (NBP) and Bank of Punjab (BOP) as agents of SBP.
- Operational work relating to public debt transactions.
- Maintenance of current accounts of commercial banks and Non-bank Financial Institutions (NBFIs).
- Remittance facilities to Governments and financial institutions for transfer of funds.

1.2 Management of Governments' Accounts

As a part of its core functions, SBP BSC maintains the accounts of Federal/Provincial/Local Governments and is responsible for the consolidation of receipts and payments made on their behalf. Data pertaining to Governments' transactions is reported to the concerned external stakeholders (i.e. Accountant General of Provinces, Accountant General Pakistan Revenue (AGPR) and Pakistan Railways etc.) The position of balances is also provided to SBP's Finance Department on a daily basis for onward submission to the stakeholders.

During FY16, around 7.95 million transactions of Government payments/receipts were processed by SBP BSC Field Offices as compared to 7.06 million in FY15, showing a 13% rise (**Table 1.1**).

Being an operational arm of SBP and facilitator of payment and settlement system, SBP BSC provides operational support to Payment System Department (PSD) of SBP. As a part of SBP's vision 2020, the PSD and Accounts Department are jointly working on: a) collection of Government taxes through Alternative Delivery Channels (ADCs) like Automated Teller Machines (ATMs) and Mobile Banking etc. and b) for establishing industry standards to ensure ongoing security, integration and interoperability of various payment systems.

Table 1.1: Government Receipts/Payments Transactions (million transactions)			
Transactions	2013-14	2014-15	2015-16
Receipts	2.26	2.97	3.74
Payments	4.01	4.09	4.21
Total	6.27	7.06	7.95

Accounts Department is also coordinating with Finance Department and AGPR with a view to implementing a single solution from issuance of cheques by different Government departments and reporting reconciliation of payments made against these cheques by different Field Offices. A test phase of the project was started at Islamabad Field Office, and upon getting promising results, similar test projects are being initiated at Karachi, Lahore, Peshawar and Quetta Field Offices. Plans are underway to roll out this solution at all Field Offices shortly. Implementation of this solution will not only improve the operational efficiency of SBP BSC, but also enable the Government to have the desired reporting/information on real-time basis.

1.3 Reporting of Zakat Balances

Consolidation, maintenance and reporting of Zakat Account to the Ministry of Religious Affairs is one of the important functions of SBP BSC. During the year under review, around Rs 7.48 billion Zakat was collected and deposited with SBP BSC by various institutions as compared to Rs 5.75 billion last year, showing an increase of 36%.

1.4 Reporting of Federal Board of Revenue Transactions

One of the vital tasks performed by SBP BSC is collection, consolidation and reporting of data regarding Federal Board of Revenue (FBR) taxes. In order to streamline the reporting of tax collected by the Field Offices as well as to facilitate the tax payers in obtaining evidence of tax deposit promptly, the SBP BSC has been using Collection Automation Project II (CAP-II)-a system of FBR since 2011-which has largely ensured reporting of tax collection to FBR on real time basis.

The tax revenue collected by SBP BSC Field Offices & network of NBP branches and credited to the concerned accounts of the Federal Government during FY16 was around Rs 3,183.3 billion as compared to Rs 2,636.9 billion in FY15, resulting in an increase of about 21%. Details are given in **Table 1.2** below.

Table 1.2: FBR collection (million Rupees)								
Head of Account	Receipts				Payments			
	FY13	FY14	FY15	FY16	FY13	FY14	FY15	FY16
Sales Tax	849,880	1,010,756	1,113,551	1,344,682	29,025	32,028	43,294	33,806
Federal Excise	131,428	150,688	165,151	187,148	532	323	369	532
Customs	245,350	263,347	334,594	452,491	10,462	9,845	9,569	12,607
Income Tax	747,297	880,361	1,023,605	1,199,019	21,151	24,486	15,107	13,292
Total	1,973,955	2,305,152	2,636,901	3,183,340	61,170	66,682	68,339	60,237

Note: The totals may exhibit slight difference due to separate rounding off.

1.5 Banker to Banks

SBP BSC operates current accounts of banks to facilitate both cash reserve computations by SBP and also for day-to-day operational requirements of banks. These accounts are operated by the authorized representatives of banks according to the powers prescribed in Power of Attorney (POA) delegated to them by the competent authority of the concerned banks. However, due to open ended nature of the document, various flaws were noted by the Internal Audit Department (IAD) in the Power of Attorney submitted to different Field Offices by banks. In order to facilitate banks, SBP BSC has now issued a Standardized Power of Attorney. This initiative has been widely appreciated across the board by banks as various ambiguities pertaining to POA have now been resolved.

1.6 Clearing House Services

SBP BSC supports SBP in carrying out the supervision of automated clearing services provided by National Institutional Facilitation Technologies (NIFT) in order to process and settle transactions between commercial banks across the country. During FY16, about 66.9 million instruments were processed through NIFT as against 78.3 million in FY15.

Clearing House membership has also been allowed to Micro Finance Banks (MFBs) during the year, which has brought MFBs at par with commercial banks. This year alone about 41 memberships were allowed across SBP BSC.

1.7 GL/Reconciliation

Accounts Department is responsible for accounting and financial functions including the preparation and monitoring of SBP BSC budget. Accordingly, the International Financial Reporting Standards (IFRS) compliant financial statements for FY15 were issued during the year under review. In pursuit of implementing the best accounting practices at par with international standards, the department has also developed/revised various policies in Budgeting, Reconciliation, Asset Management, Internal Monitoring etc. Additionally, various in-house analysis were conducted during the year, in coordination with the Human Resource Management Department (HRMD) and SBP's Information Technology Department (ITD).

1.8 Future Outlook

The future outlook of SBP BSC in Banking, Payment Systems, Accounting and Finance is derived from SBP's Strategic Plan for 2016-20. SBP BSC will also implement the recommendation made in the Policy Paper, which has recently been approved by the Board about the Corporation's future role in ensuring its organizational growth. Some of the initiatives already undertaken and aimed to be undertaken by Accounts Department will be in respect of the following projects:

1. Implementation of automated payment solution for Government Banking i.e., Financial Accounting and Budgeting System (FABS).
2. Enhancing the ambit of clearing to all the participants of banking sector.
3. E-banking solutions and process efficiency through consolidation of Government cheques.
4. Standardization of Government cheques with adequate security features.
5. Expanding the role of SBP BSC for Government business.
6. Strengthening the risk management practices at SBP BSC.
7. Improving financial discipline across SBP BSC.
8. Assisting new agent(s) of SBP for conducting Government business.
9. Other initiatives for enhancing operational effectiveness and efficiency.

1.9 Major Achievements

Major achievements during the year under review, are mentioned below:

Box 1.2: Major Achievements

1. Initiation of sales tax collection by SBP BSC Offices; saving of Rs 42.15 million in agency commission payment by SBP on account of collection of Rs 35.12 billion during FY16.
2. Facilitation and coordination with AGPR in implementation of parallel run of FABS system for Government payments at Islamabad Field Office.
3. Devised Control Procedures in consultation with FEOD, Finance Department, DMMD and BID for reimbursement of Government LC claims by banks to counter the exchange rate differential.
4. Coordinated with PSD for allowing Clearing House Membership to Micro Finance Banks and its implementation at SBP BSC Field Offices.
5. Submission of proposal for establishing custom booths at various collection points. (Significant savings in commission are anticipated at Custom House Branch, Karachi. Similar other options are being explored.)
6. A proposal for standardization of Government cheques is under approval phase.
7. Initiation of E-Stamping collections through Bank of Punjab (BoP).