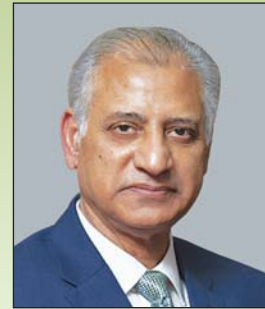


Message from Governor, SBP – Chairman, Board of Directors of SBP BSC

I have always believed that being a fully owned subsidiary with presence in fifteen key locations of Pakistan and also one in AJK, the SBP Banking Services Corporation has much potential for the State Bank to achieve its objectives as a central bank of the country. Ever since assuming the charge of Governor in 2014, I had plans to make SBP BSC a vibrant institution so that its full potential can be explored for the benefits of BSC and SBP as well as the entire nation. For this purpose, I have been overseeing the development of BSC, automation of its operations, particularly in currency management, government banking, and foreign exchange operations. I have also been paying my utmost attention to the institutional structure of BSC and the need to change its law to make it more vibrant and efficient.



I am glad that the outgoing year has remained an eventful year for SBP BSC because the Corporation achieved many key milestones. To name a few: essential amendments in its Ordinance, restructuring of the Corporation into groups at Head Office level and regions at Field Offices level. I feel extreme pleasure in sharing with the readers that the amendments in SBP BSC's Ordinance have been cleared by the Ministry of Law and Justice and now it awaits Cabinet's approval before its submission to the Parliament for enactment as per procedure. The restructuring of SBP BSC as approved by its Board of Directors, has paved the way for creation of posts in Officer Grade 8 and 7, thus providing a full ladder of career progression to SBP BSC Officers which was restricted up to Officer Grade 6 level only. The year also saw the first officer from within the SBP BSC who has been promoted as Officer Grade 7. Job descriptions, Key Performance Indicators of key line management staff have also been sharpened.

I may state here that both SBP BSC and SBP have jointly started the journey for automation of currency operations in February 2015 by holding a Currency Conference at Lahore which was attended by experts from few international organizations, local banking sector and the Pakistan Security Printing Corporation. To ensure development of our strategy for automation of currency operations in the country, a number of opportunities of exposure visits of different central banks, seminars, workshops etc; were provided to officers of SBP BSC, in particular, and SBP in general. I am glad that these visits helped the Banking Services Corporation and the State Bank of Pakistan to jointly develop a comprehensive Currency Management Strategy that was announced by SBP in August, 2015.

Under Currency Management Strategy, major focus remained on automated management of currency notes in the banking sector. This year, two Banknote Processing & Authentication Systems (BPAS) have been procured and successfully installed at Karachi, which are capable of end-to-end high speed currency note processing including counting, authentication, online shredding and briquetting. This would also help in mitigating and managing the risk of counterfeit currency notes. SBP BSC has also enhanced its efforts for automation of foreign exchange operations and has successfully achieved automation of Export Form (E-Form) in Web-Based One Customs (WeBOC) with the active coordination of Exchange Policy Department and the Pakistan Customs. Similar efforts have also been started for automation of I-Form. The Bank is also coordinating with Federal and Provincial Governments for a single solution for online issuance of cheques, payments and reconciliation with the active coordination of Finance Department. For the purpose, a pilot project is being tested. The management has also suggested improvements in Expenditure Regulations, based on the current business requirements, which has recently been approved by the Board.

During the year, premature retirement of the ageing workforce at SBP BSC continued to pose a challenge, however, the management has been making noticeable efforts for meeting the gap by strategically hiring fresh graduates as OG-1 and OG-2, who are more familiar with IT infrastructure and can achieve the same results, perhaps even better, with much lower staff strength. The Bank

has also undertaken the first Employee Engagement Survey this year and I am glad to state that the employee engagement level at SBP BSC is 59%, which is quite close to the global average of 62%. I am pleased that SBP BSC has been complementing SBP's efforts for expanding the financial inclusion. However, I will urge the SBP BSC Managing Director and his team to continue making rigorous efforts to raise the bar further and keep up the good work. I may add here that the key for reaching the higher echelons is to develop the skills of HR capital, use of technology in a more efficient manner and improve the business processes while inculcating the accountability culture.

The role of SBP BSC in managing common services in the area of procurement, provision of medical services, security of human resources of SBP, SBP BSC and NIBAF and assets of these institutions across Pakistan, besides provision of engineering related services for our existing buildings and the designing of new premises at different locations also need specific mention, though I expect the BSC to make strenuous efforts for further improvements.

I would like to express my gratitude to SBP BSC's Board of Directors for its support and cooperation towards enhancing the role of SBP BSC as per its mandate. While appreciating the efforts of the Managing Director, his team comprising Directors and Chief Managers, Officers and Staff of SBP BSC, I hope that they would continue to work for achieving further higher goals towards betterment of both the State Bank of Pakistan and SBP Banking Services Corporation.

ASHRAF MAHMOOD WATHRA

Governor

State Bank of Pakistan