

27<sup>th</sup> February, 2006

**ALL COMMERCIAL BANKS TO INTRODUCE BASIC  
BANKING ACCOUNTS FROM 1st MARCH, 2006**

All commercial banks operating in Pakistan will introduce the Basic Banking Accounts (BBA) facility from 1<sup>st</sup> March, 2006. This was decided at a meeting of the Pakistan Banks' Association (PBA) held under the chairmanship of the Governor, State Bank of Pakistan, Dr. Shamshad Akhtar at SBP, Karachi today.

The Basic Banking Accounts facility has the following features:

- The minimum initial deposit will be Rs 1000.
- Will be non-remunerative account.
- No limit on minimum balance. In cases, where balance in BBA remains 'nil' for a continuous six-month period, such accounts will be closed.
- No fee for maintaining BBA.
- Maximum two deposit transactions and two chequing withdrawals are allowed, free of charge, through cash/clearing per month.
- Unlimited, free of charge, ATM withdrawals from the banks' own ATMs. In case of withdrawal from BBA through the ATM machines of other banks, the respective/other bank may recover charges for such transactions.
- For the existing banking accounts, banks may get the consent of all their customers whether they wish to maintain a BBA with them or a regular full service banking account with its accompanying terms and conditions. In case an account holder does not give his/her consent for a BBA, his/her account will be treated as a regular full service banking account.
- Statement of account will be issued once in a year.

It was decided in the meeting that the banks will disclose prominently as to whether the credit extended by them is on fixed or on floating basis. Banks will print in bold letters their mark up rates, wherever disclosed, on their forms and advertisements for the benefit of the customers.

The meeting also decided that banks must inform their customers about the insurance premium being charged by them on credit cards/ATMs. It was emphasized by the State Bank that the banks can charge insurance premium only with the written consent of their customers. The meeting decided to switch over to the new system of reporting to the CIB as quickly as possible.

The Governor informed the meeting that the technical work on Real Time Gross Settlement (RTGS) System was advancing steadily. It needs to be accelerated, she added. The trial run of the system would commence by the middle of this year. She

informed the PBA that SBP plans to hold a comprehensive briefing for CEOs and the relevant RTGS Coordinators on RTGS. Both SBP and the financial industry need to prepare themselves adequately for eventual adoption of RTGS.

A working group comprising the PBA, Operation Managers of banks and the State Bank and SBP BSC officials has been set up to look into the modus operandi in exchange of soiled/cut/mutilated/claim notes as well as sale and encashment of prize bonds.

Briefing the participants of the meeting on the Basel II, Dr. Shamshad Akhtar said that the SBP has a road map for the implementation of Basel II in Pakistan. She stressed the need of periodic consultations between the PBA and the State Bank on the implementation of Basel II in the country. She added that the PBA & State Bank should closely work in meeting the Basel II timetable.

Answering a question of one of the participants, the Governor informed the meeting that there is no change, in principle, in the Branch Licencing Policy of the State Bank. However, she pointed out that the State Bank will carefully examine the branch expansion plan of individual banks. She pointed out that some of the banks had not fulfilled their last year's targets of opening of branches. She impressed upon the banks to strengthen their existing branches to provide better quality services and better integrate them with their head offices. Dr. Akhtar asked the banks to open new branches in far flung areas to cater to the needs of rural population. Banks must avoid expansion and concentration of their branches in big cities only, the Governor added.

The meeting was attended, among others, by the Deputy Governor, State Bank of Pakistan, Mr. Tawfiq A. Husain, Managing Director SBP BSC, Mr. Liaqat Durrani, Directors of Banking Policy, Banking Supervision, Banking Inspection and Small & Medium Enterprises Departments of the State Bank and a fifteen-member Executive Committee of the PBA led by its Chairman Mr. Naved A. Khan.

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