

*November 24, 2007*

**State Bank issues draft**  
**“Branchless Banking Guidelines”**

The Governor, State Bank of Pakistan, Dr Shamshad Akhtar today announced the launching of Branchless Banking (BB) by using delivery channels like retail agents, mobile phones etc. This represents a significantly cheaper alternative to conventional branch-based banking and allows financial institutions and other commercial players to offer financial services outside traditional banks’ premises. BB can be used to substantially increase the financial services outreach to the un-banked communities. Provision of enabling regulatory environment by careful risk-reward balancing is necessary to use such models.

In line with its responsibility to promote financial inclusion without risking the safety and soundness of the banking system, the State Bank issued a policy paper on regulatory framework for mobile banking in Pakistan which stipulated SBP’s strategy for promoting branchless banking in Pakistan. SBP has now prepared draft guidelines as part of the broader strategy to create enabling regulatory environment to promote Bank-led Model of branchless banking and sought comments from all the stakeholders. The primary audiences of these draft guidelines are financial institutions (Commercial Banks, Islamic Banks, Microfinance Banks and Development Finance Institutions) desirous to undertake branchless banking. However, as financial institutions cannot take on BB without the help of other market players like telecom companies, technology service providers, agents etc., the comments of such other parties on the draft will also be welcomed.

These draft guidelines outline permissible branchless banking activities and necessary requirements and procedures for conducting these activities. Guidelines also contain sections defining key roles and responsibilities, use of agents for conducting branchless banking activities (including cash deposit and withdrawal), use of third party service providers, data & network security, risk management program and customer protection and awareness. A salient feature of these guidelines is the introduction of ‘Risk Based Customer Due Diligence (CDD)’ which rationalizes the KYC/CDD requirements with the levels of risk exposures.

As part of its consultative approach and to take all stakeholders in confidence, SBP has asked for feedback/comments on these guidelines by December 10, 2007. Detailed Guidelines are available on SBP website: [www.sbp.org.pk](http://www.sbp.org.pk). State Bank plans to finalize these guidelines by December 31, 2007.

\*\*\*\*\*