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SBP decides to implement International Bank Account Number (IBAN) Standard in Pakistan

The State Bank of Pakistan (SBP) has decided to implement International Bank Account Number (IBAN) standard in the country with a view to bringing about account code standardization and efficiency in processing of payments for domestic as well as cross border transactions.

The IBAN guidelines issued by SBP today contain details for IBAN generation, validation and implementation timelines. These guidelines have been developed in consultation with Pakistan Banks' Association (PBA) nominated committee on IBAN. All participants have been advised by SBP to ensure implementation of IBAN as per given timelines.

According to the guidelines, the IBAN, an international standard (ISO 13616) for identifying bank accounts across borders and will be implemented in two phases. In the first phase, all banks shall generate and notify IBAN to all their customers by December 2012. In the second phase, IBAN account numbers will be operationally used (capturing, recognition, processing, validation, transfer) both for domestic as well as for international financial transactions by June, 2013.

It may be pointed out that IBAN is made up of two components. The first component is comprised of a country code and check digit and the 2nd component is called Basic Bank Account Number (BBAN). The check digit mechanism in an IBAN compliant account number will validate the accuracy of account number at the point of transactions entry at the remitting institutions (domestic or international).

The benefits of IBAN are as under:

- A bank account standard across Pakistan will bring more efficiency in payment processing by enabling the payments/clearing systems to electronically validate account numbers and to decide the route a payment should take without manual intervention.
- Elimination of delays in credit transfers originating from IBAN compliant countries to Pakistan as same are delayed, sometimes for several days due to manual intervention required for sending credit transfers to non IBAN compliant account numbers.
- IBAN implementation will help in bringing more efficiency in remittance related transactions as a significant percentage of these transactions are rejected due to inaccurate account numbers information. Account validation at remitting institution due to IBAN's check digit mechanism will significantly reduce errors related to account numbers.

The State Bank has asked the banks to generate and issue IBAN to its account holders. Banks should encourage customers to use/quote their IBAN number in all financial transactions during

the transitional period. Banks are further advised to develop online utilities for converting their account numbers to IBAN in order to facilitate their account holders besides quoting IBAN number in account statements issued to each account holder. Moreover, the beneficiary customer should notify ordering customer of their IBAN.

According to the guidelines, the financial institutions should validate the IBANs at the time of entry of the transaction in their system both for sending and receiving customers. (The complete IBAN guidelines are in the attachment and also available on SBP website: <http://www.sbp.org.pk>)
