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## **SBP steps to create sound & vibrant financial culture in the country: Yaseen Anwar**

The steps taken by the State Bank of Pakistan (SBP) to promote financial literacy & inclusion and capacity building of the banking sector professionals will be highly useful in creating a professional, sound and vibrant financial culture in the country.

This was stated by the Governor, State Bank of Pakistan, Mr. Yaseen Anwar while addressing the annual Chartered Financial Analyst (CFA) Convention & Excellence Awards ceremony which was organized by CFA Association of Pakistan at a local hotel in Karachi last night. 'The State Bank looks forward to working with you and the whole community towards achieving our shared goals of economic growth and social prosperity,' he added.

He said the SBP has been on the forefront in promoting sound corporate governance practices and fair competition in the banking sector by introducing various reforms and prudential regulations. The SBP has implemented a comprehensive corporate governance regime for the banks, which is supported by a robust legal and regulatory framework, risk-based supervision and detailed banking sector reforms, notably, privatization, liberalization and consolidation of banks.

'The measures taken by SBP have enabled the corporate governance regime for banks and its different elements are not only compatible with international best principles but are also parallel with most other emerging economies,' he added.

Mr. Anwar said the SBP regularly reviews the international regulatory standards and best practices issued by the Financial Stability Board (FSB), Bank for International Settlements (BIS) and other multilateral agencies and standard setting bodies and assesses them for their possible implementation in its banking system.

He said that the SBP's regulatory approach towards promoting and strengthening of corporate governance has been successful in inducing a positive change in the corporate governance culture in the banking sector that has transformed them into healthy and profitable financial institutions.

SBP Governor said the World Bank's country review of Pakistan based on OECD Principles on Corporate Governance rated Pakistan above average on most of the Principles. The World Bank in a survey also rated Pakistan as the leader on the robustness of corporate governance standards and practices in South Asia, he added.

‘One key lesson policy makers and regulators learned from the recent sub-prime crisis is that among many other factors, weak corporate governance practices in leading financial institutions played a crucial role in creating the asset price bubble and misallocation of financial resources. As a result, policy makers in the post-crisis period are placing more emphasis on improving market transparency and Corporate Disclosure,’ Mr. Anwar added.

Mr. Anwar said the current events unfolding in the international economic environment are both challenging as well as unique. Though substantial progress was made to limit the effects of the financial crisis, the vulnerability still persists in the shape and size not imagined earlier. Few would have thought that the effects of the subprime crisis will question the survival of the Euro Currency and would threaten the entire European region to fall into a severe recession,’ he added.

SBP Governor pointed out that we have largely been successful in mitigating the effects of exogenous shocks and contagion risks of the international crisis. ‘But we still face challenges of our own, and ensuring conservative and prudent policies, should enable us to remain resilient from exogenous shocks,’ he added.

Mr. Anwar said that for efficient and well functioning markets, a responsible and ethical behavior of the participants is a pre-requisite, apart from an enabling environment, proper infrastructure, skills and knowledge. ‘Similarly, domestically it behooves us to upgrade our corporate governance practices at all institutions to strengthen our pace of economic recovery and make the environment more challenging and productive for corporate and private institutions,’ he added.

Mr. Anwar said the first ever Nationwide Financial Literacy Program (NFLP) recently launched by SBP with the collaboration of multilateral agencies is expected to impart financial knowledge covering basic concepts such as budgeting, savings, investments, debt management, financial products and branchless banking among the masses.

He said that the branchless banking regulatory framework in Pakistan has been ranked number one by the Economist magazine. The fast growing network of Branchless Banking agents has now reached over 26,000 as of March 31<sup>st</sup>, 2012 and total volume of transactions have increased to 25.3 Million (up 23%). ‘Deposits have grown by 18% to Rs 594 Million. This fits well into our Financial Inclusion strategy,’ he added.

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