



# Payment Systems Review

4th Qtr. (April—June) FY12

Date: 24 August 2012

## Points of Interest:

World Bank statistics on the growth of Internet users in the SAARC region

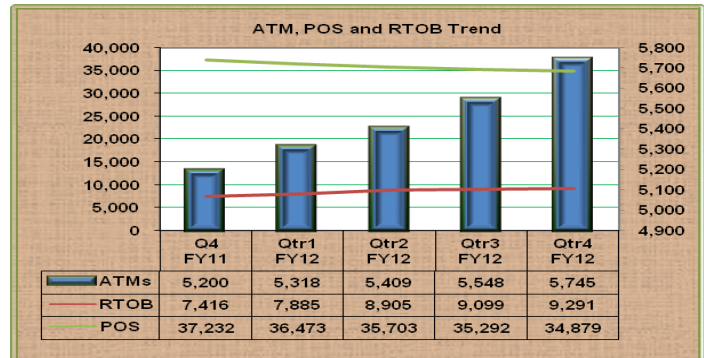
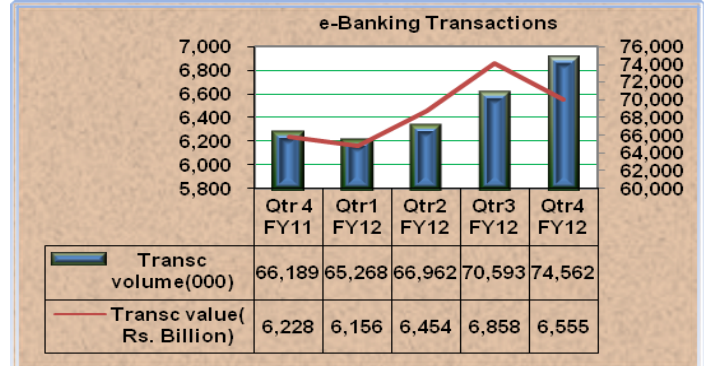
Implementation of International Bank Account Number (IBAN) in Pakistan

Quickies—Facts on the usage of Internet Banking and its Security

During the 4th Quarter of FY12, Payment Systems infrastructure in Pakistan showed continuous upward growth trend. A total of 197 ATMs were added raising the tally of ATMs in the country to 5,745 whereas the status of 192 more bank branches was upgraded to Real-Time Online Branches (RTOB). Currently, 9,291 bank branches or 92.8% are offering RTOB services out of a total of 10,017 bank branches across country.

The number of plastic cards also witnessed an increase of 8.03 percent compared to the numbers recorded in the preceding quarter. By the end of quarter under review, 17.95 million plastic cards were circulating in the country.

The volume of overall e-banking transactions in the country during the quarter under review registered an increase of 5.6 percent to reach 74.6 million. However, the value of transactions at 6.6 trillion was 4.4 percent less than transactions reported in the quarter ended March 31, 2012 due to



a 5.4% decrease in Real Time Online Branches (RTOB) transactions. However, the volume of transactions increased slightly by 1.8 percent. In terms of volume of overall e-banking transactions, ATMs with a major share of 60.6 remained the leading channel. ATM transactions value and volume also showed an increase of 5.9 percent and 7.4 percent respectively. The average value per ATM transaction stood at Rs. 9,693. The volume and value of transactions through POS terminals stood at 4.7 million and Rs. 21.49 billion depicting 4.5 and 2.1 percent growth respectively as compared to the figures reported in the previous quarter.

The volume of large-value payments through RTGS transactions aggregated to 101,779 and in terms of the amount worked out to Rs.28.97 trillion. This showed an increase of 4.8 percent in volume and 3.6 percent in the value as compared to figures reported during previous quarter. The major portion of RTGS transactions continued to be in respect of settlements against securities followed by Inter-bank Funds Transfers and settlement of retail cheques through multi-lateral clearing contributing 53.6 percent, 34.2 percent and 12.1 percent respectively.

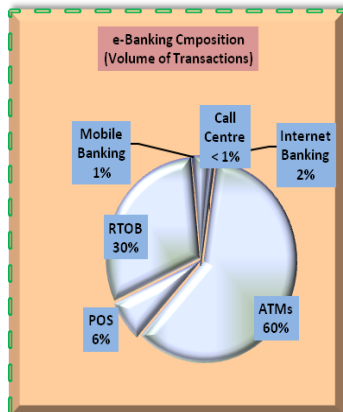
## Inside this issue:

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Payment Systems Developments at SBP



## E-Banking Growth Trend— Yearly Comparison

	Qtr.4 FY11 (April – June 2011)		Qtr.4 FY12 (April – June 2012)		Yearly Growth (%)	
	Volume (000)	Value (Rs. Billion)	Volume (000)	Value (Rs. Billion)	Volume %	Value %
<b>E-Banking</b>	66,188.75	6,228.21	74,562.11	6,554.90	13	5
<b>RTOB</b>	20,510.71	5,789.79	21,799.92	5,982.51	6	3
<b>ATM</b>	39,237.18	341.92	45,202.54	438.14	15	28
<b>POS</b>	3,830.93	17.58	4,656.00	21.49	22	22
<b>Call Center</b>	175.64	1.50	165.54	1.90	-6	26
<b>Internet Banking</b>	1,480.68	74.91	1,965.24	107.16	33	43
<b>Mobile Banking</b>	953.62	2.51	772.87	3.71	-19	48
<b>E-Banking Infrastructure</b>						
	As of 30 June 2011		As of 30 June 2012		Yearly Growth (%)	
<b>ATMs</b>	5,200		5,745		10	
<b>RTOB</b>	7,416		9,291		25	
<b>POS</b>	37,232		34,879		-6	
<b>Credit Cards(000)</b>	1,385		1,231		-11	
<b>Debit Cards(000)</b>	11,990		15,984		33	
<b>ATM Only Cards(000)</b>	642		738		15	

*In the retail payment systems, Microfinance Banks data are not included.  
Discrepancy may occur due to rounding of data.*

## News & Updates...International Developments in e-Payment Channels

**ICBC, JCB to issue JCB-branded cards**—The Industrial and Commercial Bank of China (ICBC) has entered an agreement with Japan-based international credit card brand JCB, to start issuing the latter's cards across China.

Under the terms, ICBC will issue its flagship ICBC card with the JCB-branded cards and provide customers with JCB travel-related services such as the JCB Plaza and JCB Plaza Lounge in addition to ICBC's own loyalty program and other functions and services. With this, customers will be able to select billing of their international spending on the card in US or in Japanese currency.

**Visa introduces fraud detection tool for card issuers**—Visa has recently introduced a new global fraud detection tool called Visa Strategy Manager to help financial institutions create and implement strategies to identify and fight fraudulent transactions.

Financial institutions will now be able to use Visa's algorithms, which help detect fraud patterns. Based on this algorithm, Visa Strategy Manager allows financial institutions to target the riskiest transac-

tions with customized fraud strategies and determine whether a transaction should be approved, declined or flagged for review.

The service will first be available to financial institutions in the US, Canada, Latin America and the Caribbean, followed by Asia Pacific and Central and Eastern Europe, Middle East and Africa by the summer of 2012.

**Prizm Payments to launch mobile card reader for Indian merchants**—

Indian payment services provider Prizm Payments is set to roll out a mobile credit card reader that allows users to accept credit and debit card payments on an "anytime, anywhere" basis. The technology employed will be similar to that of Square, PayPal's Here, iZettle, Payleven and mPowa. A card reader is plugged into the headphone jack of the mobile device which allows merchants to swipe customers' credit or debit cards.

**ii2P launches mobile POS payment platform**—A US based provider of password management services ii2P has launched a mobile point-of-sale (POS)

payment platform to enable farmers in the Farmers' Market Associations (FMAs) across the US to accept credit card payments on the go. With ii2P's POS service, vendors are set to be able to accept on site EBT and SNAP (Supplemental Nutrition Assistance Program) payments. In addition, ii2P's POS payment processing terminal allows farmers to accept credit card and commercial debit card payments.

**NatWest launches TouchPay NFC contactless payment trial**—

National Westminster Bank (NatWest), a subsidiary of the Royal Bank of Scotland (RBS), has launched an NFC mobile payments trial of its contactless payment service dubbed TouchPay which allows customers to make NFC payments using their mobile devices. The trial participants will be sent an iCarte cover to attach to their iPhone devices which will turn them into virtual wallets. After downloading the TouchPay application they will then be able to pay for purchases from their accounts at participating retailers. The manual setting requires the passcode to be entered for every transaction.

## Payment Systems Developments at SBP

### Circulars

During the period under review:

- 1) PSD issued a circular dated April 04, 2012 on "Settlement of 3rd Party Fund Transfers through PRISM System" to further enhance the payment transfer facilities through PRISM System. This will allow Multiple Credit Transfers using MT102 for 3rd party transfers with immediate effect (<http://www.sbp.org.pk/psd/2012/CL1.htm>)
- 2) PSD issued a circular dated April 10, 2012 for "SBP Remittance Facility to Banks" referring a Circular of Finance Department No. 04 of 2007 date December 18, 2007 where by SBP levied a uniform rate of 0.07% on all funds transfers/ remittances under Remittance facility to banks. After reviewing the matter it was decided to charge a flat fee of Rs.1000/- per transaction for each fund transfer instruction with immediate effect (<http://www.sbp.org.pk/psd/2012/C1.htm>)
- 3) In order to bring account code standardization and efficiency in processing of payments for domestic as well as cross border transactions, SBP has decided to implement International Bank Account Number (IBAN) standard (International Standard ISO 13616) for identifying bank accounts across borders. PSD issued guidelines on IBAN through a circular dated May 15, 2012 as "IBAN Implementation Guidelines" (<http://www.sbp.org.pk/psd/2012/C2.htm>)

# International Bank Account Number (IBAN)



Already implemented in more than 50 countries, IBAN is an international standard for identifying bank account across national borders with a minimal risk of propagating transcription errors. The concept was first developed by the ECBS (European Committee for Banking Standards) and International Organization for Standardization (ISO) and is an internationally agreed standard i.e. ISO 13616-1:2007 for identifying bank accounts. IBAN will not only bring the efficiency in cross border transactions transfers including remittances send by overseas Pakistanis from IBAN compliant countries but will also result in facilitation of domestic electronic transfers. It will eliminate the delays in credit transfers and enable the payment/ clearing systems to electronically validate account number without manual intervention.

IBAN will be implemented in Pakistan in two phases:

- 1) Phase-I: Where all banks shall generate and notify IBAN to their customers by December 2012; and
- 2) Phase-II: The IBAN account numbers will be operationally used (capturing, recognition, validation and transfer) for both domestic as well as international financial transactions by June 2013.

IBAN is a mix of two component; i) International Envelop i.e. a two letter country code and two-number cheque digit, and ii) Basic Bank Account Number (BBAN). The proposed format for Pakistan, as required by ISO 13616-1 standards, are a two letter country code i.e. PK, a cheque digit which will be calculated from MOD 97-10 for account holders, a 24 digit IBAN number and the four initial letters of SWIFT BIC be used as bank identifier in Pakistan. The IBAN may only be generated by commercial bank who are the custodian of their customer accounts. Upon notification of IBAN, banks should encourage its customers to quote the IBAN clearly (in full) on all domestic and international financial transactions. Banks are further advised to develop online utilities for converting their account numbers to IBAN in order to facilitate their account holders and all beneficiary customers should notify ordering customer of their IBAN.

Banks in Pakistan should validate the IBAN at the time of entry of transaction in their system both for sending and receiving customers. However, they have to adopt following procedures toward the generation of IBAN using their existing account numbers:

- 1) In order to make it BBAN compliant, convert the account number to 16 digits by padding additional 0's on the left;
- 2) Put first four letters of SWIFT BIC on the left; and
- 3) Write complete account number preceded by the country code as PK, check digit to be calculated as 00, giving the full account number as:- PK00 SCBL0000001123456702

**Quickies...Important facts on e-Banking and its security**

**59%** of global internet users check their bank account details through online banking  
 of e-banking respondents are somewhat very concerned with their personal information being stolen at their e-banking site **86%**

More than **1 in 4** global internet users bank online

of all mobile users will pay bills via their devices by 2016 **10%**

**ING** is the leading online banking site in Europe with 11.2million users

of US customers now use online banking **73.5%**

**29%** of respondents cited worries about the security of e-banking the key reason why they do not pay bills online

of internet users use IT security software for protection **84%**

More than **90%** of telecoms use social media for two-way communication

of consumers are concerned about credit card data being interrupted when shopping online **51%**



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**World Bank statistics on the growth of Internet users in the SAARC region**

S. No.	Countries	Per 100 people			
		2007	2008	2009	2010-2011
1	Afghanistan	1.8	1.7	3.2	3.7
2	Bangladesh	1.8	2.5	3.1	3.7
3	Bhutan	5.9	6.6	7.2	13.6
4	India	4.0	4.4	5.1	7.5
5	Maldives	16.3	23.2	24.8	28.3
6	Nepal	1.4	1.7	2.0	7.9
7	Pakistan	10.1	15.8	16.6	16.8
8	Sri Lanka	3.9	5.9	8.9	12.1