

8 SBP Banking Services Corporation (SBP BSC)

The State Bank of Pakistan (SBP) Banking Services Corporation (BSC) continued its efforts to transform the organization into a modern and professional corporate entity to deliver its mandate more effectively and efficiently. During FY11, BSC performed its responsibilities in the areas of currency management, banking services to the Federal and Provincial Governments/ commercial banks and extending operational support to SBP for implementation of various SBP policies in different areas like foreign exchange, export finance, development finance, etc.

For strategic objectives and organizational development, the process of restructuring and realignment of functions continued allowing BSC to achieve cross functional synergies by capitalizing on core competencies in each function. In order to pursue the change management plans, the strategies mainly focused on strengthening currency management and banking operations, which constitute bulk of the work undertaken by BSC.

The BSC through effective monitoring and supervision ensured the availability of currency in the country. During FY11 around 1,929 million pieces of currency notes valuing Rs380 billion were issued to the banks, different government departments and other stakeholders. Bulk of the above fresh bank notes especially small denomination banknotes amounting to Rs95.3 billion were issued on the occasion of Ramadan/ Eid-ul-Fitr 2010 as against Rs74.4 billion issued in the previous year.

Under its Clean Note Policy (CNP), the BSC through its treasury units at BSC field offices examined a total of 5,098 branches (out of more than 10,000 branches) of commercial banks and checked record pertaining to cash management during the year and a cumulative penalty of Rs9.9 million was recovered from the banks against the violation of SBP BSC instructions. The BSC also effectively completed the distribution of Rs20/- Commemorative Coins issued on the occasions of Pak-China friendship by the name of “2011–The Year of Pak-China Friendship” and “150th Years Celebration of establishment of Lawrence College, Ghora Gali, Murree”. BSC is providing support to SBP to complete the demonetization process of Rs5/- banknote and Rs500/- old design banknote during the year. A total of 150 programs with regard to awareness campaigns on security features and other aspects pertaining to the maintenance of the banknotes were arranged during FY11.

The BSC provides a range of banking and payment settlement services to the country’s financial system participants, Federal, Provincial & District Governments and their attached departments like Pakistan Railways, Military Departments and Central Directorate of National Savings on transactional basis. The BSC under agency agreement executed between SBP and NBP, authorized NBP chest branches for the governments’ treasuries including collection of different levies, expenditure payments and other banking facilities in the areas where BSC offices are not located. During FY11, around 5.79 million transactions pertaining to government receipts/ payments were handled by BSC offices. The tax revenue collected by the BSC offices across the country on behalf of the government and credited to the relevant accounts during the year was around Rs1,618 billion as compared to Rs1,364 billion last year showing a considerable rise of about 18.6 percent. The payments made by the offices of BSC on behalf of the governments grew from Rs54.7 billion last year to Rs76.6 billion in FY11. E-facilitation center has also been set up at BSC during the year by the Federal Board of Revenue (FBR) after successful implementation of e-tax payment, enabling the taxpayers to easily prepare their electronic tax payments. After successful implementation of CAP-II system at BSC

offices of Karachi, Lahore, Islamabad and Rawalpindi, efforts are underway to extend the project to the remaining as well.

The BSC offices settled 1,185,706 cases of prize money payments in connection with the winning National Prize Bonds during the year, showing an increase of 11.31 percent. Similarly, 14,057 cases valuing Rs18,049 million in respect of sale of SSC(R) and 8,015 cases valuing Rs5,228 million for sale of DSCs were handled by BSC offices during the year under review. The BSC offices also oversee the automated processing of financial instruments carried out by the National Institutional Facilitation Technologies (NIFT) through a country wide mechanism to process and settle the transactions between commercial banks. During FY11, the total number of instruments cleared through NIFT was 72,179,730 as against 72,049,931 during the previous year. BSC also operates Real Time Gross Settlement (RTGS) system which is a critical part of infrastructure of the Pakistan's financial system and used for real time payments and settlements. The monthly average value and volume of RTGS transaction in FY11 were Rs 2,585.1 billion and 18,457 respectively.

The SBP formulates the policies of exchange rate management, while the BSC handles the operational matters relating to Foreign Exchange. During FY11, around 10,096 notices were issued to the delinquent exporters and ADs, besides lodging 3,818 complaints with Foreign Exchange Adjudication Courts. The BSC processed repatriation of stuck up export proceeds of around US\$ 37.5 million as against US\$ 29.3 million in the previous year. Around 4,274 export overdue cases were got reconciled in the V-15¹ and V-16² statements and 497,053 entries reported in EE-I/ EF-I statements during FY11 to facilitate monitoring of utilization of EFS and fixation of new limits under Part-II of the EFS. During FY11, total of 115,776 cases for disbursement of monetary incentives under different schemes of the Federal Government relating to exports were processed and payments made there against.

The BSC continued to provide its support to supplement the initiatives of Development Finance Group (DFG), SBP for the development of an inclusive financial system in the country. Development Finance Support Department (DFSD) and its field units undertook various Development Finance (DF) related activities/ initiatives during the year for dissemination of SBP and financial sector policies, promote awareness and collect gross roots feedback on SBP policies, schemes and initiatives. A total of 72 meetings of different Focus Groups were arranged in BSC offices and numbers of issues, suggestion, recommendations put forth by the various stakeholders in these meeting were referred to the respective DFG-SBP departments for seeking resolution, and policy guidance/ amendments thereof. Similarly around 386 awareness and information dissemination activities have also been arranged/ participated across the country. Under the objective of capacity building 48 training programs were arranged that benefited around 1,000 banking officers.

The DFSD of BSC also facilitates SBP in implementation of its various financing schemes. During FY11, a total of 146,275 transactions relating to grant, repayment, remuneration (share of profit), fine and refund were executed by the BSC offices under EFS (Part I & II) and IERS as compared to 171,193 transactions executed during FY10. Similarly 14,794 transactions relating to grant, repayment, remuneration (share of profit) were executed under LTFF as against 10,022 transactions during the corresponding period. Moreover, a total of 8,942 cases amounting Rs1,244 million under Export Finance Markup Rate Facility and 532 cases amounting to Rs330 million under Export Finance Mark up Rate Support for Textile Sector against Long Term Loans Schemes were processed by the BSC offices during the period under review.

¹ Yearly Statement submitted by the ADs to FEOD containing details of export overdue cases.

² Monthly Statement submitted by the ADs to FEOD containing details of export overdue cases.

During FY11, the Development Finance Division (DFD) of BSC offices also conducted on-site verification of 14,181 export finance cases at 269 branches of commercial banks across the country to assess the compliance with the provisions of the SBP Export Finance & Islamic Export Refinance Schemes (Part I&II) both by the banks and the exporters and fine amounting to Rs9.2 million was recovered from banks/ exporters for violation of SBP instructions detected during the process. Twenty seven (27) consolidated (Bank-wise) on-site verification reports were prepared and forwarded to Infrastructure Housing &SME Finance Department, SBP during FY11.

SBP in collaboration with the UK Department for International Development (DFID) launched two credit guarantee schemes named “Microfinance Credit Guarantee Facility” (MCGF) in December, 2008 and “Credit Guarantee Scheme (CGS) for small and rural enterprises” on March 19, 2010 with a view to share credit risk with the banks for provision of funds to these priority sectors (for further details see **section 2.11** *Improving Access to Finance*). Development Finance Support Department (DFSD) of SBP BSC handled all the operational aspects of the guarantees issued under both schemes as well as managed the guarantee funds.

Consequent to the restructuring of SBP, functions of Business Support Department of SBP were transferred to BSC. The functions related to Property Management & Maintenance (including Learning Resource Center), Facility Support Services (Including Day Care Centre) and Procurement (including Asset Coordination) have been transferred to SBP Banking Services Corporation (SBP BSC) in accordance with Section 5 (2) of SBP Banking Services Corporation Ordinance 2001. As a result, General Services Department of BSC is looking after these functions after restructuring in SBP.

The BSC has been continuously striving for taking different HR initiatives in line with the management’s vision to transform BSC into a vibrant and efficient organization. In an effort to build internal capacity of BSC, the first batch of 59 management trainees under Young Professionals Induction Program (YPIP) was inducted in the Bank on completion of necessary training during the year. During FY11, two policies one on ‘policy for protection of employees against workplace harassment to comply with the ‘Protection against Harassment of Women at Workplace Act, 2010’ and other on ‘Grievance Handling Policy’ in BSC were introduced.

As a result of promotion process under the new promotion policy, initiated during FY11, a total of 414 employees with 234 in officers’ cadre and 180 in clerical/ non-clerical cadre were promoted to the next higher grades which greatly helped to deal with the pressing issue of filling up gap at mid-to-senior level positions. A policy for career development of Treasury Officers (TOs) and Assistant Treasury Officers (ATOs) working in cash side has also been introduced by making their services transferable to general side through a competitive process.

The BSC continued to focus on building organizational capacity through skill enhancement of its employees by aligning training needs of employees with the needs of the organization during the year under review. During FY11, a total of 1,667 officers were provided training under soft skills and function specific programs, besides training to 59 officers recruited under YPIP. A Post Training Evaluation Questionnaire was developed and tested which would be instrumental to evaluate varied training aspects like; the trainee, trainer, course material/ contents, future training needs, etc.

Going Forward, BSC will continue its efforts, to make it more vibrant, technology driven public sector corporation with private sector outlook. Efforts are underway to increase automation, merit based policies and up-gradation of HR skill set for better service to the stakeholders.