

A Chronology of Important Policy Announcements

A-1 Banking Policy & Supervision Group

Guidelines of Business Conduct for Banks: For improvement in market conduct and to exert self discipline on banks and promote healthy competition and ethical practices SBP issued “*Guidelines of Business Conduct for Banks*”. The Guidelines sets out procedures which the banks are recommended to follow in their dealings with customers i.e. the bank’s key commitments to its customers, disclosures and principles of conduct (BC&CPD Circular No.02 dated July 27, 2015).

Facilitation Measures For Pensioners: In order to redress Pensioners’ grievances, banks were advised to establish special counters for Pensioners, facilitate conversion to Direct Credit System, generate alerts in cases where life/non marriage certificate is not received for six months and for block payments (BC&CPD Circular Letter No.02 dated December 4, 2015).

Regulations for Mobile Banking Interoperability: To facilitate the branchless banking service providers and bring systemic harmony through standardization and set benchmarks for mobile / branchless banking interoperability, SBP and Pakistan Telecommunication Authority (PTA) have developed the regulations for market participants including banks, mobile network operators and technology service providers (BPRD Circular No. 03 dated May 16, 2016).

Guidelines and Disclosures on Governance and Remuneration Practices: The central idea of these guidelines is to make the Board and senior management of banks / DFIs more accountable and responsible, and to align their compensation with risk adjusted performance. The banks should prepare a comprehensive, transparent and fair remuneration policy and remuneration setting mechanism in accordance with these guidelines (BPRD Circular No. 02 dated March 2, 2016).

Prevention against Cyber Attacks: In order to avert the threat and potential impact of cyber attacks involving data/money theft or critical system failure, Banks/DFIs/Microfinance Banks were advised to continuously enhance their cyber security controls, processes and procedures and to formulate cyber security controls as an integral part of their IT risk management policy, accompanied by appropriate Standard Operating Procedures to safeguard against potential cyber threats (BPRD Circular No. 07 dated June 22, 2016).

Regulations for Debt Property Swap: To minimize risks in the settlement of non-performing loans (NPLs) by the banks/DFIs through Debt Property Swap (DPS), SBP issued regulations for Debt Property Swap (BPRD Circular No. 01 dated January 1, 2016).

Arrangements for use of Urdu Language for Official and Other Purpose: In line with the action plan approved by Prime Minister to meet the constitutional requirements, banks/DFIs/MFBs are advised to take immediate measures for printing all the forms and policies that are to be used by the general public both in Urdu and English and to display sign boards with instructions in Urdu and English for the guidance of general public in banks premises (BPRD Circular No. 12 dated October 26, 2015).

A-2 Development Finance Group

Credit Guarantee for Small and Marginalized Farmers: SBP launched Credit Guarantee for Small and Marginalized Farmers with the funding support of GoP which will enhance their access to formal credit and will also provide risk sharing to participating financial institutions against their collateral free lending to small & marginalized farmers (AC&MFD Circular No. 01 dated January 6, 2016).

Long Term Financing Facility (LTFF) for Plant & Machinery –Eligibility of Power Companies: In order to facilitate the export oriented companies to overcome problems arising out of the prevailing power crises, SBP allowed Banks / DFIs financing to power company established as a wholly owned subsidiary of the eligible export oriented company under LTFF (IH&SMEFD Circular No. 16 dated September 14, 2015).

Revised SBP Financing Scheme for Renewable Energy: Keeping in view the energy shortage and climate change scenario in the country, SBP after consultation with stockholders revised the financing scheme for renewable energy to provide concessionary financing for large renewable energy power projects as well as for small scale renewable energy solutions. The revised policy will promote green banking i.e. use of indigenous resources especially renewable energy in order to ensure sustainable banking and development (IH&SMEF D Circular No. 03 dated June 20, 2016).

Fit & Proper Test (Criteria) for Microfinance Banks: SBP issued additional instructions to MFBs on corporate governance which included i) Prior self assessment of the fitness and propriety of BODs, CEOs and Key Executive, ii) The BOD or its Committee shall be responsible to appoint, determine perks, promotion/ demotion and renewal of the employment of the Key Executives iii) MFBs shall ensure that none of the Key Executive positions shall be filled by an executive on acting charge basis for more than six (6) months, iv) MFBs shall ensure that all fresh appointments as well as reappointments and/or renewals of employment contracts of Presidents/CEOs and Key Executives are strictly made in accordance with the revised instructions and v) BODs are encouraged to formulate an organization-wide rotation policy for the Key Executives (AC&MFD Circular No. 05 dated September 22, 2015).

A-3 Financial Market/Reserve Management Group

Outright Purchase and Sale of GOP Ijara Sukuk (GIS) by Government of Pakistan (GOP): In order to facilitate Islamic Banking industry in their liquidity management, it was decided that Government of Pakistan (GOP) may outright purchase the *Ijara Sukuk* (GIS) on deferred payment basis (*Bai-Muajjal*) and sell these GIS on ready payment basis through uniform price based competitive bidding auction process. These transactions will be executed as per the approval of the SBP *Shariah* Board (DMMD Circular No. 18 October 22, 2015).

Fixed Rental Rate Government of Pakistan Ijara Sukuk (FRR-GIS): Pursuant to the Government of Pakistan *Ijara Sukuk* Rules 2008, it has been decided to introduce Fixed Rental Rate GOP *Ijara Sukuk* (FRR-GIS). This instrument will be in addition to the Variable Rental Rate GOP *Ijara Sukuk* (VRR-GIS) already introduced vide FSCD Circular No. 13 date September 6, 2008. The differentiating feature of FRR-GIS is the payment of fixed rental rate, as decided in the auction, which will be applicable to the entire tenor of FRR-GIS and will be paid to FRR-GIS holders on semi-annual basis (DMMD Circular No.02 February 03, 2016).

Import of Cash US Dollars against Export of Permissible Foreign Currencies: SBP allowed the authorized Exchange Companies (ECs) to import cash US Dollars against export of permissible foreign currencies. ECs may also continue to export permissible foreign currencies against repatriation of equivalent US Dollars in their foreign currency accounts maintained with banks in Pakistan as per existing procedure (EPD Circular Letter No. 16 dated July 27, 2015).

Issuance of Exchange Companies Manual – 2016: To further facilitates Exchange Companies, BP compiled and issued Exchange Companies Manual by incorporating the related SBP Circulars and Circular Letters issued up to June 30, 2016 (EPD Circular No. 04 dated July 19, 2016).

A-4 Operations and Financial Resource Management Group

SBP Currency Management Strategy: SBP issued Currency Management Strategy which is aimed at transforming the currency management function both at Central Bank and across the banking industry from largely manual to automated environment. The salient features of the strategy included automation of cash management function in the banking industry, increasing commercial banks' role in currency management, improved supervision and regulation of commercial banks and cash processing centers/houses for assuring good quality bank notes in circulation, combating counterfeiting and introduction of modern, reliable and easily recognizable security features in banknotes (FD Circular No. 03 dated August 26, 2015).

Demonetization of All Old Design Banknotes (Rs 10, 50, 100 & 1000): with the introduction of new banknotes with enhanced security features and reliability, effective from December 1, 2016, old design banknotes of Rs 10, 50, 100 and 1000 will cease to be Legal Tender. Commercial / microfinance banks shall exchange the old design banknotes with the new designs up to November 30, 2016. From December 1, 2016, onwards, the old design banknotes will only be exchangeable from SBP Banking Services Corporation field offices up to December 31, 2021 (FD Circular No. 02 dated June 11, 2015).

Inter-Bank Transfer of Home Remittances via PRISM Message Type MT 102: In order to ensure timely Inter-Bank domestic transfer of Home Remittances, SBP allowed the use of Message Type MT 102 in PRISM system free of charge. The remitting banks shall ensure that remittances received on a working day from 9AM till 3PM shall be transferred to the beneficiary bank via PRISM within two hours and remittance received after 3 PM shall be transferred to the beneficiary bank by 11AM on next working day. After receiving funds the beneficiary banks shall make ensure that their customers' accounts are credited within 2 hours (PSD Circular Letter No. 04 dated December 1, 2015).

Guidelines on Standardization of Payment Orders and Demand Drafts: To facilitate the clearing process of Payment Orders (POs) and Demand Drafts (DDs) and to safeguard the interests of general public, SBP introduced Guidelines on Standardization of POs and DDs. Banks and MFBs are instructed to issue POs and DDs as per the new standards, facilitate customers for the verification of POs and DDs under a centralized mechanism, Set up 24/7 helpdesks / call centers for verification of PO / DD and arrange proper training of staff to examine / verify the security features / genuineness of PO / DD (PSD Circular Letter No. 04 dated November 4, 2015).

Enhancing the Usage of RTGS (PRISM) for General Public: In order to promote third party fund transfers using PRISM, all PRISM participant are advised to take immediate measures for ensuring availability of PRISM fund transfers facility at their branches from 9:00 am till 3:00 pm and create awareness among general public through print media, printing brochures, advertisement in newspapers and displaying signboards/banners at prominent locations in branches (PSD Circular No.01 dated January 11, 2016).