

# A Chronology of Important Policy Announcements

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## A-1 Banking Policy & Supervision Group

***Guidelines on Prohibited Banking Conduct:*** SBP issued guidelines on prohibited banking conduct in order to address the issue of irresponsible conduct, which undermines the confidence of the public in the banking sector. These guidelines have been developed in line with the best international practices (BC&CPD Circular No. 02 dated July 26, 2018).

***Governance Framework for Banks' Overseas Operations:*** SBP developed the Governance Framework for banks' overseas operations for strengthening not only banks' capacity to understand, identify and manage various risks but also the related governance, risk management and compliance practices (BPRD Circular No. 06 dated August 06, 2018).

***Security of Digital Payments:*** SBP issued instructions to Banks/ Micro Finance Banks (MFBs) to carry out extensive internal assessment and independent third party review to identify potential weaknesses in their Alternate Delivery Channels and payment systems. These instructions are aimed towards safeguarding the financial institutions and their customers from potential losses due to cyber-crimes and online banking frauds (PSD Circular No. 09 dated November 28, 2018).

***Regulations for Electronic Money Institutions:*** SBP issued guidelines on Electronic Money Institutions to the non-banking entities. It will not only remove the entry barriers and provide level playing field to the non-banking entities but also foster innovation in the payment industry and promote financial inclusion in the country (PSD Circular No. 01 dated April 01, 2019).

***Internal Audit Function:*** SBP issued instructions on Internal Audit Function (IAF) to provide a standardized framework for the establishment and implementation of robust internal audit governance practices in line with international standards and best practices. IAF acts as the 'Third Line of Defense' and provides an independent assurance on the state of internal controls to FIs (BPRD Circular No. 02 dated April 03, 2019).

## A-2 Development Finance Group

***Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regulations for MFBs:*** SBP issued instructions on AML/CFT to strengthen the existing supervisory regime in line with the recommendations of Financial Action Task Force (AC&MFD Circular No. 02 dated October 05, 2018).

***Islamic Financing Facility for Renewable Energy (IFRE):*** SBP introduced Mudarabah based Islamic financing facility for Islamic Banking Institutions. The financing under IFRE is available for setting up renewable energy power projects with capacity ranging between 1-50 MW and to consumers willing to install facility using renewable energy source for generation of electricity ranging between 4 KW - 1

MW for own use and/or for supplying to a distribution company (IH&SMEFD Circular No. 01 dated February 22, 2019).

**Islamic Financing Facility for Storage of Agricultural Produce (IFFSAP):** IFFSAP will allow the customers to avail long-term facility for the establishment, expansion and Balancing, Modernization and Replacement (BMR) of Steel/ Metal/ Concrete Silos, Warehouses and Cold Storage facilities for storing agricultural products (IH&SMEFD Circular No. 02 dated February 22, 2019).

**Islamic Refinance Facility for Modernization of SMEs (IRFMS):** Under IRFMS, financing would be available to the SME sectors for modernization of their existing infrastructure (IH&SMEFD Circular No. 03 dated February 22, 2019).

**Adoption of 'Accounting and Auditing Organization for Islamic Financial Institutions' (AAOIFI) Shariah Standards:** SBP adopted the 'Accounting and Auditing Organization for Islamic Financial Institutions' (AAOIFI) Shariah Standards. These standards will not only strengthen Shariah compliance framework but also harmonize the Shariah practices in the industry (IBD Circular No. 01 dated March 01, 2019).

### **A-3 Financial Markets & Reserve Management Group**

**Declaration of Obligations of State Bank of Pakistan arising from Bai-Muajjal transaction as Approved Security for Maintenance of Statutory Liquidity Requirement (SLR):** To enhance the available pool of Shariah compliant instruments for Islamic Banking Institutions and to enable them to meet the required SLR, SBP supported the declaration of obligations of SBP arising from Bai-Muajjal transaction as an approved Security for maintenance of SLR (DMMD Circular No. 04 of February 04, 2019).

**Declaration of Pakistan Energy Sukuk as Approved Security for Maintenance of Statutory Liquidity Requirement (SLR):** Considering the scheduled maturities of GoP Ijara Sukuk and limited issuance of sovereign Shariah compliant securities vis-à-vis increasing demand for investment opportunities by Islamic Banking Institutions, SBP supported the eligibility of Pakistan Energy Sukuk issued by Power Holding Private Limited as an approved security for maintenance of SLR (DMMD Circular No. 07 of February 28, 2019).

**Exemption on 'Borrowings from Pakistan Mortgage Refinance Company Limited' from Maintenance of CRR and SLR for Banks and MFBs:** SBP exempted the 'Borrowings from Pakistan Mortgage Refinance Company Limited' from maintenance of CRR and SLR for Banks and MFBs. This measure would encourage the FIs to finance low cost housing (DMMD Circulars No. 8 & 9 of March 11, 2019).