

6 Institutional Strengthening

Institutional strengthening has been a cornerstone of SBP's endeavors to effectively achieve its mandate as envisaged in the SBP Act. In FY21, SBP undertook various initiatives and activities to further grow as an institution through improvement in Human Resources, organizational development, IT systems and governance, Enterprise Risk Management (ERM), risk-based audits, and communicating to external stakeholders. Efforts were focused on workforce rationalization, gender equity, talent resourcing, career growth, capacity building and diversification of SBP's human resources. In line with the increasing demand for IT services, automation and governance of IT infrastructure amidst COVID-19 pandemic, SBP completed various projects under its Knowledge Management (KM) Program, improved cyber-security and provided secure, remote access to administrators and staff to key IT systems for smooth functioning of the institution. Further, SBP's efforts to strengthen Business Continuity over the years paid dividends as the BCP functionality was successfully tested during the torrential rains in August 2020. SBP also made strides in strengthening its ERM framework as it expanded Risk and Control Self-Assessment (RCSA) to include SBP-BSC and NIBAF, developed internal credit risk scorecard to reduce reliance on external rating agencies, and the Board of Directors approved the risk appetite statement and revised internal reporting policy. SBP also strengthened its internal audit function to adapt to the new normal in the COVID environment through greater use of technology.

6.1 HR Developments

SBP fosters a robust HR management framework that strives to promote a performance-oriented culture and creates an enabling environment for employees to contribute towards achievement of organizational objectives.

During FY21, major steps were undertaken in the areas of workforce rationalization, talent resourcing, career growth, capacity building and automation. Consistent efforts were made for skill upgradation of employees to maintain and enhance the delivery of effective and efficient outcomes at every level.

6.1.1 HR Profile

HR strength across grades was 1221 in FY21 wherein 15 employees retired upon attaining superannuation whereas 11 employees proceeded for early retirement. The employee turnover against a total strength of 1,182 was 4.57 percent, which is mainly attributed by the Officers of Grade 2-6. However, the gap created was successfully managed by induction of new employees, particularly through batch hiring. Grade wise current strength of FY21 is reflected in **Table 6.1**.

Table 6.1: HR Profile of SBP

Position/Grade	FY21	FY20
Governor/Deputy Governor*	4	3
OG-8	15	15
OG-7	34	35
OG-6	41	43
OG-5	123	133
OG-4	260	267
OG-3	237	242
OG-2	360	339
OG-1	11	11
Support Staff	53	62
Contractual Employees	83	32
Total	1221	1182

*Appointed by the Government of Pakistan

Talent Resourcing

SBP operates on the basis of a competitive, transparent and meritorious recruitment process. During FY21, a number of fresh graduates and experienced personnel, having diverse educational backgrounds from local / international universities and post qualification experience in various disciplines such as Business Administration, Economics, Finance, IT, etc. were hired on lateral/contractual basis to meet HR needs of the bank, as reflected in **Table 6.2**.

Table 6.2: Recruitments during FY20

Grade/ Designation	Number
<u>OG-2</u>	
Assistant Director	40
Illustrator	1
Assistant Librarian	5
Contractual (in fields of Finance, IT, Media etc.)	52
Total	98

SBP is an equal opportunity employer and facilitates the evolving role of women and the strategic significance of their inclusion in the workforce to achieve organizational objectives. Against a national requirement of 10 percent, SBP's workforce consists of 11 percent of female employees in diverse roles at each level of hierarchy ranging from entry level to senior management. In FY21 celebration on the occasion of Women's Day were made to acknowledge the accomplishments of the female officers in SBP, which was live streamed across SBP and its subsidiaries.

6.1.2 Restructuring and Consolidation of Functions

In pursuance of Finance Division's Notification, Ms. Sima Kamil assumed the charge as Deputy Governor of SBP on August 26, 2020. In view of the vast experience of Ms. Sima Kamil, the Board of Directors assigned her the portfolio of Financial Inclusion, Digital Financial Services & IT from the date of assumption of charge. This led to the renaming of 'Islamic Banking, Development Finance &

IT Cluster’ as ‘Financial Inclusion, Digital Financial Services & IT Cluster’ followed by changes in reporting line of the Payment Systems Department.

Further, in view of organization needs, priorities and conclusion of Workload Analysis Project on June 25, 2021, the SBP Board approved creation of new “Digital Financial Services Group” comprising of Payment Systems Policy & Oversight and Digital Innovation & Settlements to be housed under the portfolio of DG Financial Inclusion, Digital Financial Services & IT. The existing Islamic Banking Department has again become part of the Development Finance Group. Further, core functions of Strategic Planning Department have also been absorbed into the Governor’s Office. Banking Supervision Group has also been restructured to implement risk based supervisory framework.

Organization Development (OD) Interventions

During FY21, the following measures were taken to meet the organizational needs:

Workload Analysis

The project of Workload Analysis was approved by the SBP Board as part of OD Project. The project was initiated in 2nd quarter of FY20 and concluded in the 3rd quarter of FY21. The project was aimed to identify benchmark positions in the Bank, carry out workload assessment of each department, determine departmental headcount, conduct job evaluation to ascertain grades of the benchmark positions and train SBP team on the project mechanism. A project steering committee remained extensively involved with consultant and all departments of the bank to ensure consistency of the process and facilitate both consultant and department to arrive at optimum head count. The funding of the project was arranged through DFID under Financial Inclusion Program (FIP).

HR Policy Measures

SBP initiated a comprehensive review of HR policies in FY21. Based on the feedback from different stakeholders and to streamline implementation challenges and best market practices, SBP Board approved necessary amendments in the following policies:

1. Recruitment
2. Job Rotation
3. Deputation and Attachment Policies of the Bank.
4. Reward & Recognition Policy

Review of remaining policies is in process and would be completed in next phase. The amendments in Recruitment Policy while streamlining different induction streams also reinforces SBP’s vision as an equal opportunity employer by allowing job opportunities to the transgender. SBP also aims to increase share of women in its workforce up to 20 percent by 2023. SBP also strives to maintain statutory quota requirements on account of region, minorities and differently abled persons while ensuring merit. The amendments in Job Rotation and Deputation and Attachment Policies, apart from their implementation, have further facilitated diversification of skillsets through grade and tenure-based rotations and by incentivizing deputation and short assignment specific attachments with national and international organizations. Further, to encourage research and new ideas for SBP’s

image building and efficiency and recognizing long association of employees with SBP, Reward and Recognition Policy was also revamped for efficient implementation.

During FY21, SBP also conducted a comprehensive review of its Whistle Blowing Policy in line with the best market practices. A bank wide survey was conducted to have firsthand information and feedback from internal stakeholders on awareness and understanding of various aspects of the policy. SBP would strive to increase awareness of the said policy to enhance employees' understanding and improve reporting mechanism of the policy.

Compensation and Benefits

SBP continued its efforts to maintain internal equity and market alignment in terms of competitive compensation and benefits for its officers. During FY21, SBP allowed salary revisions for market alignment / inflation adjustments while maintaining the pay equity among its salary structures. The management is focused on reviewing the compensation philosophy in line with the provisions of various compensation schemes for fairness.

A 10 percent increase across the board was also allowed in monthly pension in FY21. Further, to ensure that pensioners at lower strata get a reasonable increase, minimum guaranteed increase of Rs. 2,500 was also allowed. To further streamline and standardize the pension increase exercise, internal guidelines have also been developed. Group Term Assurance scheme of the bank was also reviewed and revised rates and coverage were notified. Moreover, insurance cover for the staff loan has also been revised.

Employer Branding

The bank has taken several initiatives to promote SBP as an 'employer of choice' for young graduates as well as for other professionals. The annual internship program is organized every summer and regular visits of business schools and public sector organizations are arranged at SBP. During FY21, first ever-online internship program was held due to COVID-19 constraints. 123 interns (68 males and 55 females) from 35 domestic as well as 8 foreign educational institutions participated in SBP Summer Internship Program. The interns belonged to various academic disciplines such as Economics, Business Administration, Public Administration, Accounting, Finance, Commerce, Mathematics, Statistics, Human Resources, Agriculture, Information Systems and Technology.

To create awareness among the recent and upcoming graduates about SBP as an Employer of Choice, SBP participated in virtual career fair organized at IBA and received a great response and interest from the students.

Adopting measures to increase females in the work force and create a more woman friendly environment

SBP strives to promote a performance-oriented culture in an enabling environment to equip its employees for contribution towards achievement of strategic goals. Being a knowledge institution, the Bank provides multiple learning opportunities and encourages its employees to undertake initiatives for improving the efficiency of organization.

SBP facilitates the evolving role of women and understands the strategic significance of their inclusion in the workforce to achieve organizational objectives. To provide a conducive environment

to its female employees, SBP provides furnished hostel facility to its women officers, pick and drop facility from hostel, female lounge, day care and car parking facilities. During COVID-19 pandemic, SBP also facilitated its female employees by allowing them to work from home. Further, a seminar on 'The Professional Women' was also exclusively arranged in FY20 for all female officers of the Bank to celebrate the International Women's Day which was streamed across the bank on its network.

Career Development

SBP believes that enhancement of organizational efficiency and effectiveness is directly linked with the overall morale and motivation of employees. Providing career development opportunities plays a pivotal role in this regard. Accordingly, keeping in view the organizational requirements, 35 officers were promoted in various grades during FY21.

Capacity Building

SBP being a knowledge-based organization has placed extensive focus on training and development to ensure that the skills mix of HR remains compatible and responsive to organizational needs. SBP also strives to ensure leadership development and effective grooming of line managers to facilitate capacity building.

In-House Trainings

During FY21, new in-house training programs, particularly for dealing with the challenges of COVID-19 pandemic were introduced which include Managing Anger, Fear and Anxiety during and after COVID-19, Virtual Team Building, Managing Procrastination and Sustaining Happiness. Trainings on Managing Teams Remotely and Coping with Anxiety and Stress were designed and arranged for Division Heads. An exclusive program on "Mastering Delegation" was also conducted for Directors.

The in-house and national webinars were supplemented with international webinars, offered by central banks and international financial institutions. The officers also accessed the platform of IMF, EdX, Udemy and Coursera on a frequent basis to avail and learn through Massive Open Online Courses (MOOCs) such as Financial Programming and Policies, Financial Market Analysis, Foundations of Central Bank Law, Financial Development and Financial Inclusion, Energy Subsidy Reforms and many more.

Despite COVID-19 pandemic, employees were able to meet 62 percent of the annual training hours requirement.

HR Automation Initiatives

In-house built E-recruitment module, was further enhanced to improve online scrutiny and speed up the recruitment processes, keeping in view large number of applications received for various positions. Recruitment dashboard to expedite and track the progress of recruitment processes was also developed.

Further, to improve service delivery standards and enhance efficiency, HR module pertaining to retirement benefits has been upgraded and implemented. This would reduce a lot of manual work by ensuring accuracy and minimizing risk of error.

An automated system to keep track of inward and outward mail is being developed to avoid time consuming and labor-intensive method of manually updating the daak registers. This system will also help tracking dispatch and delivery status of mail through MIS reports. Similarly, an Admin E-requisition portal has also been planned to facilitate provision of numerous office use articles, their procurement, inventory and requisition.

6.1.3 Future HR Strategy

To facilitate employees across the bank, SBP has planned to review various HR policies during FY22 through a consultative approach by seeking active involvement and feedback of the internal stakeholders. While SBP has witnessed the success of ‘work from home’ arrangements in the light of COVID-19 pandemic, SBP also intends to introduce the concept of flexible working hours. SBP also plans to capitalize on technological advancements to optimize the time taken in completing numerous initiatives such as recruitment at various stages.

Services of an independent consultant has been engaged to conduct Employee Engagement Survey (EES) to be launched in the first quarter of FY22. As part of OD project, ‘Assessment and Development Centre’ is planned to be initiated in 1st quarter of FY22 with a revised scope of work. Going forward, SBP would continue to maintain a work environment where employees are provided with opportunities for professional growth and are recognized and rewarded for the contribution made towards achievement of organizational objectives.

6.2 Strengthening IT Systems

Value delivery by SBP for its stakeholders hinges around technology backbone that is Information Technology Group (ITG). In FY21, SBP undertook various initiatives to ensure good IT governance, upgrade IT infrastructure, pace up automation projects through in-house and insourced resources. Details are summarized below:

6.2.1 SBP Knowledge Management Program

Knowledge Management Program, was initiated in FY19 in line with strategic goal of SBP strategic plan. Under this program, several projects have been completed. The projects completed during FY21 are appended below:

- Regulatory Approval System for foreign exchange policy and operations was made live to eliminate the paper-based submission and processing of regulatory approvals granted by SBP and SBP-BSC to all authorized dealers. The platform would be extended to other regulatory domains such as banking policy and payment systems.
- Digital initiation and processing of internal cases in SBP, SBP-BSC, NIBAF and DPC through Internal Case Management System (ICMS) was also completed with added facility of accessing information anytime and from anywhere.
- Domestic Training Module was automated to process the domestic trainings nominations, approvals and reporting through automated workflow, having interfaces with existing systems of Oracle ERP- Oracle Learning Management module and other underlying technology systems.

- Banking Inspection Management System has automated the inspection function of Banking Supervision Group. An external portal was also developed for the banks/FIs to submit their inspection related data and receive draft and final reports through this portal with embedded TLS security features.

6.2.2 IT Governance

To enforce good IT governance practices in SBP, the role of Management Committee on IT was enhanced by adding cyber security domain in its mandate and redefining its role to focus more on strategic issues.

To improve the decision-making process, a sub-committee was constituted to oversee IT procurement cases with lower financial limits under SBP Expenditure Regulations. Project Prioritization Process was also reviewed and updated through a bank-wide consultation process to improve the selection and implementation of business-related IT projects.

6.2.3 IT Infrastructure Initiatives

- During FY21, SBP's IT systems provided secure access to its administrators to work securely from home for managing IT systems and enhance the internet bandwidth to meet the requirements of online meetings. The relevant departments of SBP worked with various existing service providers to enhance the bandwidth and also procured new internet circuit. A multifactor authentication solution was also procured and deployed for IT and Web administrators.
- A proposal was presented to Management Committees on IT and Enterprise Risk Management for replacement of VSAT with Fiber Optics links. Both the committees approved the said proposal that would save substantial cost of SBP and ensure availability of enhanced bandwidth through Fiber Optics links to cater the new requirements of SBP BSC offices.
- A new email gateway security solution was procured and deployed after incorporating the recommendations from OCISO. The new solution has technical functionalities introduced by OEM over the past five years. The latest and advanced solution would offer more robust security features in line with current security protection requirements.
- The windows servers deployed in SBP, NIBAF and SBP-BSC countrywide offices were replaced during FY21 after completing their useful lives to keep the IT infrastructure updated and maintained.
- The core component of any DR network infrastructure is Data Center Switch that is used to extend layer 2 network infrastructure to DRDC and connect IT infrastructure with DRDC Servers. It provides network connectivity to intranet (WAN) and internet as well as high speed routing. The DR core switch after completing its useful life was replaced during FY21.
- SBP, FBR and ILink are collecting taxes through Alternate Delivery Channels (ADCs) and Over-the-Counter (OTC) facility of commercial banks branches. . The OTC facility was not available at SBP-BSC counters for dedicated communication circuits and firewalls, which were procured and deployed during FY21.

6.2.4 IT Systems Initiatives

IT Systems of SBP have contributed in viable IT empowered business operations. Numerous business development projects were implemented in T24 Banking & Currency Systems, Data Warehouse and Custom-Build Applications to cater business requirements. In this regard, following major projects were undertaken and completed by different IT teams of SBP.

6.2.5 General Automation Initiatives

- **Direct Credit of Duty Drawback Refunds**

To minimize delays in payment proceeds, the core banking system T24 was integrated with Pakistan Custom's WeBOC, FBR's IRIS systems and RTGS of SBP.

- **Naya Pakistan Certificates (NPC) – Conventional / Islamic**

To facilitate Pakistani investors to invest in Naya Pakistan Certificate (NPC) and Islamic Naya Pakistan Certificate (INPC), issued by GoP, a mechanism was developed and implemented in T24 core banking system. For INPC, the mechanism of Special Purpose Vehicle (SPV) was implemented.

- **Centralization of Commercial Bank Accounts**

On request of Pakistan Bank's Association (PBA) to resolve the liquidity management issues, SBP implemented centralized account management in the core banking systems. The system would improve the liquidity management of commercial banks as the existing system requires maintenance of idle balances, un-necessary borrowing from market and lack of real-time information. It would also eliminate additional charges related to Telegraphic Transfer.

- **SMS Service for General Public**

To enhance service delivery to general public regarding sale, encashment of face value and defective prize bonds and payment of prize money of bonds, a mechanism of direct credit into customers' bank account through IBAN was implemented in T24 and integrated with RTGS. Moreover, an SMS-based service was implemented by SBP for timely intimation to customer.

- **SBP Data Portal**

To compile the statistics related to Monetary, External and Banking sectors, SBP Data Portal was implemented. These statistics were made available to a comprehensive variety of users through SBP's website in the form of datasets and publications. Time series having more than 7000 variables were made available through SBP data portal with multiple features including personalized dashboard and data basket.

- **Automated Monitoring Systems for Prime Minister's Youth Entrepreneurship**

A business application was developed to collect data from banks for monitoring Prime Minister's Youth Entrepreneurship, launched by GoP for provision of loans to unemployed youth. Further, this application also facilitates banks for payments of subsidy claims for loans.

- **Online Exam and Feedback**

A new module of "Online Examination and Feedback System" was developed for NIBAF to facilitate the online examination and upholding its results. Consequently, NIBAF successfully conducted the

Cyber Security quiz through CMS across SBP and SBP-BSC.

- **OBMS and UDMS Enhancements**

Online Branch Management System (OBMS) was upgraded to facilitate Banking Policy and Regulation department of SBP for policy changes in Islamic Banking for banks to perform their operation, make extensive changes in official letters and several MIS reports to fulfill business requirements. Unclaimed Deposit Management System (UDMS) was also upgraded to facilitate bank to upload surrendered accounts' data directly into UDMS without business user involvement.

6.2.6 Major Internal Automation Initiatives

- **Disbursement of Payments through RTGS**

For disbursement of payments for pensioners, NIBAF vendors and beneficiaries (widows/ex-employee), SBP and its subsidiaries used cheques, payment orders and electronic fund transfers mediums. Previously, these methods took at least two working days to credit the payments to the client's bank account.

New interfaces were developed to transfer the payments finalized in Payables and Pension applications to RTGS system. These payments were processed in RTGS application that allowed direct credit of payments to the vendor's bank account on real time.

- **Technology Migration**

In order to reduce Operating System and Database vulnerabilities, boost performance, maximize availability and sustain stability CBA database and application server were upgraded.

6.2.7 Cyber Security at SBP

FY21 witnessed some key developments in the area of cyber security at SBP. The major focus remained on implementing cyber security controls and policies from the security assessment reports, and Penetration Testing. Building a cyber-secure culture also continued along with enhancements in security monitoring, detection and response capabilities of SBP.

During FY21, risk assessments of business and IT support systems were conducted to ensure security of productions systems. Real-time IT security monitoring platform has been scaled-up to ensure its availability during any crisis period. SBP also invested in acquiring a global Cyber-Threat Intelligence platform. This advancement has provided deeper insights in industry-specific monitoring and analyzing the risk of digital landscape through a holistic view of overall threat landscape. With the said enhancement, detection of threats at early stages has been made possible which would improve effectiveness and response time of the teams. SBP also completed iterative exercises to timely remediate vulnerabilities from its IT infrastructure and paved the way for future developments by completing feasibility studies of market available advanced automated security platforms.

Keeping in view the emerging cyber threats and evolving business automation requirements, SBP updated its internal IT Security Policy to stay abreast with industry standards. In order to enhance capacity in cyber resilience against cyber threats like ransomware, the bank conducted internal cyber drills by engaging relevant stakeholders.

In the wake of the COVID-19 pandemic, SBP continued its efforts to bring cultural shift by arranging virtual sessions of user-level cyber security awareness. An interactive online quiz system was also launched to measure performance of the cyber security training program so that more targeted trainings could be planned in the identified areas.

6.3 Business Continuity Management

Business Continuity Management is an important component of organization's resilience and risk management system. An effective business continuity plan (BCP) provides information about the potential impact of disaster situations to business operations and ensures risk mitigation without any disruption.

Validation of Business Continuity Program is an essential element of the BCP lifecycle. SBP also pursue a proactive approach for its business continuity management where critical time sensitive departments perform their functions and activities from backup sites in line with their annual test plans. During FY21, more than 190 annual BCP exercises were performed by the critical time sensitive departments, critical support departments and SBP-BSC offices at their respective backup sites.

Combined Staff Relocation Exercises (CSRE) were suspended during FY21 due to SOPs provided by the Medical Services department to avoid large gatherings and carry out operation with minimum staff. However, the backup sites were fully operational and critical staff performed their day-to-day activities from backup Sites to ensure continuation of work.

During FY21, the BCP was invoked and tested due to heavy rains in Karachi. In August 2020, Karachi received 484 mm torrential rain, being the highest recorded over the last 90 years. The rain devastated the overall infrastructure of Karachi and disrupted the business in major areas of the city.

SBP also faced a number of issues including inundation in main building complex, subsequent non-availability of electricity due to submerged power cables, shut down of main and back up data centers and non-availability of IT applications. A meeting of top management of SBP was held on August 27, 2020 wherein a decision was made to invoke the Business Continuity Plan (BCP) on August 28, 2020 and carry out the business from Alternate working site (Backup Site).

On August 28, 2020, the critical time sensitive activities were performed from the backup site. During the BCP invocation, commercial banks also carried out their settlement activities from the backup site. Governor SBP, Deputy Governors, Executive Directors and Directors also visited the backup site and reviewed the overall operations/arrangements.

6.4 SBP Tech Club

SBP Tech club was established to provide a platform to all technophile employees of the Bank. The objective was to explore out of the box and technology-based solutions, which can potentially have an impact on, and shape, SBP Vision. During FY21, a Tech talk on "Ransomware" was arranged to provide insights to participants regarding risks and mitigation measures for ransomware.

6.5 Enterprise Risk Management (ERM)

In FY21, the Board of Directors approved “Risk Appetite Statement (RAS)” developed under the Enterprise Risk Management (ERM) Framework. The SBP’s risk appetite takes a conservative approach to manage risks across the main categories i.e., strategic, financial, operational and reputational risks. Overall, the bank has low appetite for all the four main categories of risks.

The SBP Board of Directors also approved the revised “Incident Reporting Policy (IRP)” based on accumulated learnings and new developments. The revised policy will be applicable to SBP and its subsidiaries except Pakistan Security Printing Corporation (PSPC), which will develop its own IRP due to the peculiar nature of its operations. Notable changes in the revised IRP include: revision in purpose and scope of policy, composition and quorum requirements, clearly defined responsibilities of all stakeholders, Incident reporting Committee (IRC) and Management Committee on ERM (MC-ERM).

During FY21, implementation phase of Risk & Control Self Assessments (RCSAs), developed through bottom-up approach, was initiated in SBP-BSC and NIBAF in addition to SBP. With regards to strategic risks, identified through top-down approach, the MC-ERM is in the process of reviewing the proposed mitigation plans and KRIs.

During FY21, SBP was placed in top-5 Central Banks in terms of organizational maturity for Operational Risk Management by International Operational Risk Working Group (IORWG). This ranking was also presented in the annual conference of International Operational Risk Working Group (IORWG) held in May 2021.

6.5.1 Investment Risk Analysis

In FY21, SBP broadened its footprint and expanded its compliance ambit. SBP developed a monitoring mechanism for testing the practicality of Money Market (MM) deals. Since, MM dealing rates are more sensitive to daily market liquidity and critically depends on the credit rating of the trading parties; therefore, the bank instituted a mechanism to find tolerance bands for MM placements based on the historical prices extracted from Bloomberg and Reuters. SBP has been monitoring MM deals on daily basis as per availability of the daily indicative deposits rates for the currency in the relevant tenor on Reuters and Bloomberg.

SBP developed an internal credit risk scorecard and modelled probability of default to reduce reliance on external rating agencies. This enhancement would help in achieving a transparent and comparable internal rating system that is adaptable to changing market dynamics. The credit risk scorecard would have a full control over technical aspects of the model to meet the expectation of external auditors. Further, it would also improve internal capacity to make informed decisions in line with prevailing economic and financial markets’ condition.

6.6 Risk Based Audit Function

Internal Audit (IA), being an important function of SBP corporate governance framework, is providing independent and objective assurance and consulting services to the SBP Board and senior management. For its financial, operational and IT audit engagements and consulting services, SBP adheres to the international auditing standards and code of ethics issued by the Institute of Internal

Auditors - IIA (USA). SBP also refers the Standards of Information Systems Audit & Control Association - ISACA (USA) for its IT audit engagements.

During the FY 21, following major initiatives were taken to improve the internal audit process:

- The paradigm shift within working environment of SBP due to COVID-19 pandemic propelled SBP to take proactive measures for this “new normal”. Accordingly, following steps were taken to identify new delivery models and ways to add value and for effective communication with stakeholders:
 - Identified audits in annual audit plans for FY21 where verification material is largely available in soft/digital form.
 - Enhanced utilization of continuous auditing approach for technology enabled auditable areas.
 - Performed audit fieldwork activities, wherever possible, remotely and virtually using web conferencing tools like Zoom.
 - Increased used of organization wide implemented web-based enterprise content and document management tools for data/information requisition/sharing.
- SBP conducted an internal quality self-assessment and concluded that Internal Audit (IA) is largely compliant with the IIA requirements.
- The competencies of IA staff were assessed against the IIA Global Internal Audit Competency Framework and an action plan has been developed to address the identified gaps.
- An auditing framework was developed for determining scope of ethics audit to be conducted in SBP and its subsidiaries with the objective to assess the governance process for promoting ethics within the organization.
- An exercise was conducted in order to align the existing IT Audit Universe of SBP with ISO/IEC 27005 Standard "Information technology — Security techniques — Information security risk management". Resultantly, the risk estimation was improved and gaps were reduced based on the given threat and vulnerabilities criteria and categorization of risks with their possible origins and their motivation factors.
- To determine the efficacy, SBP Audit systems were compared with internal audit functions of other central banks a self-assessment was conducted.

The assessment was focused on areas like governance & oversight, risk assessment & control evaluation, quality assurance & improvement program, monitoring & reporting, types of audit engagements, compliance function, parent-subsidiary audit relationship and audit resource management. Further, SBP’s preparedness for emerging risks and future trends in line with the requirements of IIA Standard ‘2000’ was also reviewed.

The assessment showed that the internal audit function in SBP is largely at par with the internal audit function of other central banks. However, a few gaps like non-conduct of ethics audit, missing long term planning with respect to competency development of auditors and nascent implementation of centralized assurance mechanism in SBP and its subsidiaries have been highlighted. Addressing these

gaps will help in augmenting the efficacy of internal audit function, prepare it for future challenges at SBP and its subsidiaries to better serve the expectations of stakeholders.

6.7 Legal Services

In FY21, various new laws were promulgated by the GoP in order to facilitate investment by the non-resident Pakistanis. SBP provided necessary legal support in finalizing the Shariah compliant Rules/SOPs for Naya Pakistan Certificates. In addition to this, views were also provided on the Naya Pakistan Housing Authority Act, 2020 in order to ensure protection of SBP's interest. Further, legal amendments were proposed in the existing Foreign Exchange Manual for the launch of Roshan Digital Account.

SBP took lead in various meetings to bring amendments in newly promulgated Provincial Trust laws in order to assess the legality of existing trusts established by the banks pursuant to the regulations issued by SECP. These laws were reviewed for meeting the requirements of financial institutions and Financial Action Task Force.

In addition to above, the Financial Laws Reform Committee (FLRC) of the Board made significant progress towards the finalization of a separate Chapter on Islamic Banking' for inclusion in the Banking Companies Ordinance 1962 as well as to bring the law in line with the emerging regulatory requirements. These amendments are in the process of internal approval before being sent to the Finance Division for legislative process. SBP has also been facilitating the Deposit Protection Corporation (DPC) in implementation of the DPC Act, 2016.

6.7.1 Advisory Function

During FY21, legal advice on approximately 3000 references formally put up by various departments of SBP and its subsidiaries were provided. The legal advice pertained to various regulatory functions, as well as administrative, IT related and Human Resources related matters.

In addition, SBP was instrumental in facilitating the implementation of the Loans for Agricultural, Commercial and Industrial Purposes' Act, 1973 (LACIP) in order to promote agriculture financing by the commercial banks. In this regard, a number of meetings took place with the representatives of the commercial banks as well as with the Board of Revenue to ease out the recovery process as provided under LACIP.

6.7.2 Litigation Management Function.

Currently 412 cases of various nature are pending in different courts of Pakistan where either SBP or its subsidiaries are a direct party.

6.8 Effective External Relations

SBP was instrumental in promoting various important initiatives including Roshan Digital Account (RDA), Naya Pakistan Certificates (NPC), Roshan Apni Car (RAC), Roshan Samaaji Khidmat (RSK), Digital Financial Services including Raast and Banking on Equality. Besides active coverage of these initiatives in print and electronic media, extensive media campaigns for RDA & NPC were also designed and executed. Brochures related to RDA and NPC (both Urdu & English – designed in-house) were provided to Pakistani embassies/missions globally to be distributed among Pakistan

community. The media campaigns for both RDA and NPCs were successfully executed in four phases, since their launch and further launching of Roshan Apni Car (RAC) and Roshan Samaaji Khidmat (RSK) schemes and salutation ceremonies of achieving USD 500 million and USD 1 billion Mark in RDA were executed successfully. Currently, launching of Roshan Apna Ghar (RAG) scheme is in its final stages and SBP is working on its campaign in collaboration with partner Banks.

Apart from these campaigns, new pages on SBP's website were added related to SBP's flagship initiatives. Information about these initiatives and other events were shared regularly through SBP's social media platforms through videos, images, animations and live event coverage. Various press releases were issued to inform public about these initiatives and their effective coverage by media fraternity was ensured.

SBP issued 192 press releases and ensured their prominent coverage in print and electronic media. Participation of senior officials from both SBP and SBP-BSC in various television programmes and social media channels on important topics including Government's Markup Subsidy Scheme for Housing Finance, Digitalization of SBP FX Regulatory Approval System, Roshan Digital Account (RDA) and other topics were coordinated. SBP also arranged two awareness sessions for journalists on Digitalization of SBP FX Regulatory Approval System in Faisalabad and Gujranwala.

SBP and SBP-BSC Islamabad organized the launching ceremony of commemorative coin of 70 rupees in connection with the 70th Anniversary of the Establishment of Pakistan-China Diplomatic Relations. The event was widely covered by electronic and print media organizations.

SBP's Twitter profile achieved the status of fastest growing profile in April 2021 across Pakistan. The profile also gained the highest number of 13,000 twitter followers, which is the highest in April 2021 while the impressions reached record high of 3.1 million in the same month. Currently, SBP's Twitter profile has over 192,000 followers while Facebook has over 169,000 followers.

SBP played its role in creating awareness about SBP's Gender Mainstreaming Policy 'Banking on Equality: Reducing the Gender Gap in Financial Inclusion' that aims to promote women financial inclusion in Pakistan by providing the stakeholders with eye-catching pages on the SBP website and posts on social media. The World Bank hosted a webinar titled 'Consultative Dialogue on SBP's Banking on Equality Policy' to learn from global leaders regarding gender responsive policies and their experience on gender financial inclusion in the context of a developing country such as Pakistan. The webinar was shown live on SBP's and World Bank Pakistan's Facebook pages and viewed widely.

6.9 SBP Library

The SBP Library caters to the information needs of SBP employees, the banking community and the general public through provision of high-quality information resources and services. Ranked amongst the most-referred libraries of the country, it serves over 5,000 registered members representing the SBP, commercial banks, public and private firms, insurance companies, brokerage houses, media, and numerous business schools.

6.9.1 Collection Development

In order to support the fresh and on-going research at SBP, a number of new resources were added to the library collections in both print and electronic formats. The print holdings were enriched by 1,304 new books and 1,124 periodical issues. Additionally, latest updates of the federal and provincial budgets, gazettes and annual reports of numerous companies listed on the Pakistan Stock Exchange were also acquired. Further, the electronic resources were augmented with digital subscription of *The Financial Times*, *The Economist*, *Money Laundering Bulletin* and *Capital Stake Investment Analytics* besides renewing all previous year's subscriptions.

6.9.2 Bibliographic Management and Reference Services

For promoting effective usage of library resources, posting of monthly bulletins of *Fresh Arrivals* and *Content Alerts* on SBP website and electronic board as well as bank-wide broadcast through email remained a regular feature of Library. All items acquired were properly catalogued and made available for browsing through library portal in real time.

Officials at the reference desk responded to countless reference queries and proactively provided personal assistance in literature search and library usage. Around 2,177 requisitions for articles were entertained through library's Online Document Delivery Service. Usage of the online library resources during FY21 is depicted in **Table 6.3**.

Table 6.3: Full-Text Article/Chapter Downloads by Database during FY21
(Numbers)

<i>Database Name</i>	<i>Full-Text Article/Chapter Downloads FY21</i>
Business Source Complete	604
Cambridge Journals	262
EconLit with Full-Text	246
Emerald	1,075
JSTOR	2,580
Oxford English Dictionary	873
OUP Journals	396
ScienceDirect	2,701
Springer eJournals	918
Taylor and Francis Journals	728
Wiley Journals	969
World Bank eLibrary	59
Totals	11,411

6.9.3 Visitation, Membership & Lending:

During FY21, around 9,886 users visited the library, 91 new members were registered and 20,944 books were loaned to the registered members. The members were also kept posted with the renewal reminders and overdue notices on a daily basis. Book reservation and hold services also remained available for members throughout the year. All out efforts were made to meet members' demand through inter-library loan with local libraries.

6.9.4 Development Projects

Library completed the following development projects during FY21:

Enhancements in Library Information and Management System:

- ***Building a Repository of Doctoral Dissertations on Pakistan's Economy:*** The repository of over 600 doctoral dissertations on Pakistan's economy acquired from various open-access academic platforms would help future researchers to understand how economic issues in Pakistan have been dealt in the past by their predecessors.
- ***Digitization of Gazette of Pakistan (Extraordinary), 2018-2020:*** The acts, ordinances and statutory notifications contained in the official gazettes are highly demanded by users due to their primary archival value in historical research. The digitized gazette archive would not only make the Gazette documents accessible across the Bank through the Library Portal but would also make the retrieval process much easier.

Overall, the FY21 ended up successfully for the library in terms of its goals attainment laid down in the annual business plan. A comparative summary of library progress during the last two years is presented in **Table 6.4**.

Table 6.4: SBP Library Services at a Glance (FY20-FY21)
(numbers)

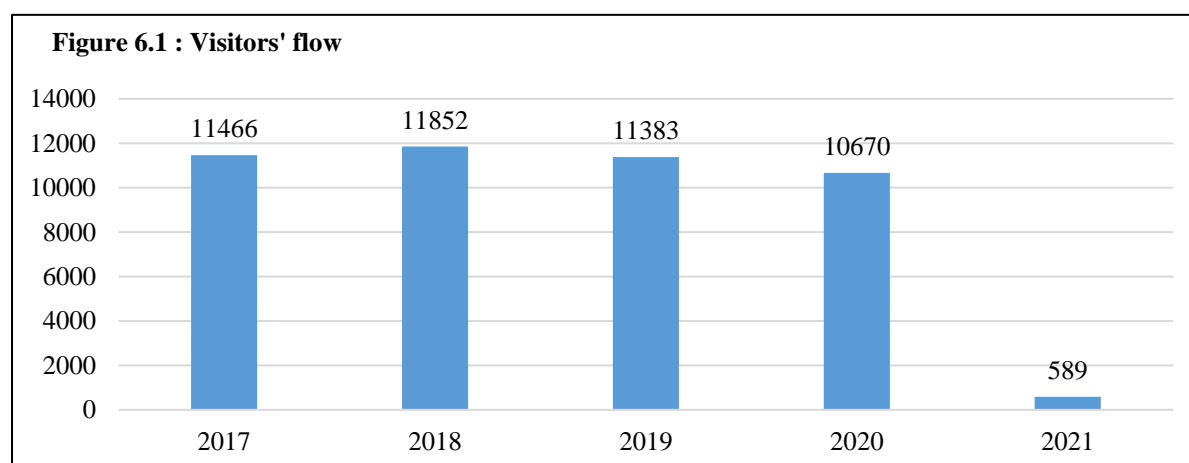
Operational Areas		FY20	FY21
Procurement	Books Purchased	1,742	1,245
	Complimentarily acquired	39	59
	Periodical issues	1,221	1,124
Technical processing	Books catalogued	1,780	1,304
	Articles indexed	2,122	1,898
Circulation (Books loaned)	The SBP employees (active and retired)	23,061	20,276
	General public	869	668
Membership	The SBP employees (active and retired)	58	71
	General public	67	20
Visitation	The SBP employees (active and retired)	11,274	8,676
	General public	3,546	1,210
Documents Downloads	Downloaded documents delivery through email	3,179	2,177
	Bank-wide article downloads through subscribed resources	14,812	11,411

Note: The decline in usage is primarily attributed to the closure of library during 20-Mar-2020 to 14-Sep-2020 as a preventive measure against COVID-19.

6.10 Museum, Art Gallery & Archives

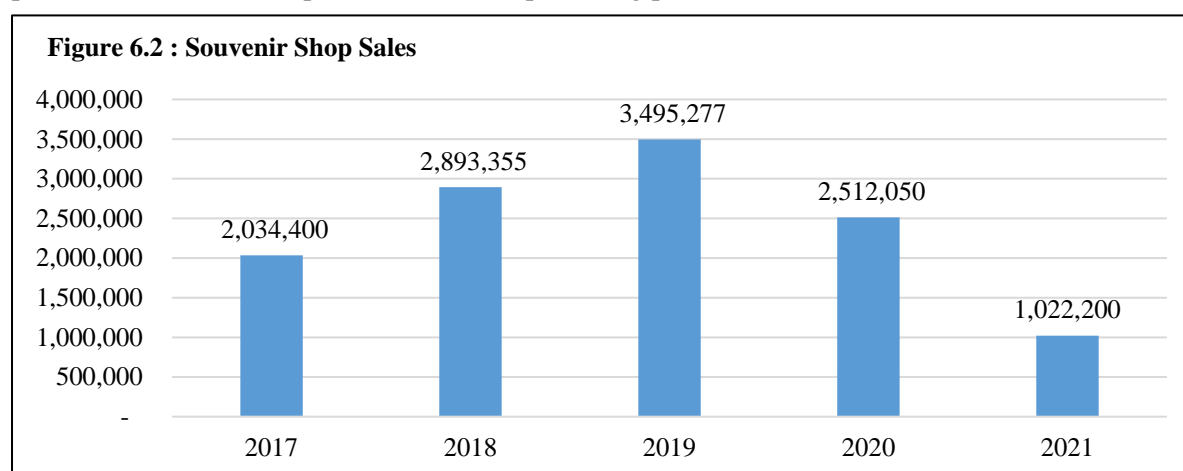
6.9.1 Visitors' Flow

Visitors flow to SBP Museum has been affected greatly due to the prevailing pandemic of COVID-19. Almost a little less than twenty times reduction has been observed in visitors flow during the FY21 to avoid gatherings to combat COVID-19.



6.9.2 Souvenir Shop

The souvenir is an integral part of the travel experience and most tourists return home with souvenirs to preserve and commemorate such experiences. The State Bank Museum Souvenir Shop has become one of the best Souvenir Shop of the country. A total sale of Rs.1,022,200/- was recorded on non-profit basis in FY21, in spite of COVID-19 prevailing pandemic.



6.9.3 Other Activities

Due to closure of the Museum, virtual exhibitions were conducted. Details of the same are as under:

- Special Exhibition: Quaid-i-Azam Muhammad Ali Jinnah, through the Lens of Z.D. Barni.
- (Agha Ziauddin Barni: Official Photographer of Quaid-i-Azam)

- Independence Day Celebrations.
- The role of Women in Freedom Struggle for Pakistan.
- Pakistan Resolution Day.
- International Museum Day.
- Tribute to Allama Iqbal.

The SBP Museum Officials actively participated in the Children Literature Festival during FY21 with an informative outreach work plan at listed below station:

1. **Gilgit:** June 01 to 03, 2021

6.9.4 Publications

In order to digitize and preserve the collection of SBP Museum, following publications were designed in FY21:

1. Quaid-i-Azam Muhammad Ali Jinnah through the lens of Z.D. Barni
2. Art Residency Program for State Bank Museum, Archives & Art Gallery
3. Special Exhibition: 25th December in collaboration with MOIB
4. Conservation and Preservation of Old Historical Record
5. Catalogue of Princely States Coins, supplemented by Pakistani Coins in the Collection of SBP Museum
6. Preservation and Conservation of Old Coins of Numismatic Value

6.9.5 Paper Conservation Lab

A Paper Conservation Lab was established at PSPC. The lab is well equipped with latest tools, machinery and vacuum chamber etc. for paper digitization, preservation & conservation. The lab has become functional after its inauguration by the Governor SBP, Dr. Reza Baqir in October 2020.