

7 SBP Subsidiaries

SBP's four subsidiaries including State Bank of Pakistan-Banking Services Corporation (SBP-BSC), National Institute of Banking and Finance (NIBAF), Pakistan Security Printing Corporation (PSPC) and Deposit Protection Corporation (DPC) continued to improve their institutional capacity and operational efficiency, and provide seamless support and services to banking industry, government agencies and people of Pakistan to ensure smooth functioning of banking operations across the country.

7.1 SBP Banking Services Corporation (SBP-BSC)

Established under the SBP-BSC Ordinance 2001, SBP-BSC is a wholly owned subsidiary of SBP. It provides banking services to the Federal and Provincial Governments as well as to the financial institutions. Through its sixteen field offices situated across the country, SBP- BSC ensures management of currency, sale and purchase of prize bonds and savings instruments of the Government on behalf of Central Directorate of National Savings as well as credit management and facilitation of inter-bank settlement system. It also facilitates implementation of various financing schemes of SBP offered to public and businesses for achieving economic growth and financial inclusion. Further, SBP-BSC carries out operational and monitoring functions related to Foreign Exchange (FE) and adjudicates FE related cases as per relevant laws and regulations.

7.1.1 Banker to the Government

As banker to the Government, SBP-BSC undertakes revenue collection and payments on behalf of various government departments through its sixteen (16) field offices. In line with the National Payment Systems Strategy (NPSS), SBP-BSC continued its concerted efforts to enhance digitization of payment systems. These dedicated efforts were aimed at increasing the use of Alternative Delivery Channels (ADCs) such as internet, mobile banking and ATM which resulted in increasing ADC transactions to 17.15 million in FY21 as compared to 5.27 million in FY20, marking a significant increase of 225 percent. Similarly, ADC collection volume also grew from Rs.439 billion in FY20 to Rs.3.14 trillion in FY21, exhibiting a substantial growth of 615 percent. Resultantly, the total number of government receipt and payment transactions executed at the counters of SBP-BSC offices reduced significantly from 13 million in FY20 to 8.6 million in FY21, indicating a decrease of 34 percent.

SBP- BSC also extended assistance to government departments in shifting to Electronic Funds Transfer (EFT) for their payments and streamlining their accounting procedures. During FY21, SBP-BSC coordinated with Central Directorate of National Savings Organization (CDNS), Pakistan Works Department (PWD) and provincial Zakat departments in moving their payment options to EFT for enhanced operational efficiency. Additionally, salary / pension payments of government departments including CNA (Controller of Naval Accounts) and CAAF (Controller Accounts Air Force) were also centralized, resulting in 86 percent decrease of CNA salary cheques and 94 percent reduction in CAAF over the counter pension payments. To further improve process efficiencies, coordination with CAAF is underway to streamline their pensioners' commutation and provident fund payments.

7.1.2 Centralization of Bank Accounts

As banker to banking industry, SBP-BSC centralized commercial bank accounts at its Karachi office during FY21 with an aim to increase process efficiency of banking operations and improved liquidity management and effectiveness.

7.1.3 Automation and Monitoring in Currency Management

Despite increasing usage of digital banking and alternative payment channels, Pakistan is still one of the highest cash-centric economies in the world. Compared to GDP, the consistent increasing trend of Currency-in-Circulation (CiC) is presented in **Table 7.1.1**

Table: 7.1.1: Comparison of GDP and CiC in FY21
(Rupees in Million)

Year	Nominal GDP ^[1]	Currency in Circulation (CiC) ^[2]	CiC as % of GDP	CiC Change Over Previous Year
FY20	41,726,683	6,492,272	15.6%	22.0%
FY21	47,709,325	7,349,493	15.4%	13.2%

As part of the revamped operational model adopted by SBP-BSC, banknote processing and destruction is being centralized at eight SBP-BSC field offices, categorized as pool offices (i.e., Karachi, North Nazimabad, Lahore, Faisalabad, Peshawar, Rawalpindi, Multan and Quetta) situated in seven major cities. In line with the Currency Automation Strategy (CAS), SBP-BSC has been gradually deploying high-end Banknote Processing & Authentication Systems (BPAS) and Banknote Disintegration Systems (BDS) since 2016. Currently, the final phase (Phase III) of the CAS is being rolled out, whereby nine BPAS are being installed at six pool offices and three BDS are being installed at three pool offices. As a result of automation efforts, the destruction of soiled banknotes witnessed an increase of 64 percent on YoY basis.

During FY21, Cash Monitoring Hubs (CMHs) examined 854 branches (269 cash feeding branches, 143 cash processing centers, 345 standalone and 97 linked branches) to ensure that good quality machine-authenticated banknotes are issued by bank branches despite facing COVID-19 related restrictions. To ensure effective implementation of Currency Management Strategy (CMS), penalties amounting to Rs. 13.5 million were levied on commercial banks. In addition, a revised mechanism was initiated to strengthen currency compliance framework, whereby banks were required to furnish compliance of their delinquent branches on quarterly basis. Further, during FY21, 47 (classroom and online) training sessions were conducted for commercial banks' cash officers.

As agent to government, SBP-BSC effectively managed various National Saving Schemes (NSS) while adhering to NCOC guidelines and instructions regarding COVID-19. During FY21, Finance Division GoP, notified withdrawal of Rs.25,000, Rs.15,000 and Rs.7,500 National Prize Bonds (NPBs) from circulations, while Rs.40,000 denomination prize bond was withdrawn in FY20. This resulted in a surge

^[1] Pakistan's GDP- https://www.sbp.org.pk/ecodata/GDP_table.pdf

^[2] Statement of Affairs- 25 June, 2021- <https://www.sbp.org.pk/publications/statements/2021/25-Jun-2021.pdf>

in retirement of public debt valuing Rs.398.9 billion. However, during FY21, SBP-BSC also raised public debt amounting to Rs.108.9 billion. As of June 30, 2021, SBP-BSC encashed 99 percent of Rs.40,000, 96 percent of Rs.25,000, 75 percent of Rs.15,000 and 55 percent of Rs.7,500 denomination NPBs. Moreover, while taking cognizance of customer service delivery, sixteen (16) new conventional banks were authorized to deal in Premium Prize Bonds (PPBs) for convenience of general public. Additionally, SMS service facility was also introduced for confirmation of transaction / services to customers through SMS alert on the given mobile number.

During FY21, a three-pronged approach was adopted by SBP-BSC to further strengthen AML/CFT regime within SBP-BSC. The approach included: 1) Policy measures wherein detailed SBP-BSC AML, CFT & CPF compliance policy and guidelines for identification and reporting Suspicious Transaction Report (STR) / Cash Transaction Report (CTR) were issued; 2) Technological adoption which included procurement of automated sanction screening solution and implementation of Transaction Monitoring System; and 3) Capacity building through a four-tier training program. Due to these concerted efforts, the number and quality of STRs improved exponentially during FY21. In addition, multiple initiatives are also underway to further augment the AML/CFT regime including development of an electronic Know Your Customer (eKYC) module, enhancement of scope of Transaction Monitoring System (TMS) and implementation of an automated Targeted Financial Sanctions (TFS) screening solution.

7.1.4 Development Finance & Financial Inclusion

Despite COVID-19 restrictions, SBP-BSC managed and accomplished its refinance targets in various areas. SBP-BSC provided requisite support to all stakeholders in an efficient manner through refinance and credit guarantee schemes along with facilitating government-announced programs like low cost housing and PM Youth Loans etc. Table 7.1.2 shows the amounts disbursed during FY21:

Table 7.1.2: Disbursements under Refinance and Credit Guarantee Schemes for FY21

S.N.	Name of Scheme	Disbursements (Rs. in Billion)
1.	Export Refinance Schemes	1,395
2.	Refinance Scheme for Payment of Wages & Salaries to the workers and employees (also called Rozgar Scheme)	178
3.	Long Term Financing Facility	55
4.	Financing Scheme for Renewable Energy	39.6
5.	Financing Facility for Storage of Agricultural Produce	2.6
6.	Refinance Schemes for SMEs	1.8
7.	Credit Guarantee Scheme for Small & Marginalized Farmers (CGS-SMF)	0.7*
8.	Credit Guarantee Scheme for Small & Rural Enterprises (Jul – Dec 2020)**	0.2*

* Guarantee amounts.

** Limit was allocated up to Dec 2020 only.

In October 2020, SBP announced the Government Mera Pakistan Mera Ghar (MPMG) Scheme in order to enhance formal credit to low-cost housing sector. A Markup Subsidy Scheme Portal (MSSP) was developed by SBP-BSC to coordinate with banks for resolution of complaints. During FY21, over 4,000 complaints lodged on the portal were addressed. In addition, separate Housing Finance Helpdesks at all SBP-BSC offices were set up to facilitate the public, where over 10,000 queries with respect to MPMG were received and resolved. Further, four Housing Finance conferences for various stakeholders including banks, Pakistan Mortgage Refinance Company (PMRC), builders and developers, architects, local development authorities etc. were conducted in each provincial capital of the country by SBP-BSC Lahore, Peshawar, Quetta and North Nazimabad offices.

During FY21, focus on the enhancement of SME Finance was sustained through continuation of the initiative “Sector of the Year – Sectoral Interventions by SBP-BSC Offices” under which each SBP-BSC office either continued to work on the sector assigned last year or focused on a new sector for analysis of its credit landscape. The initiative highlighted obstacles for financing of key sectors in the country and provided platform to improve financing of the same. Moreover, SME Finance Clinics were conducted across SBP-BSC offices for facilitation and assistance of SMEs. Similarly, 22 SME Finance focus group meetings were also held to review regional performance of banks and webinars on SME financing were conducted to promote dialogue and deliberate on associated challenges.

Furthermore, SBP-BSC also expanded the mandate of financial inclusion in areas of National Financial Literacy Program (NFLP). Remarkable progress was witnessed in NFLP related key activities, despite COVID-19 restrictions, as shown in **Table 7.1.3**. Since the NFLP’s inception in August 2017, financial literacy has been imparted to more than 950,000 individuals, with special focus on women participation and rural areas.

Table 7.1.3: Progress on NFLP Targets for FY21

Key Milestones	Target	Achievement
No. of Districts	158	158
No. of Beneficiaries	226,000	362,223
No. of Classroom Sessions	9,040	12,487
Female Participation Ratio	50%	58%
Account Conversion Ratio	80%	90%
Rural Involvement	70%	71%

To align its efforts with SBP’s strategic goal of Islamic Banking, SBP-BSC collaborated with various commercial banks, universities, government departments, institutions and Muftian & Ulema. Various Islamic Banking awareness programs were organized comprising of 19 workshops for and with Muftian & Ulema, 16 two-day capacity-building programs for its own officials and 26 awareness programs for the general public. Moreover, four seminars on Islamic Banking sector were also arranged for provincial governments and their concerned departments.

7.1.5 Monitoring of FE Operations and Realization of Export Proceeds

In the Foreign Exchange (FE) area, SBP-BSC is entrusted to monitor trade related transactions for timely repatriation of export proceeds and taking legal actions against delinquent exporters. Due to continuous and robust monitoring of exports overdue cases by SBP-BSC, repatriation of more than USD 1 billion, without any recourse to adjudication, was ensured during FY21. Further, SBP-BSC also issues approval for foreign exchange payments as per applicable regulations and processes claims of government duty drawback schemes in accordance with applicable Statutory Regulatory Orders (SROs).

SBP-BSC, successfully implemented Regulatory Approval System (RAS) for digital submission of FE related cases from banks. Subsequently, SBP-BSC collaborated with the banking industry to establish end-to-end digitalization of FE related case processing through development of portals by banks for their customers, enabling standardized practice in the FE regime.

Further, SBP-BSC, in coordination with Pakistan Customs, also established an Electronic Data Interchange (EDI), which provides access to the shipment data in Web Based One Customs (WeBOC) through daily feeds. Additionally, SBP-BSC is actively pursuing establishment of an 'Online Portal for Government Support Schemes (OPGS)' with Ministry of Commerce (MoC), to significantly facilitate the processing of claims.

SBP-BSC maintained vigorous enforcement of Section 23K of the FERA 1947, wherein SBP delegated SBP-BSC to impose penalty on Authorized Dealers (ADs) for violation of FE regulations. Under this measure, around 89,746 instances of violations were processed during FY21. SBP-BSC also extended the scope of AML/CFT monitoring to its FE related operations. In this regard, various monitoring exercises were performed during FY21 for identification of FE violations and suspicious activities, which were captured in quarterly Forex Monitoring Report (FMR) and shared with relevant departments of SBP for necessary action.

SBP-BSC lodged complaints against delinquent exporters, who failed to repatriate export proceeds within stipulated time, in its Foreign Exchange Adjudication (FEA) courts. During FY21, export proceeds equivalent to USD 182.4 million were realized and around 11,711 complaint cases were also disposed.

During FY21, SBP-BSC recovered all-time high penalties of Rs. 26 million which accounts for around 46 percent of total recovery made from exporters since inception of FEA courts in 1990.

7.1.6 Human Resource Management

In the wake of COVID-19, SBP-BSC endeavored to develop flexible working arrangements during FY21 to maximize safety, productivity and optimize efficiency gains across the organization. SBP-BSC also undertook various capacity building initiatives for strengthening the organization's talent pool. A number of local, institutional and virtual foreign trainings, as well as e-learning sessions were also organized. In addition, a Time Bound Rotation Plan (TBRP) for aspiring officers was initiated during FY21 to provide opportunity for work exposure at Head Office. During FY21, SBP-BSC actively pursued workforce rationalization for achieving optimum HR strength through automation, digitization,

and BPR initiatives. The total staff strength in various grades shrunk to 2,183 by June 2021 as compared to 2,346 in the previous year due to early retirements and superannuation.

7.1.7 Support Services to SBP and its Subsidiaries

SBP-BSC ensured delivery of support services to internal stakeholders, as well as SBP and its subsidiaries in areas of procurement, engineering, medical and internal bank security. Despite COVID-19, a total of 198 procurement projects amounting to over Rs. 3 billion were undertaken during FY21 while ensuring strict compliance of PPRA rules. Major procurements included “Communication circuits for connectivity of SBP with ILink & AGPR” and “Targeted Financial Screening Solution”. SBP-BSC’s Medical Services Division (MSD) implemented SBP’s COVID-19 combat strategy effectively by establishing special emergency cell. MSD ensured management and implementation of preventive measures during pandemic and also developed a dashboard for real time monitoring and reporting of COVID-19 cases to top level management. In addition, a team of doctors across SBP-BSC rendered tele-medical consultancy to stakeholders during extended hours as well as on weekends. Further, an effective liaison with hospitals and laboratories was established through which lab tests and swift consultation services were arranged for the employees (and their families) of SBP-BSC and SBP to protect them from any untoward exposure.

SBP-BSC also ascertained the safety and security of workplace environment through issuance and compliance of security instructions, implementation of security controls and periodic assessment of security risks of SBP and its subsidiaries in collaboration with management and Law Enforcement Agencies (LEAs).

7.1.8 Corporate Governance and Internal Audit Framework

To provide effective support to the Corporate Governance Framework of SBP-BSC, 15 meetings of the SBP-BSC Board and its committees on Audit, HR, and Publications Review were conducted during FY21 and decisions were subsequently disseminated to the relevant stakeholders. During FY21, SBP-BSC streamlined its business planning exercise where efforts were made for planning, rationalization and execution of projects with organization-wide impact.

Furthermore, internal audit of SBP-BSC assisted the Board’s Audit Committee in its oversight responsibilities on internal controls, governance and business practices through provision of summarized audit results. During FY21, 28 audits were conducted including annual audits of 8 field offices and 6 functional departments at SBP-BSC Head Office, Karachi. In addition, 12 coordinated audits with Internal Audit of, SBP, one hub audit and one thematic audit were also conducted.

7.2 National Institute of Banking & Finance (NIBAF)

FY21 remained the most challenging year for learning and development. NIBAF continuously strategized its training plans during the course of year, as the physical training sessions were possible only for a limited period and that too mainly at NIBAF Islamabad Campus under strict COVID -19 SOPs. Consequently, a substantial number of trainings were derived from Virtual Instructor-Led Training (VILT) sessions and webinars. Despite challenging environment, the overall training delivery during FY21 reached 25,314 person days of training. NIBAF offered 567 training programs in FY21 compared to an average of about 400 trainings during last three years. Category wise details of trainings are as follows:

7.2.1 Programs for SBP and allied subsidiaries

NIBAF continued to play its role in developing human resource capacity of SBP through a set of diversified training programs. NIBAF arranged pre induction, function specific and skill upgradation training programs for SBP officials. NIBAF conducted 287 training programs for SBP, translating into 9,396 person days training during FY21. NIBAF further expanded its training basket in FY21 through new offerings like; Economic Policy Response of COVID 19, RAAST, Micropayment Gateway, Blockchain Technology and Bitcoin, Cyber Security Advanced, Staying Productive while working from home, Cloud & Digital Financial Services, Central Banking Talks, etc.

During FY21, NIBAF also conducted the applied focused theoretical training of a batch of 33 officers under SBOTS-24 from December 28, 2020 – May 10, 2021 successfully. Both modes i.e., VILT and F2F were used during the course.

Further, efforts have been made to complement existing lecture-based training with activity-based learning methods, such as role-play, discussions, scenario analysis, case-studies, research assignments etc.

During FY21, NIBAF arranged more than 100 training programs for SBP-BSC officials. With limitation for physical classes, NIBAF managed to secure 4,116 person days of training of which, 1,052 came through F2F.

7.2.2 Training Programs for Commercial Banks

NIBAF offered a large number of new programs for commercial banks in the priority sectors (i.e., Islamic banking, microfinance, agriculture, SME and housing finance) during FY21. An interesting experiment was the launch of VILT programs targeting bank branches in remote areas of Baluchistan. Cumulatively, NIBAF arranged 108 training programs for commercial banks, translating into 1,693 person days of training.

7.2.3 Training Programs in Priority Sectors

During FY21, NIBAF in close collaboration with SBP arranged multiple training programs for the priority sectors across the country. These programs also promote SBP subsidized schemes specifically developed and designed for encouraging financing to the priority sectors.

Islamic Banking

During FY21, NIBAF conducted 31 training programs, translating into 3,835 person days of training in Islamic Banking sector. Specifically, NIBAF conducted 2 iterations of Islamic Banking Certification Course (a flagship program on Islamic banking), which led to 697 person days. NIBAF also arranged 10 training programs of 5-days each on Fundamental of Islamic Banking Operation (FIBO) in face-to-face mode during FY21 while 6 FIBO courses were conducted in virtual mode. The FIBO program attracted 305 participants, which resulted into 1,525 person days of training. In addition, in consultation with Islamic Banking Department, SBP, NIBAF introduced the 3-Day Islamic Banking Branch Operations (IBBO) program and arranged 9 courses. The IBBO attracted 231 participants, which translated into 693 person days.

Programs to Promote Microfinance

NIBAF in collaboration with SBP has rolled out training programs for microfinance banks to develop

capacity and enhance understanding of MFBs officials regarding financial and operational aspects of microfinancing. During FY21, 15 programs were held translating into 919 person days of training.

Housing Finance & Small and Medium Enterprises (SMEs)

NIBAF with the support of SBP has organized a number of SME & Housing-finance training programs on different aspects for banks' officials and awareness sessions for university students across the country. Specifically, 32 trainings programs were arranged during FY21, resulted into 2,611 person days of training.

Agriculture Sector

NIBAF in collaboration with SBP has initiated extensive capacity development programs for banks in agriculture financing. During FY21, NIBAF arranged 25 training programs in this category, translating into 2,143 person days of training.

Webinars and L&D Moots

NIBAF also arranged Webinars and L&D Moots during FY21. Well renowned financial industry experts and speakers - local and international - were invited to these webinars/moots. A large number of participants benefited from these programs.

7.2.4 Training Programs for Other Stakeholders

NIBAF organized training programs during FY21 for Pakistan Security Printing Corporation (PSPC), Deposit Protection Corporation (DPC) and Exchange Companies. Through multiple training programs, NIBAF managed to deliver more than 150 person days of training in this category.

7.2.5 National Financial Literacy Programs for Youth (NFLP-Y)

National Financial Literacy Program for Youth (NFLP-Y) has achieved some significant milestones during FY21. Since its launch, PomPak – an online game on financial literacy - exceeded 165,000 downloads and scored the top spot in the 'educational games' category in the Google Play Store in Pakistan.

During FY21, NFLP-Y signed 17 MoUs and received 8 NOCs from different educational directorates. Pertinently, three NOCs have been renewed only for Lahore district. Furthermore, 4 TOTs have been conducted in partner institutes during FY21. Furthermore, In June 2021, NIBAF and JazzCash, Pakistan's leading FinTech Company has signed a MoU for increasing financial literacy amongst youth of Pakistan. JazzCash, under its partnership, is going to provide SBP access to more than 26 million Pakistanis by promoting the PomPak application through its platform. This will help the application reach a wider audience, thus increasing its usage and eventually promoting financial literacy resulting in a highly positive socio-economic impact.

7.3 Deposit Protection Corporation (DPC)

Deposit protection is an important component of financial safety net in any jurisdiction and provides support to financial stability. It builds up confidence of the public in the financial system by providing timely and smooth access to their funds in case of bank failures.

DPC has been established under the DPC Act 2016, primarily to protect small and financially unsophisticated depositors from loss of their funds in case of a bank failure. The current protection amount determined by the DPC is Rs. 250,000 per depositor-per bank, which provides full coverage to around 92 percent of the eligible deposits. The corporation has devised a deposit protection framework, which comprises of separate mechanisms for Islamic as well as conventional banking depositors.

During FY21, DPC took following significant initiatives;

7.3.1 Development of Communication Strategy

The communication strategy of DPC was developed and approved by DPC Board. This strategy would allow the corporation to enhance its information footprint. DPC is now working towards establishment of its own platforms on different social media.

The strategy also discussed how and what to communicate with different stakeholders during normal times and during crises.

7.3.2 Efforts towards Enhancing Public Awareness

DPC concentrated its efforts towards enhancing level of awareness of public and external stakeholders on the concepts and working of deposit insurance and about DPC in FY21.

Following efforts were made during FY21 towards public awareness;

- DPC's website became operational in October 2020. This website acts as information gateway for all stakeholders. Plans are underway to further enhance its contents and appearance in FY22.
- The information platforms i.e., websites, emails and SMS services of banks were also leveraged to enhance dissemination of information to depositors on protection of deposits. In this regard, banks sent SMS and emails to their depositors about DPC and coverage of deposits. Such information was also placed on the websites of the banks.
- Extensive information sessions for banks' officials were conducted. Information sessions for the big five audit firms were also conducted and detailed awareness were also given about the workings of deposit insurance.
- For better understanding of deposit coverage, an extensive set of FAQs was developed and placed on DPC website.

7.3.3 Information System on Depositors

The development of database by banks was delayed due to interruptions emanating from COVID-19 pandemic. However, as a result of continuous follow-up and guidance to banks, the database of depositors have now been developed by almost all banks, linked with the core banking systems. DPC is now scrutinizing the data provided by banks to assess its correctness.

7.3.4 Development of Risk Control Self-Assessment Framework for DPC

The Corporation has also developed its own RCSA framework in order to recognize and assess various enterprise risks and their mitigants.

7.3.5 Investments and Fund Management

The Investment Policy of DPC was revised to make it more flexible to handle the growing volume of transactions, while at the same time keeping controls and risk monitoring functions intact. The Management Investment Committee and its role was also strengthened in this regard.

7.4 Pakistan Security Printing Corporation

FY21 was a difficult year for businesses in general and for industry in particular due to COVID-19 pandemic. Managing industrial units under strict lockdown imposed by the Government and ensuring availability and safety of required workforce was an uphill task compounded by supply chain disruptions. Most of the industrial units were compelled to close down due to unmanageable situation. PSPC, being an essential service entity, had to operate under these difficult circumstances and meet requirement for enhanced delivery of fresh banknotes. PSPC was able to manage continuation of its normal operations and produce & deliver highest ever number of fresh banknote pieces to SBP.

PSPC is a critical, essential, and crucial organization of national importance and remained vigilant of its responsibilities. It strictly followed SOPs related to COVID-19 to ensure safety of its employees enabling it to continue its operations. PSPC has successfully completed the annual indent for FY21 before the stipulated time, as well as the production target for the full year. The untiring efforts put in by the employees ensured delivery of 4,300 million banknote pieces, which is 7 percent higher than FY20 and highest ever in the history of PSPC. The table 7.1.4 illustrates last nine years' data of deliveries made by PSPC.

Table 7.1.4: Deliveries made by PSPC

Year	Banknote & Prize Bonds Sales (in million pieces)
2012-13	1,972
2013-14	2,108
2014-15	2,182
2015-16	2,359
2016-17	2,806
2017-18	3,547
2018-19	3,722
2019-20	4,010
2020-21	4,300

7.4.1 Enhancement of the Production Capacity

PSPC has opted to balance its production line to bring efficiency and cost-effectiveness in its core operations. Owing to the high indent, PSPC rehabilitated numbering machine (SN2) which increased the department's capacity by 10 percent. Further, through process reengineering on the numbering machine (SN1), production division was able to eliminate tenning process, which saved 12 workers' hour per day. Similarly, research-based adjustments were made on UNO finishing and packing machine without changing any original settings, which resulted in reduction in retouching work, saving 10 workers' hours per day.

The corporation has embarked on various other initiatives to further enhance its capacities in different areas, which are at different stages of completion and will yield results in the next few years.

7.4.2 Efficiency, Improvement and Waste Reduction

During FY21, the corporation initiated several projects for efficiency improvement and waste reduction. One of such improvement projects was to improve the quality of paper in coordination with producing associate company, M/s Security Papers Limited. A technical team of PSPC conducted several visits to identify process improvement areas at SPL. Moreover, denomination-wise paper specifications have also been debated and agreed upon by the technical teams of both the companies. The project has resulted in substantial production time saving. PSPC was able to improve its production capacity, while reducing wastage at the same time. In addition, PSPC's team was able to bring down the ink drying time, which played a pivotal role in the timely indent completion.

The corporation has also initiated lean management framework in its various production processes, with the help of our associate company, SICPA Pakistan Inks (Private) Ltd. Experts from the SICPA International, Switzerland would train and equip the corporation staff in implementing lean management.

7.4.3 Countrywide Deliveries of Banknotes

In spite of challenges due to COVID-19 pandemic, the corporation managed the smooth and uninterrupted supply of banknotes across the country. The highest ever delivery in one month of 1,124 million pieces was recorded in the month of May 2021. Timely delivery of banknotes enabled SBP to implement its Clean Note Policy, replace soiled banknotes from circulation and cater the spontaneous need of fresh banknotes due to the COVID-19 pandemic and the Prime Minister's Ehsaas Program.

7.4.4 Maintaining Quality of Banknotes

Since its acquisition by SBP, PSPC has been focusing on continuous improvement in its processes and production cycle, and has made constant efforts in pursuance of the zero-defect goal. PSPC aims to continue reforming its policies and adopt best market practices. To uphold this standard, PSPC works in close coordination with SBP to mitigate circulation of counterfeit banknotes and prize bonds. It ensures that various security features are embedded into its products so that it becomes easy to detect and keep counterfeits out of circulation. PSPC has a fully equipped laboratory that forensically analyze any suspected counterfeit product in the market as reported by SBP and law enforcement agencies. The laboratory is capable of running advance tests. During FY21, it benchmarked its operations with internationally acclaimed forensic laboratory at SICPA International, Switzerland.

Additionally, to make sure that no counterfeit products are circulated, PSPC in collaboration with SBP-BSC has established a Document Analytical Paper Laboratory at Lahore. This would provide additional assistance in the fight against counterfeit products.

7.4.5 Upholding Health, Safety & Environment

Various support departments at PSPC provided extraordinary support and assistance during the pandemic and ensured that entire corporation remains functional while safeguarding the health and wellbeing of its workforce. The management at PSPC is committed to provide healthy, safe, and clean

workplace to its employees, visitors, internal and external stakeholders. Although, HSE is a new department with limited resources but it has proven to be a vital one, especially during pandemic. To further strengthen the role of HSE, a Health, Safety & Environment GAP analysis study was conducted for benchmarking purpose. In light of the analysis, steps were taken to introduce new policies and ensure zero accidents. In order to cope up with well-being of employees, new parks have been established in the residential estate to facilitate the residents with a healthy lifestyle.

During the COVID-19 pandemic, all safety measures proposed by international and national health institutes along with the government guidelines for the industrial workplace were taken. PSPC has undertaken various risk mitigating measures on continuous basis to counter the detrimental effects of COVID-19 within the organization, which are as under:

- 1) Regular monitoring of Body Temperatures
- 2) Disinfecting Workplace on daily basis
- 3) Strict compliance of Guidelines / Instructions / SOPs
- 4) Screening and Testing of Employees on regular basis

Recently, PSPC Management has taken another initiative of COVID-19 vaccination drive wherein, HR Department along with medical team started in-house vaccination of employees. In this regard, it is pertinent to mention that 100 percent employees of PSPC including outsourced workforce and DSF (army) have been vaccinated except for few resources who are medically unfit for the vaccination. Moreover, PSPC has also carried out vaccination of its associated companies which includes SICPA, SPL, and NSPC.

PSPC has also successfully grown an urban forest on over 5000 square yards. The tall trees are now over 20 feet within a short span of one year. The forest hosts a complete eco-system and is a living testament to PSPC's efforts in cleaning the environment. PSPC was also successful in experimenting with composting of the banknote paper waste. After this success, PSPC is now embarking on a project to eliminate the burning or dumping of paper waste. In future, 100 percent of the waste would be converted into compost for agriculture use.

7.4.6 Security Enhancement at PSPC

PSPC, being a critical and strategic organization of the country is categorized as a KPID Alpha-1 facility. Due to its nature of business, PSPC has significant security risks which need to be alleviated effectively. Though, the security risk cannot be completely eliminated, but continuous efforts are made to mitigate it to a lower level. In this regard, latest technological advancements have been made to strengthen the security of the corporation and its employees to increase the area coverage and create an additional layer of security. Further, supplementary physical measures and enhancements have also been taken.

7.4.7 Developments in Information Technology

Upgrading the information management is co-related to the overall performance of an organization. A strong and self-evolving information management system ensures and improves the productivity of the entire organization.

PSPC was successfully able to migrate File Storage Service, Email Service, Internet Proxy, and Active Directory to a virtual environment to reduce their dependability on the server hardware and ensure their timely availability through rapid migrations in case of server hardware malfunctions or maintenance. Furthermore, a Disaster Recovery Site was established for an active back up environment where backup of domain controller, database and email are being maintained to ensure availability of IT related services in the event of a crisis or emergency situation.

PSPC in collaboration with SBP also conducted an IT security assessment of IT infrastructure at PSPC. Steps are being taken to further strengthen the infrastructure, in accordance with the security assessment report recommendations, which will eventually mitigate the potential cyber-security threats at PSPC. Moreover, PSPC has hired a consultant to conduct ERP assessment of the corporation.

7.4.8 HR Developments

Keeping in view the best market practices, organizational restructuring of PSPC is in process to enhance the overall productivity of the corporation and to eliminate the redundancies. Likewise, major initiatives in the areas of workforce rationalization and automation have been taken to boost the effectiveness and efficiency of the business and its processes.

Further, in order to align the policies of PSPC with the leading and comparator organizations, existing HR policies are being revised. In the first phase, policies pertaining to recruitment, promotion, whistle blowing, corporate social responsibility and code of conduct are being revised. Moreover, PSPC is also bringing conspicuous improvement and development in capacity building of human resource through a mixture of in-house, external, and other lateral training programs. These programs were endeavored at improving the functional and behavioral competencies of the human resource.

The strategic partnership between PSPC and NIBAF has developed exceptionally during the course of time. Some critical programs having huge impact on capacity-building of PSPC human resource, were planned and organized in collaboration with NIBAF and various prestigious training institutes of Karachi. In addition, PSPC is initiating a Technical Certification Program for its workforce, which will help in periodic skill enhancement, capacity building, and grooming of workforce.