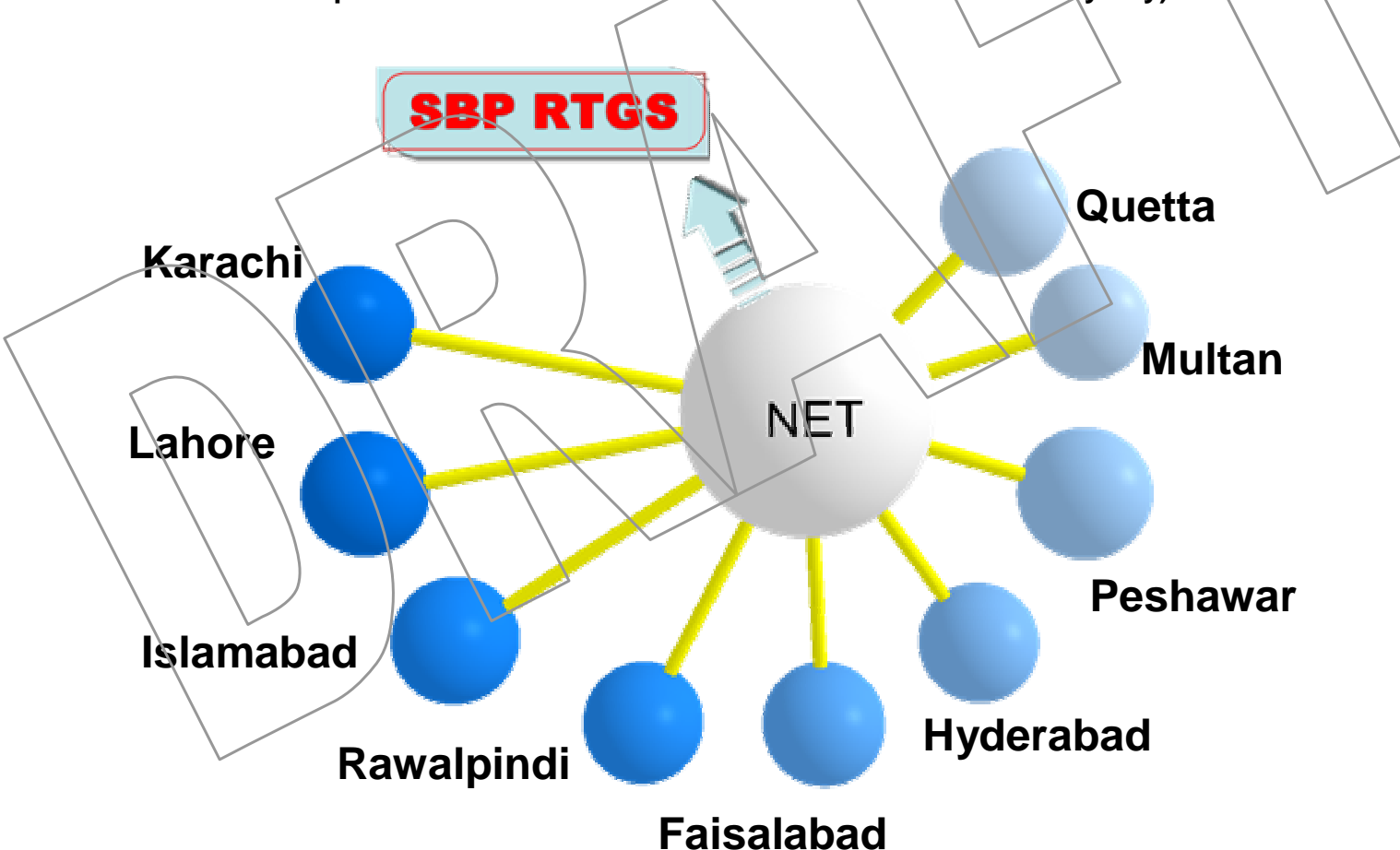


**NIFT'S role in the implementation of RTGS at the State Bank of Pakistan**

**INTRODUCTION:** The State Bank of Pakistan is Implementing RTGS and one of key elements of change that will impact the clearing system is the centralized netting methodology. NIFT is preparing for this change. While the current approach involves decentralized netting at all cities; the new approach, as planned by the Payment Systems Department of the State Bank of Pakistan, envisages a netting on country wide basis. Currently NIFT'S systems create separate nets by city and submit the same to State Bank of Pakistan in each city and the relevant net position is debited / credited to banks' current accounts in that city. The new system will would require NIFT to collect nets from all automated centers and provide a consolidated net to the State Bank of Pakistan for entry into the RTGS system, hence, the countrywide net position will subsequently be debited / credited to banks' current accounts in Karachi. (It may be relevant to mention that this will not effect other operations in the local current accounts of banks in any city).



**NETTING DETAILS:** There will be two aspects of the countrywide netting procedure:

- As per the basic concept nets from all cities will be consolidated by product (Main Clearing, Same-day High-value clearing and Inter-city Clearing).
- Same-day high-value clearing and intercity will also be netted out further so that the position provided will be inward less returns.

## The process will be time critical



As is obvious the inward nets for the main clearing and return will not be merged because of the high risk or exposure involving very large values and also due to the fact that the time gap between inward presentation and returns processing is quite significant.

The entire consolidation process will be managed by NIFT; data from all NIFT centers will be sent to NIFT, Karachi employing secure communication, consolidated by NIFT in Karachi and passed on to the State Bank of Pakistan.

These changes will be transparent to the branches and they will continue to receive reports and instruments in the existing format, there will be absolutely no change in the clearing procedure.

A slight change will be necessitated in the time cycle of Inter-city Clearing: currently the accounting process of Inter-city clearing is spread over two days (debit in paying city on day one and credit at lodging / originating city on day two). This will be streamlined to provide consolidated nets. The debit will coincide with electronic intimation to lodging city on same day. Banks will also benefit by advance electronic intimation. (The returned cheques, if any, will be provided on the next day)

Main branches and treasury units at banks will be involved in some additional reconciliation efforts in order to exercise control over the consolidation process. NIFT will endeavor to assist banks in the reconciliation process by providing detailed statements. Furthermore, we could optionally provide advance information of banks' position to treasury departments by employing PKI security.

All banks will need PKI security and NIFT is equipped to offer this facilitation.

### **PROCESS SUMMARY - - - CENTRALIZATION OF NET**

- There will be no change in the clearing procedure, reporting and functions. The change will have no effect at branch level. Only Inter-city will become a two-day product.
- NIFT will furnish composite nets of all automated centers at Karachi on a product-wise basis to State Bank of Pakistan at Karachi.
- Local SBP offices and main branches in different cities may make arrangements for obtaining copies of reports in existing format for control and management of reconciliation.
- NIFT to provide comprehensive details of NET position to members bank's Operations / Treasury offices in Karachi by secured email.
- NIFT may provide advance information to treasury departments (by secured email) so that they are assisted in fund management.

