

PROFILE

1.1 WHO WE ARE? OUR GENESIS AND OUR MANDATE

The State Bank of Pakistan Banking Services Corporation (Bank) is a body corporate, which was created with the promulgation of the SBP-Banking Services Corporation Ordinance-2001 as a subsidiary of the State Bank of Pakistan. It emerged as a part of the overall organizational restructuring of the SBP and was created to focus on the retail banking functions previously being performed at 16 field offices of the State Bank of Pakistan. The Bank started its operations with effect from 2nd January 2002, immediately after the approval of the Governor of the State Bank of Pakistan for the transfer of related assets, liabilities and employees in accordance with the provision of the Transfer Order dated December 29, 2001.

1.2 WHAT WE DO?

1.2.1 CONTRIBUTION AS BANKER TO THE SBP

Following its creation, the prime function assigned to the Bank was to act as banker to the SBP and thereby handle all retail banking functions performed at 16 field offices of the Bank. In order to run all the affairs previously managed at the level of core departments of the SBP, all operational issues were to be taken care of by the Bank to enable the SBP to concentrate on its core policy function of monetary management, reserve management, banking supervision and payment system.

The operations of its 16 field offices are regulated by the Head Office situated at Karachi, which comprises of the following Departments:

1. Accounts Department.
2. Administration Department.
3. Engineering Department.
4. Foreign Exchange Adjudication Department.
5. Foreign Exchange Operations Department.
6. Internal Audit Department.
7. Internal Bank Security Department.
8. Medical Services Department.

It has been decided that the three common services departments (the Medical Services Department, Engineering Department and Internal Bank Security Department) shall continue to provide services to the State Bank and its employees without any disruption. The heads of these departments will report to the Managing Director, SBP BSC for all administrative purposes but they will continue to be responsible for rendering services in their respective areas of work and execution of all on-going and future projects of the State Bank. The services of all Joint Directors (OG-5) and below working in and on the strength of field offices have been permanently transferred to the Bank. However, a number of OG-6/OG-5 Chief Managers/Joint Directors, whose services had not transferred to the Bank, shall continue to retain their option in the SBP.

The main functions and responsibilities of the Bank have been segmented through Charter, SBP BSC Ordinance 2001. The Charter interalia envisages the following line functions of the Bank:

- Revenue collection and payments for and on behalf of the Federal Government, a Provincial Government, local Governments, local bodies or any other governmental body, authority, institution, company or corporation.
- Maintenance of the accounts of Federal Government, Provincial Governments, local Governments, local bodies, other governmental bodies, authorities, institutions, companies, corporations, and other banks and financial institutions.
- Operational work relating to management of debt;
- Operational work relating to foreign exchange;
- Prize Bonds and Government Savings Scheme;
- Cash and other business as provided for an agreements between the State Bank and the Federal Government and between the State Bank and the Provincial Government or in the Act, the Foreign Exchange Regulation Act, 1947 (VII of 1947), the Banking Companies Ordinance, 1962 (LVII of 1962), the Public Debt Act, 1944 (XVIII of 1944), the Securities Act, 1920 (X of 1920), or in any other applicable laws, rules, regulations, orders and notifications made or issued there under; and
- Any other business, offices or departments, and functions, in full or in part, as may be set out in or authorized or delegated by the Transfer Order.

1.2.1 (a) Corporate set up of the Bank

The general superintendence, direction and management of the affairs and business of the Bank and overall policy making in respect of its operations is vested in its Board of Directors. This comprises:

- All members of the Central Board of the State Bank.
- Managing Director of the SBP BSC (Bank).

The Board of SBP-Banking Services Corporation during FY 2003 and 2004 has taken up the agenda items listed below:

- Special Early Retirement Package for employees of Engineering Department and all clerical/non-clerical staff.
- Quarterly review of revenue and capital expenditure against budget allocation of the Bank for the quarter ended September 30, 2002.
- Currency and cash management aspects of the Bank's operations.
- Outsourcing of maintenance services for SBP building at Karachi.
- Increase in salaries.
- Leave policy.
- Payment of pension benefits to employees retired under VGHS-1997.
- Promotion of Clerical/Non-clerical staff as OG-1.
- Scheme for availing study leave in Pakistan.

1.2.1 (b) Constitutions of Sub-Committees

In line with the corporate functioning of the SBP, the Bank has also adopted the setup of various sub-committees of Board. The purpose of the sub-committees is to provide inputs and improvement in their assigned areas of operations. The following four sub-committees of the Board have been constituted. Since the corporate setup of Bank is on similar lines, the Bank has adopted the same terms of reference for the sub-committees, as approved by the Board of the SBP.

- Sub-Committee on Human Resources.
- Sub-Committee on Audit.
- Sub-Committee on Budget.
- Sub-Committee on Building Projects.

The above committees hold meetings to deliberate on the issues referred to them as per their terms of reference approved by the Board.

Since its creation in January 2002, the Bank has been entrusted with operational activities of a central bank. This includes areas of currency management, foreign exchange operations at field offices, banker to the Federal & Provincial Governments, banker to banks, remittance of funds and National Savings Schemes (including Prize Bond Scheme, etc.). Issues relating to Accounting Procedures, Administrative Policies, and Human Resource Management & Human Resource Development are taken care at the level of the SBP BSC (Bank) Head Office.

Detailed coverage of this has been provided in Part II of this report (see departmental profile). Based on these profiles and primary to the Bank's mission and mandate as well as being central to its contribution to our financial system are the following strategic outcomes:

1.2.2 CONTRIBUTION AS BANKER TO THE GOVERNMENT

The Bank performs the treasury functions on behalf of federal as well as provincial governments at its 16 field offices. All government receipts and payments are routed through its field offices for the areas falling within their respective jurisdiction. In addition to this direct functioning, all the receipts/payments made by the National Bank of Pakistan on behalf of the government are also reported to the concerned BSC field office. This provides an interface between the NBP, the Government and BSC's Accounts Department at its Head Office in Karachi. It is here that the complete accounting procedure for maintenance of consolidated government accounts is carried out.

1.2.3 CONTRIBUTION IN CURRENCY MANAGEMENT

The Bank has a major challenge for its currency management function on its hands. The task becomes difficult, as it has to be performed in an economy, which is predominantly cash-based. In addition, the usage of fresh currency notes continues to increase. Elaborate efforts, ranging from formulation of currency management framework/guidelines to training of the relevant stakeholders, have recently been made to manage currency-related matters. Now that the direction/goals have been set, developments in this regard and further contributions in better currency management are in the offing, which are relatively easier to work upon. It should be mentioned here that not only have the rules been set, a lot of work is being done for automation of the related processes/activities.

1.2.4 CONTRIBUTION IN DEBT MANAGEMENT AND SAVINGS REGIME OF THE GOVERNMENT OF PAKISTAN

As the banker to the Government it is obligatory on the State Bank to provide debt management services on different accounts of floatation of loans, repayments, redemption etc. The operational management of various debt schemes and debt instruments like FEBC, FIB, PIB, US Dollar Bonds, Special US dollar bonds including their sale, purchase, encashment and cancellation by banks remain of vital concern to our field offices. The debt management services provided by different sections of the field offices include prompt reporting mechanism of data, which is maintained in prescribed formats and regularly sent to the policy departments of the SBP.

1.2.4 (a) Contribution in Management of Government Saving Schemes

In order to boost savings in the economy, the Bank is playing a key role in providing the services to the Government and the public for maintenance of various public debt instruments like the prize bonds and National Savings Certificates. The following points summarize the contribution of Bank in this regard;

1. Maintenance of sale, encashment and payment of prize money of National Bonds and reporting thereof to Finance Division, Central Directorate of National Savings, Islamabad & other concerned quarters.
2. Maintenance of Sale & Encashment of National Savings Certificates and reporting thereof to Finance Division, Central Directorate of National Savings, Islamabad & other concerned quarters.
3. Making transparent draw arrangements for all denominations of prize bonds at all field offices on a timely basis.

1.2.5 CONTRIBUTION AS AN OPERATIONAL ARM OF THE STATE BANK OF PAKISTAN

The Bank is also performing functions as an operational arm of a pre-dominantly policymaking regulatory authority, the State Bank of Pakistan. This role has no specific boundaries, as it is the statutory obligation of the BSC to perform the functions entrusted by the SBP. Yet some very important areas of such functionality during the period of review under reference remained as follows:

1.2.5 (a) Export Finance-Disbursement and Monitoring

The SBP formulates schemes for boosting the export sector of economy. The process of disbursement of credit through all these schemes is, however, carried out through the field offices of the BSC. These offices have contributed towards disbursement of export finance at the industrial centers of the country. Moreover, the offices have effectively monitored the disbursement in this area made through the commercial banks.

1.2.5 (b) Foreign Exchange Operations

While the State Bank of Pakistan deals with policy matters relating to foreign exchange, some operational functions related to this area are assigned to the Foreign Exchange Operations Department

(FEOD) of the SBP BSC. FEOD is responsible for implementation of foreign exchange policies framed by the SBP for exchange rate stability. It operates through the respective units formed at the field offices and the supervision and final compilation of figures is carried out at the Head Office Karachi. The inflow and out flow of different foreign remittances including commercial and private remittances as well as payments by shipping companies are dealt by FEOD. All matters relating to imports, exports, and matters of Export over-due cases, Exchange Companies etc., are the prime concern of the BSC. Needless to say this involves close interfacing with the Exchange Policy Department of the SBP.

1.2.5 (c) Local Credit Advisory Committees- Holding of Meetings at Field Offices

As part of the vision of Governor SBP to keep close working contact with stakeholders, Local Credit Advisory Committees have been formed at all field offices. These committees have the representation of various areas related to credit demand and supply. The committees work under the chairmanship of the relevant Chief Manager of the field office and have representation from commercial banks, DFIs, government departments and members/representatives of bodies of traders, farmers and other businessmen. Regular meetings of these committees are held at the respective field offices. The minutes of these meetings are recorded and the forum works as an effective feedback channel for the State Bank of Pakistan.

1.2.5 (d) Operational Role in Monetary Management

Field offices work strategically to help in the implementation of the Monetary Policy, which is formulated by the concerned quarters at the SBP. These offices maintain the accounts of commercial banks and other financial institutions to maintain their CRR and SLR position and banks are also maintaining various reserves in these accounts. Manage Subsidiary General Ledger Accounts of Commercial Banks and NBFIs. In liquidity crunch provide 3-Day Repo facility to Banks. Responsible for encashment/ repayment of PIB/FIB and Treasury Bills. Settle the OMO REV. Repo Transactions and Repayment of Treasury Bills sold under OMOs and back office support is provided in conducting Open Market Operations (OMOs) through the Karachi office, which closely interacts with officials working in EDMD in the context of auction of Treasury Bills and Pakistan Investment Bonds (PIBs).

1.2.5. (e) Payment System

In order to assist the State Bank in its prime responsibility as a custodian of the Payment System, the SBP BSC field offices perform multiple payment services through their counters and perform clearing house activities through which inter bank fund transfers are effected.

Processing the heavy quantum of ready cash payments and cheques that pass through clearing, bank drafts, pay orders, government drafts, mail transfers, telegraphic transfers, Income tax refund cheques, pension bills etc., are the peculiar feature of Payment Services. These are handled at PAD/DAD counters of the field offices. The clearing house functions are monitored at CM level where Chief Managers of field offices act as chairmen of the Local Clearing House.

Following an agreement with NIFT, most of the functions of clearing and settlement of payment instruments have been automated and the time cycle for completion of transactions has become efficient. This network will further be improved once the project of Real Time Gross Settlement System (RTGS) is implemented.

1.3 OUR FINANCIAL PROFILE – INCOME GENERATING PROPOSALS FOR FUTURE

Currently, the SBP BSC (Bank) is concentrating on the efficient monitoring of its budgetary resources so as to save its financial resources through a controlling mechanism. This will help in avoiding unnecessary expenditures like traveling, utilities, payment of daily allowances, overtime payments, honorariums etc.

While following this saving-oriented approach, the SBP BSC (Bank) is also exploring avenues for the prospect of income generation in future. In this regard, the MD BSC made some proposals for income generation before the Corporate Management Team (CMT) of the SBP in a meeting held on 17th May 2004. In the meeting, the CMT decided that MD SBP BSC should implement the following measures after taking into confidence all concerned so as to ensure that there is no cause of complaint to stakeholders.

- **Collection of Sales Tax Challans at SBP BSC (Bank) Counters**
Presently sales tax challans are collected by the NBP only for which they charge Rs.15 per challan from the stakeholders as per their agreement with the CBR. The bank may also make similar arrangements with the CBR.
- **Collection of Custom Duties etc. by SBP BSC (Bank) at the Custom House**
The Bank may have online terminals placed at Customs House, Karachi for collection of custom duties etc. in order to save the collection cost being paid to the NBP @ 0.15% under the treasury arrangement.
- **Withdrawal of NBP Chest Branches at Selected Places**
In cities where the field office can provide requisite/chest services to the Provincial Governments and the Federal Government, NBP chest branches may be asked to withdraw.
- **Fee for Issuance of SBP Cheque Books**
A small fee may be charged for issuance of SBP cheque books to account holders.
- **Increase in Clearing House Membership Fee**
The clearing house membership fee may be raised to Rs.100, 000.
- **Increase in the Rate of T.T. Commission**
The rate of T.T. commission may be increased to 0.06% in line with market trends.

1.4 OUR PEOPLE – OUR STRENGTH

As of June 30, 2004, SBP BSC has a total regular work population of 5,510 employees, out of which 4867 were working in field offices and 643 were serving at different Departments of the SBP BSC Head Office Karachi.

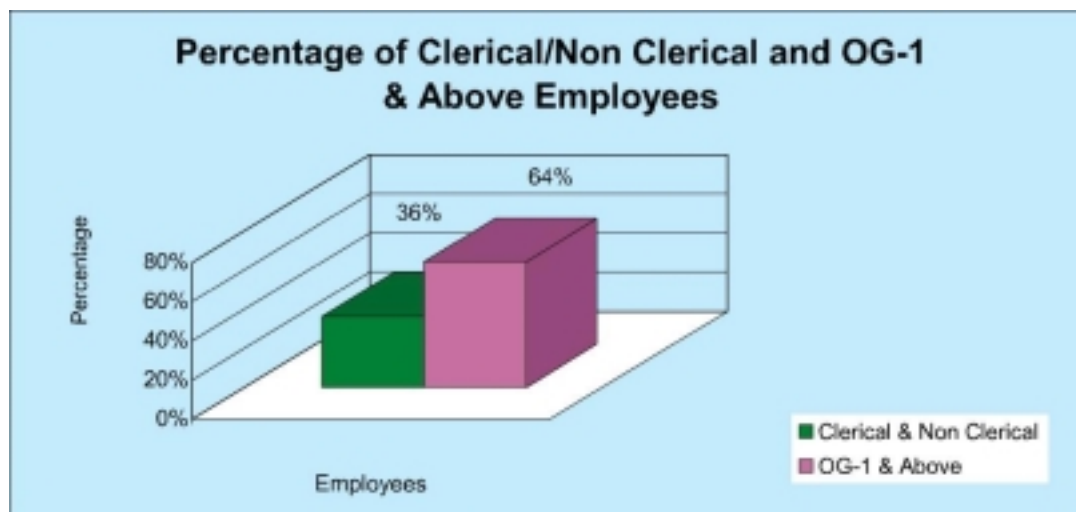
**WORKING STRENGTH OF SBP BSC (BANK)
HOK AND FIELD OFFICES**

SR. NO.	HOK/FIELD OFFICES	POSITION AS ON 30-06-2004
1.	Head Office Karachi	643
2.	Karachi	1172
3.	Lahore	924
4.	Peshawar	426
5.	Quetta	206
6.	Rawalpindi	303
7.	Faisalabad	308
8.	Multan	240
9.	Islamabad	256
10.	Hyderabad	243
11.	Sialkot	144
12.	North Nazimabad	140
13.	Sukkur	172
14.	Bahawalpur	102
15.	Gujranwala	79
16.	Muzaffarabad	61
17.	Dera Ismail Khan	91
Total		5510

While 64 % were OG-1 and above and 36% were in the Clerical and Non Clerical Cadre.

TOTAL WORKING STRENGTH IN TERMS OF PERCENTAGE

DESCRIPTION	TOTAL NO. OF EMPLOYEES	SHARE
Officers OG-1 and Above	3502	64%
Clerical and Non Clerical	2008	36%
Total	5510	100%



Despite of regular employees Bank also appointed 229 employees on contract, daily wages and part time basis at different Departments and field offices.

TOTAL EMPLOYEES ON CONTRACT, DAILY WAGES AND PART TIME BASIS AT DIFFERENT DEPARTMENTS AND FIELD OFFICES OF THE BANK

SR. NO.	NATURE OF APPOINTMENT	HEAD OFFICE KARACHI	FIELD OFFICES	TOTAL
1.	On Contract	37	72	109
2.	Part-Time	05	16	21
3.	Daily Wagers	45	54	99
Total		87	142	229

Note: BMOs and LBMOs included.

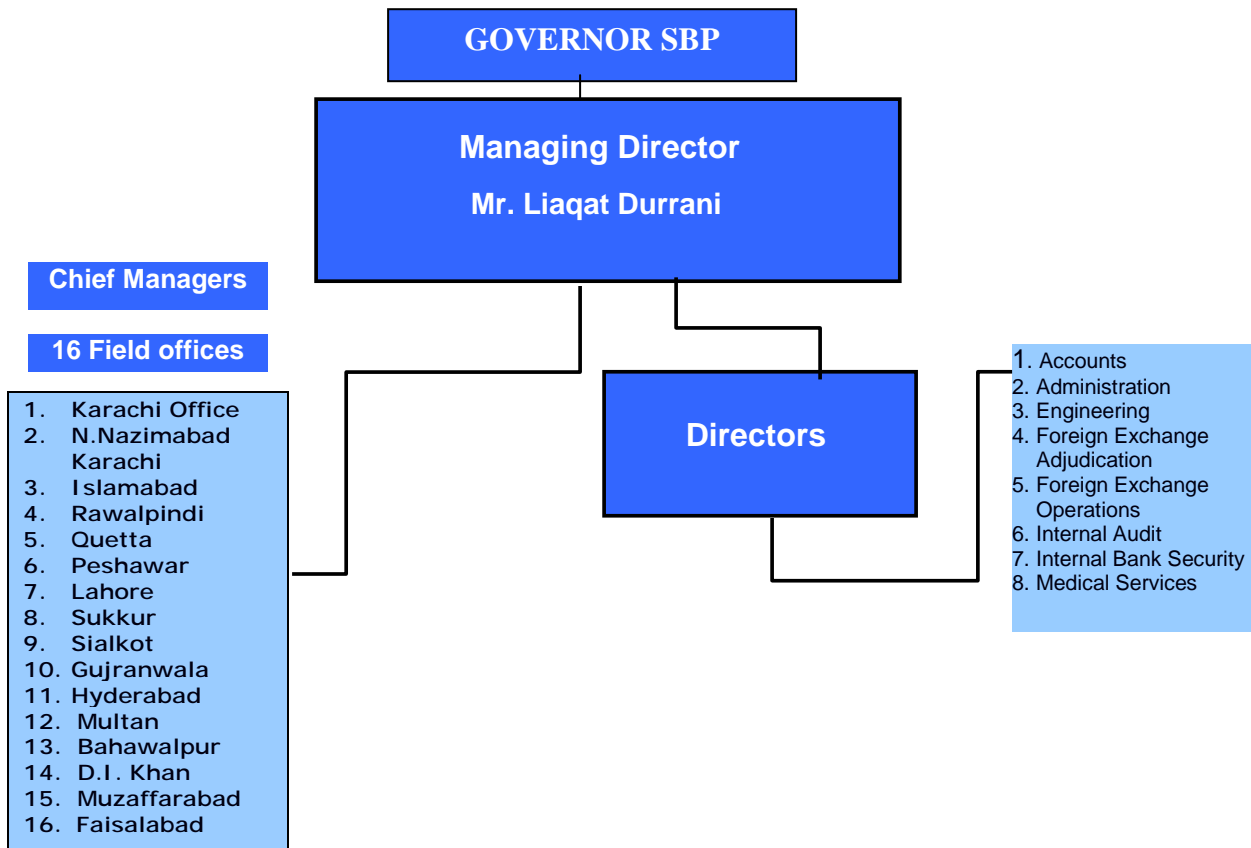
The Bank has been aggressively pursuing a human resources policy framework to maintain an efficient employee profile by putting together a blend of new skills and experience. Several policy parameters including rotation, transfer, promotions and recruitment have been meticulously followed by the SBP BSC management in its efforts to build a human resource capacity with cost efficiency and standardized services.

1.5 CORPORATE AND ORGANIZATIONAL STRUCTURE

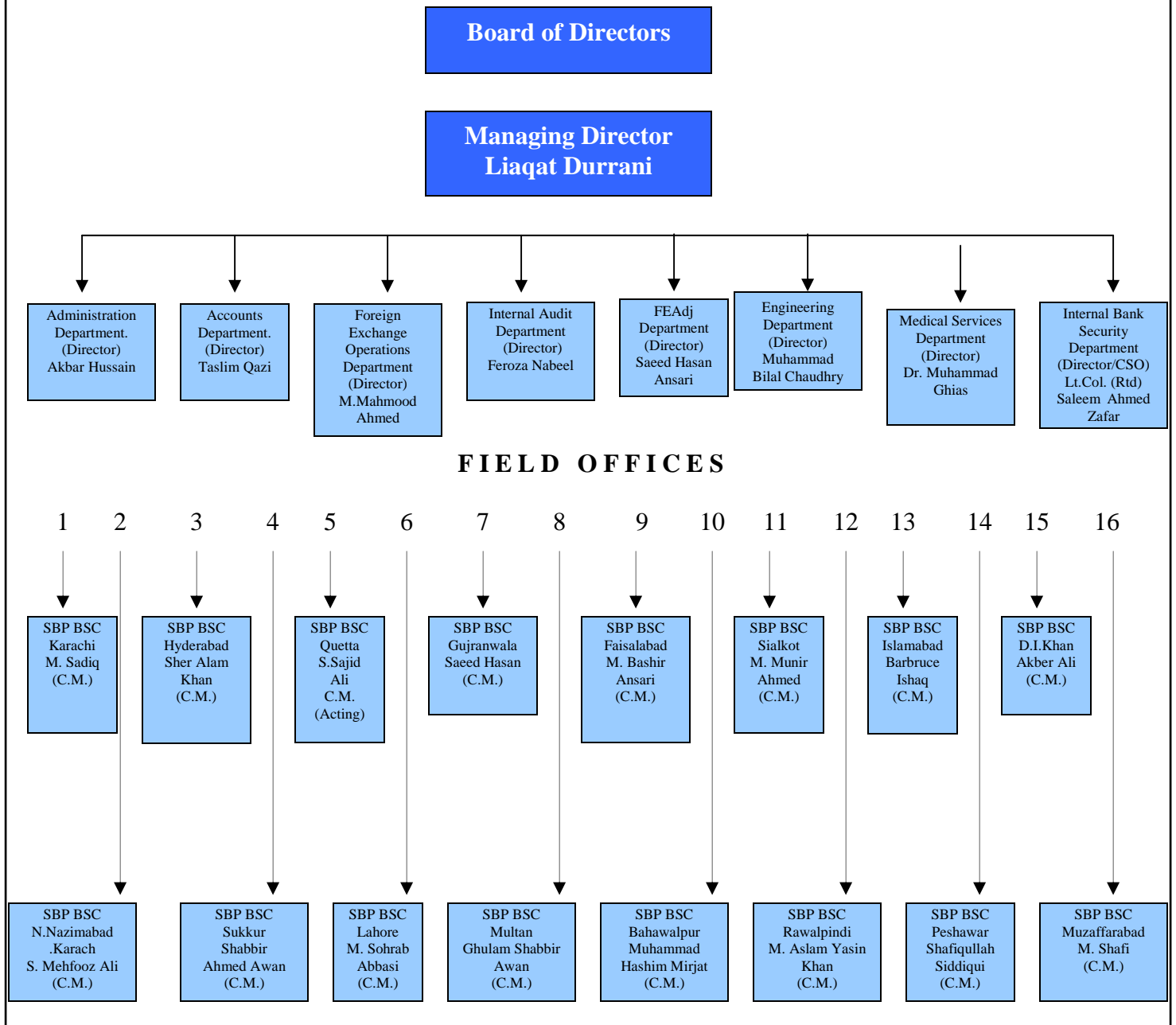
CORPORATE STRUCTURE

BOARD OF DIRECTORS	
Dr. Ishrat Husain -	Chairman
1. Mr. Nawid Ahsan –	Member
2. Mr. Khair M. Junejo	“
3. Mr. Abdul Razak Dawood	“
4. Mr. M. Yaqoob Varda	“
5. Mr. Azhar Hamid	“
6. Mr. Mohsin Aziz	“
7. Dr. Wasim Azhar	“
8. Mr. Liaqat Durrani	“

ORGANOGRAM OF SBP BSC (BANK)



Organizational Chart of SBP BSC (Bank)



1.6 OUR MAJOR STAKEHOLDERS

