



**12th SAARC Payments Council Meeting
(Dhaka, Bangladesh -18th November 2012)**

“Payment and Settlement Systems in Pakistan”



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IBAN

Brief Introduction - recap

- ❑ International Bank Account Number is an international standard (ISO 13616-1:2007) for identifying bank accounts across borders.
- ❑ The IBAN facilitates communication and processing of fund transfer related transactions. It allows exchanging account identification details in a machine-readable form and facilitates STP.
- ❑ Already implemented in more than 50 countries (including EU, Saudi Arabia, Kuwait, U.A.E. etc.)
- ❑ IBAN comprises of 34 digit (maximum) code which uniquely identifies Country, Bank, Branch and Account Number.

IBAN

Before IBAN

- ❑ No Domestic Account Code Standard exists.
- ❑ Account Number length and formulation varies from bank to bank. Maximum bank account digits are 20 while minimum bank account digits are 8.
- ❑ Each financial institution applies its own account number structure for all products and payment instructions.
- ❑ In electronic transmissions, the bank and branch codes are included in separated fields. ATM Switches assign their own codes and NIFT its own codes for each bank.

IBAN-IMPLEMENTATION CHALLENGES

- ❑ Banks need to make changes in their Core Banking Applications in order to implement IBAN Standard. This potentially can have significant cost implications for banks especially if foreign vendors are involved in application development.
- ❑ Bank will also need to implement IBAN in Alternate Delivery Channels (ADCs) such as Internet Banking, Phone Banking, and ATMs etc. As different ADC applications are used by banks, therefore multiple vendors are involved in configuration of these applications.
- ❑ Awareness campaigns for customer regarding IBAN use in financial transactions. Communication of IBAN, especially to overseas Pakistanis for using IBAN in all foreign remittances transactions will be a major challenge

IBAN-IMPLEMENTATION CHALLENGES

- ❑ Banks have shown reservations on IBAN use for domestic transactions. SBP, however, is of the view that maintaining two separate accounts is not practical for customers. IBAN use for domestic transactions, moreover, will enable financial sector to introduce/implement straight through processing in existing and future electronic payments instruments such as electronic credits transfers, direct debits etc.
- ❑ Training of front line staff at banks will also be required in order to handle queries by customers regarding IBAN besides handling/validating payments containing IBAN. SBP, in this connection, is providing training in coordination with Institute of Bankers (IBP) to all banks for IBAN generation and validation.

IBAN

Proposed timelines for implementation

□ Phase 1 – December 2012

Commercial banks shall generate and notify IBAN to all their customers by December 2012.

□ Phase 2 – June 2013

IBAN will be operationally used (capturing, recognition, processing, validation, transfer) both for domestic as well as for international financial transactions by June, 2013.

NEW ATM LINKED WITH BRANCH OPENING

Increasing the coverage ratio of ATMs in Pakistan

In order to increase the coverage ratio of ATM across the country, SBP has decided that from CY 2013 onwards, all banks shall add one ATM in their network against each new branch to be opened in a CY. For this purpose, those banks having less than 1:1 ATM per branch ratio shall cover their existing gap in 5 years time starting from CY 2013 @ 20% each year.

PROGRESS IN BRANCHLESS BANKING

- ❑ More than 28 million transactions worth of Rs. 115.3 billion have been processed during the 2nd Quarter of 2012
- ❑ Agents' network has grown to 29,525 spreading across almost 90% districts of Pakistan
- ❑ Number of mobile banking accounts has reached at 1.45 million, experiencing a remarkable growth of 37% during 2nd Q of 2012
- ❑ Six more banks have obtained approval for branchless banking and entered in the pilot phase before rolling out their full-scale BB operations.

NO. OF BB ACCOUNTS AS OF 30TH JUNE 2012

	Male	Female	Total
Level 0	19,269	336,435	355,704
Level 1	900,878	111,409	1,012,287
Level 2	46,600	2,836	49,436
Level 3	29,882	72	29,954
Total	996,629	450,752	1,447,381

Level 0: Basic BB Account with low KYC requirements and low transaction limits

Level 1: Entry Level account with adequate KYC requirements commensurate with transaction limits.

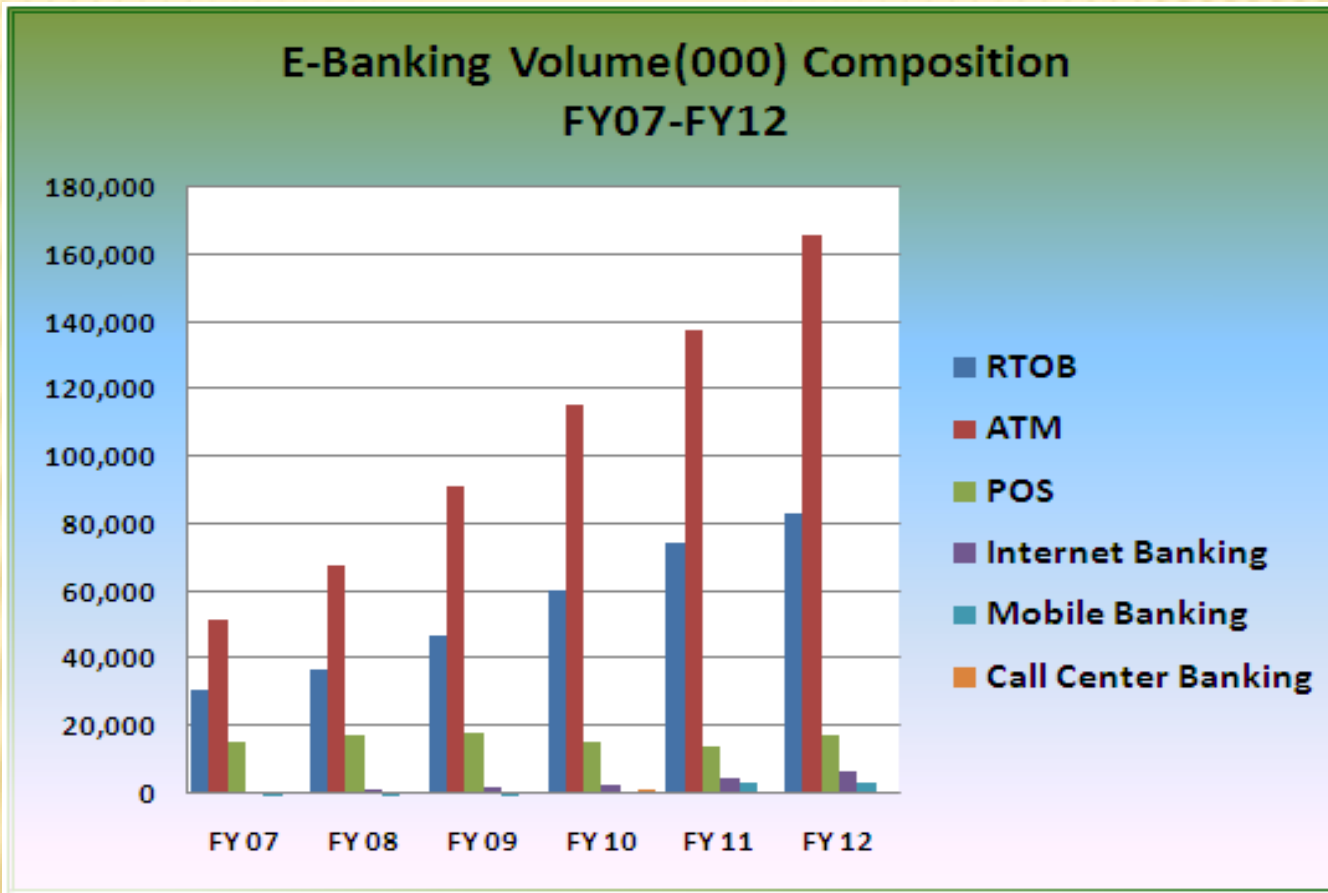
Level 2: Top level account for individuals as well as businesses offering all BB facilities and subject to full KYC requirements

Level 3: Account specific for merchants, businesses, banking agents, technology service providers and corporations. These accounts may also be utilized for various disbursements like salaries/payrolls, pensions, grants, donations etc.

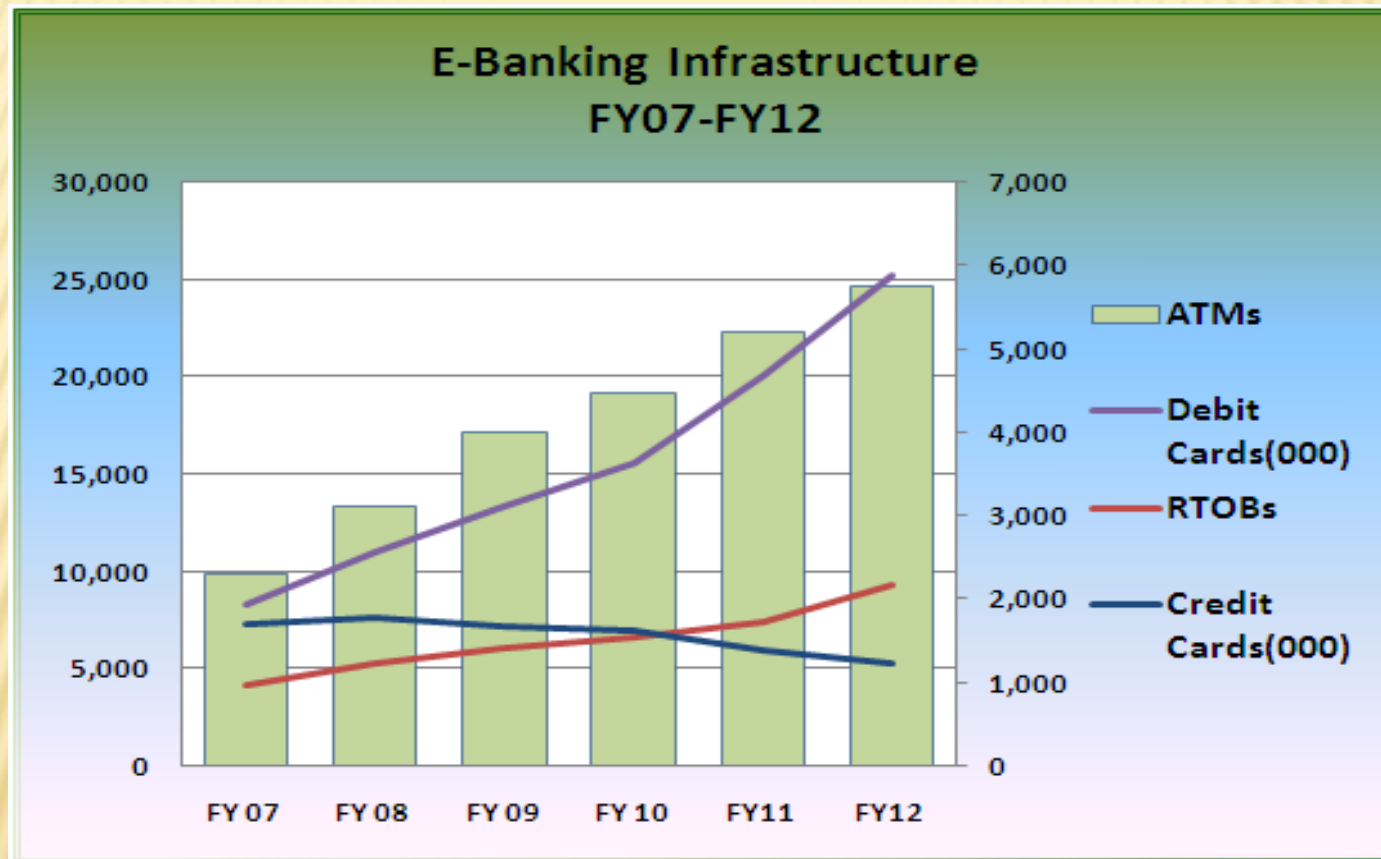
LATEST E-BANKING TRENDS

E-Banking Trend (2007-2012)						
	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Overall E-Banking						
Volume(000)	99,367	124,447	159,783	196,530	234,854	277,385
Value(billion)	10,497	13,893	14,373	17,333	22,141	26,023
RTOB Transaction						
Volume(000)	30,731	36,855	47,279	60,615	74,407	83,070
Value(billion)	10,090	13,317	13,538	16,202	20,652	23,969
ATM Transactions						
Volume(000)	51,511	67,912	91,126	115,677	137,659	166,158
Value(million)	316,217	452,972	668,531	905,306	1,196,948	1,588,340
POS transactions						
Volume(000)	15,589	17,485	18,280	15,673	14,287	17,447
Value(million)	53,737	68,930	89,582	75,392	69,444	80,113
Internet Transactions						
Volume(000)	886	1,320	2,095	2,962	4,436	6,925
Value(million)	27,756	43,807	68,366	141,239	208,772	365,415
Mobile Banking transactions						
Volume(000)	4	49	71	600	3,286	3,121
Value(million)	1	12	16	2,215	7,749	12,239
Call Center Transactions						
Volume(000)	648	826	932	1,003	778	663
Value(million)	9,533	9,928	8,472	7,082	6,639	7,177

E-BANKING VOLUME COMPOSITION



E-BANKING INFRASTRUCTURE



OTHER ISSUES

Challenges Regarding ATM Operations

- ❑ ATM skimming device cases
- ❑ Fake currency notes disbursement through ATMs
- ❑ ATM downtime management issues due to current energy crises in the country

PROJECTS IN HAND

- ❑ Regulations for Mobile Banking and Third Party Service Providers.
- ❑ 2FA guidelines.
- ❑ Working on pre-paid card guidelines.
- ❑ Inter-operability for IBFT between 1-Link and M-Net.
- ❑ Working on domestic financial switch/gateway.