

The Institute of Bankers Pakistan

ISQ Syllabus Guide

Introduction to Financial Systems and Banking Regulations

Stage 1



IBP Superior
Qualification

For queries and feedback

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Preface

IBP Superior Qualification (ISQ) provides a unique opportunity to those who wish to pursue a professional qualification in banking.

The ISQ has been designed such that it not only encourages learning in a traditional manner but also encourages the understanding and application of concepts and banking practices. Developed using contemporary curriculum design methodology, we believe that the ISQ will enhance the skills and knowledge of current and potential bankers, providing the industry with a healthy pool of qualified professionals.

Since our banking professionals are geographically mobile, investment in a qualification which is widely recognized in the region and globally is the need of the hour. The Institute is proud to introduce from July 2011 the new Junior Associateship level of the ISQ qualification (JAIBP) which is accredited by UK's Chartered Banker Institute and candidates completing the JAIBP level with the new curriculum will be eligible to attain the Associate Chartered Banker title awarded by Chartered Banker Institute.

The Institute of Bankers Pakistan continues to endeavor to fulfill its mandate of providing quality professional training and technical expertise for the banking industry and the new ISQ is a step in that direction.

This book contains details about the "Introduction to Financial Systems and Banking Regulations" course of the JAIBP program. We encourage you to study this in detail and wish you the best of luck in your knowledge endeavors.

Shahnoor Meghani

Head of Strategic Initiatives

The Institute of Bankers Pakistan

July 2011

1 Aims/ Objectives of the ISQ

IBP Superior Qualification (ISQ) is the only recognized professional qualification for bankers in Pakistan, which is recognized by both, the State Bank of Pakistan as well as the banking and financial services industry.

ISQ is a professional qualification program which is aimed at empowering the present and aspiring prospective management-level bankers with practical knowledge about the banking industry and its functions. The primary objective of the ISQ program is to equip entrants of the banking industry and existing mid-level bankers with necessary skills and knowledge to become well-rounded banking professionals.

The Junior Associateship of IBP (JAIBP) portion of the ISQ program has undergone a complete updation, in terms of structure and curriculum, to make it relevant to the current banking industry needs as well as international market practices.

The new JAIBP program is effective from the Winter 2011 examination. Candidates who enroll for the ISQ program in July 2011 will start their course of study with the new syllabus offerings. Candidates who enroll for the ISQ program in July 2011 will start their course of study with the new syllabus offerings. Candidates who had enrolled and appeared for the JAIBP exam prior to July 2011 (mid-stream candidates) will be transitioned to the new program. Mid-stream JAIBP candidates need to thoroughly review the "Transition Process" provided in Annexure I. Kindly read the process and familiarize yourself with the steps and procedures to be undertaken to equate yourself to the new and updated ISQ program.

2 ISQ Scheme of Study

The ISQ program is a 3-Level Self-Study Program:

Junior Associateship of IBP (JAIBP)	Associateship of IBP (AIBP)	Fellowship of IBP (FIBP)
Stage 1 — Four Subjects	JAIBP	AIBP
Stage 2 — Four Subjects	3 years of Total Banking Experience	5 years Post AIBP Banking Experience
Stage 3 — Three Subjects	60 Hours CPD	Two Subjects
Plus one Specialization Subject	Four Subjects Plus one Specialization Subject	Specialization Dissertation plus Viva and two published articles in a reputed journal

For the Winter 2011 examination session, the Institute has revamped only the Junior Associateship of IBP (JAIBP).

The JAIBP is a three stage, self study program, designed specifically to create well-rounded banking professionals. The updated JAIBP structure is as follows:

Stage 1

- 1 Business Communication for Financial Services
- 2 Introduction to Financial Systems and Banking Regulations
- 3 Information Technology in Financial Services
- 4 Branch Banking

Stage 2

- 5 Accounting for Financial Services
- 6 Lending: Products, Operations and Risk Management
- 7 Human Resource Management and Organizational Behavior
- 8 Economics

Stage 3

- 9 Marketing of Financial Services
- 10 Finance of International Trade & related Treasury Operations
- 11 Management Accounting for Financial Services

At Stage 3, candidates will have to successfully complete one Specialization Subject from the following:

Leasing and Micro Finance
SMEs and Agriculture Finance
Islamic Banking and Finance
Retail and Consumer Banking Operations

Students enrolling in the JAIBP program have a maximum period of 5 years to complete the JAIBP. The 5 year period commences from the date of appearance in the first exam. Further details are available in the ISQ Handbook.

The Chartered Banker Institute — Accreditation of ISQ’s JAIBP

The UK’s Chartered Banker Institute has accredited the Junior Associateship of IBP (JAIBP) portion of the IBP Superior Qualification (ISQ) program.

The UK’s Chartered Banker Institute is the oldest banking institute in the world. It develops and promotes professional standards for bankers and provides world class professional qualifications for the financial services industry in the UK and overseas.

The Chartered Banker Institute is also the only organization worldwide that can confer Chartered Banker status on its Members and Fellows. Membership of the Chartered Banker Institute means that one meets the professional standards of excellence, which are recognized and respected all over the world. Being a member of the Chartered Banker Institute is a valuable asset in one’s professional career as it provides the worldwide recognition that they deserve and also helps keep them ahead of their peers in the banking and financial services industry.

In addition, membership of the Chartered Banker Institute forms a solid base for a successful career in banking and financial services. Members will benefit from the Chartered Banker Institute’s status, confidence and professional standing and in turn be more employable and have better career prospects in the future.

What does the Chartered Banker Institute’s accreditation of the JAIBP mean for me?

This accreditation of the JAIBP means that all individuals who successfully complete the JAIBP have the opportunity to receive a portable certification that is internationally recognized through the accreditation by a renowned institution.

1 Candidates who enroll for the JAIBP program in July 2011

All JAIBP qualified individuals who enrolled in the ISQ program in July 2011, which is accredited by Chartered Banker Institute, upon completion will receive a joint certification by IBP and the Chartered Banker Institute, and will also be eligible to use the title of the Associate Chartered Banker (through on-going payment of the subscribed fee).

2 Mid-stream ISQ Candidates

Mid-stream JAIBP candidates will have to pass a comprehensive examination to fulfill the requirements of the Chartered Banker Institute’s accreditation of the JAIBP program, in addition to payment of subscription fee.

The schedule and fee for the comprehensive examination will be announced on the IBP website (www.ibp.org.pk).

Eligibility Criteria for the JAIBP Program

The entry criterion for the JAIBP program has been revised for candidates enrolling from July 2011 onwards. JAIBP is open for the following:

- 1 Graduates in any discipline with a minimum 2nd Division
AND
- 2 Students who are pursuing their degree in a 4-year undergraduate program (post Intermediate/A levels or equivalent) are eligible to enroll for the ISQ program during their 3rd or 4th year of study. Students who are pursuing their degree in a 2-year undergraduate program (post Intermediate/A levels or equivalent) are eligible to enroll for the ISQ program during their final year of study.

Documentation required for students registering in the ISQ program will be attested mark sheet for Intermediate or A levels with a pass grade of 45% and a letter from their academic institution confirming their enrollment in the specified undergraduate program. The award of the completed JAIBP qualification would be subject to the candidate having a graduate degree.

Note: More details about the program can be found in the ISQ Handbook or on the IBP website: www.ibp.org.pk

3 Rationale of the ISQ Program

The general rationale behind the program revamp is simple. With the rapid growth and development of the financial sector and its changing dynamics, the needs of the banking industry in terms of the knowledge required from young entrants have increased. The Institute, in order to provide the banking industry with the most relevant and up-to-date program and to help equip the banking industry recruits with essential industry expertise; has updated its program to align it with the needs of the industry in Pakistan as well as global industry trends. IBP has developed the ISQ program in a manner that is contemporary and in line with international standards both in terms of the course of study i.e. creating a comprehensive, standardized program and design which incorporates international renowned methodologies for curriculum development and assessment and testing. Furthermore, the ISQ program provides working professionals with the flexibility to pursue their career while enhancing their professional qualifications. Moreover, the ISQ program is also beneficial for full-time students as this qualification will assist them in paving the way to enter into the banking and financial services industry.

4 JAIBP Program Format

The syllabus for each of the compulsory JAIBP course has been updated to reflect the current banking industry requirements.

IBP is now providing all candidates of the JAIBP program with Specific Learning Objectives (SLOs). The SLOs are basically a learning resource or a tool, aiding candidates in studying the most testable course material. The SLO plan provided in section 7 is indicative and is meant as a study guide. Cognitive levels mentioned are also indicative and students are encouraged to study the subject deeply and beyond the stated cognitive level to enhance their learning. This book is specifically a Syllabus Guide for the “Introduction to Financial Systems and Banking Regulations” course. More information about the ISQ program can be found in the ISQ Handbook or on our website.

The SLOs in Section 6 of this book correspond with the syllabus of a specific course. Each learning objective or SLO begins with a command word, such as, ‘list’, ‘define’, ‘describe’, ‘explain’ etc. Each command word is associated with a cognitive level. The command words help the candidates in identifying the level of detail expected from them in their course of study. The examination questions are also framed using the same type of command words. Please see Section 10 to obtain the definitions of the command words.

The SLOs are classified under three cognitive levels:

- 1 Knowledge (K)
- 2 Understanding (U)
- 3 Application of knowledge and skills (A)

Definitions are provided in Section 10

Candidates must thoroughly review the following sections while preparing for their examination:

- Section 6: Syllabus
- Section 7: Specific Learning Objectives (SLOs)
- Section 8: Scheme of Assessment
- Section 9: Recommended Texts and Reference Materials
- Section 10: Definition of Cognitive Levels and Command Words of the SLOs

This book contains information specific to the Introduction to Financial Systems and Banking Regulations course.

Disclaimer:

The Institute reserves the right to revise its policies, procedures and program structure at any point. Please refer to the Institute’s website for latest information.

5 Aims/ Objectives of the “Introduction to Financial Systems and Banking Regulations” Course

This is primarily an introductory course, with the core objective of giving an overview of the financial system globally and as it exists in Pakistan, explaining its function and importance, how it is regulated and its role in the economy. This course covers the policies, laws and regulations which govern the sector as well as the role of the regulator i.e. the State Bank of Pakistan. The course also touches upon the banking practices globally and those specific to the Pakistan.

Specific Objectives

After the successful completion of this course, participants will have:

- Knowledge and understanding of:
 - The industry, its history, structure
 - Players and financial institutions
 - Banking sector in Pakistan and its reforms
 - Role of the regulator
- Knowledge of financial systems and financial instruments
 - Government securities, bonds, term finance certificates, sukuk etc
 - Discount Rate, LIBOR and other international and local benchmark rates
- Understanding and knowledge of the following:
 - Prudential Regulations
 - Banking Companies Ordinance
 - F.E. Manual

6 Syllabus

Introduction to Financial Systems and Banking Regulations

1 Overview of the Financial System

- a) Financial system of Pakistan and the role of State Bank of Pakistan (traditional/non-traditional functions)
- b) Components of the financial system
- c) Development and growth of financial and capital markets
- d) Present scenario of the financial system
- e) Regulatory authorities governing the financial and capital markets

2 Structure of the Financial System

- a) Money markets
 - i) Introduction and overview of the international money markets
 - ii) Money markets
 - iii) Money markets in Pakistan
 - Structure and institutional development
 - Instruments
 - Framework
 - Regulatory authorities and regulations/guidelines governing money market
- b) Mutual Funds
 - i) Definition
 - ii) Types of mutual funds internationally and locally
 - iii) Risks involved
 - iv) Performance evaluation of mutual funds
 - v) SECP regulations for mutual funds
- c) Depositories
 - i) Role and functions of a depository
 - ii) Depository participants, issuers and registrars
 - iii) Central Depository Company of Pakistan
 - Central Depositories Act, 1997 (Pakistan)
 - Role
 - Functions
 - Stakeholders
- d) Capital markets
 - i) Introduction and overview of the international capital markets
 - ii) Meaning and significance of capital market
 - iii) Capital markets in Pakistan
 - iv) Types of markets
 - Primary Market
 - 1) Meaning
 - 2) Significance and scope
 - 3) Developments in primary market
 - 4) Various agencies and institutions involved in primary market

- 5) Role of intermediaries- merchant bankers, registrars, underwriters, bankers to issue, portfolio managers, debenture-trustees
- Secondary Market
 - 1) Meaning
 - 2) Significance
 - 3) Functions and scope of secondary market
 - 4) Secondary market intermediaries – stock brokers, sub-brokers, advisors, their rules, regulations and code of conduct framed by SECP
 - 5) Stock exchanges
 - Functions and significance of stock exchanges
 - Regulatory framework and control
 - Operations of stock exchanges
 - Classification and listing of securities
 - Market makers
 - 6) Over the counter market
- v) Market players – investors and companies
- vi) Securities laws/regulatory framework
- e) Non Banking Financial Institutions (NBFI)
 - i) Type of NBFIs
 - ii) Growth and role in the financial sector
 - iii) Players in Pakistan
 - Types
 - Formation and regulation
 - Role

3 Securities and Exchange Commission of Pakistan (SECP)

- a) Role
- b) SECP Guidelines for Disclosure and Investor Protection
- c) Corporate governance

4 Financial Instruments

- a) Money Market instruments
 - i) Treasury Bills
 - ii) Certificates of Deposits
 - iii) Bankers' Acceptances
 - iv) Eurodollars
 - v) Repos and Reverse Repos
 - vi) Call Money Market
- b) Capital market instruments
 - Fixed income instruments
 - i) Bonds/Sukuk
 - ii) Municipal Bonds

- iii) Corporate Bonds
- iv) Term Finance Certificates
- v) Asset Backed Securities
- vi) Treasury Notes
- c) Equity securities
 - i) Preferred stock
 - ii) Common stock

5 Yields

- a) Importance of interest rates
- b) Properties (functions/features) and pricing of financial assets
- c) Level and structure of interest rates
- d) Forces determining rates
- e) Term structure - the yield curve and its significance
- f) Spot rates and forward rates
- g) Local benchmark rates, KIBOR rates, t-bills
- h) International benchmark rate, LIBOR rates

6 Credit rating and risk evaluation

- a) Concept, scope and significance
- b) Regulatory framework
- c) Credit rating agencies in Pakistan and their process
- d) Rating methodologies for various instruments
- e) Evaluation of risk
- f) Benefit to investors

7 Financial system and policy

- a) Major functions of financial policy in a developing country
- b) Financial intermediation
- c) Financial disintermediation
- d) Shallow finance
- e) Financial repression
- f) Financial deepening

8 Financial sector reforms

- a) Financial sector reforms - importance and scope
- b) De-regulation and liberalization of financial sector
- c) Globalization: integration with world financial sector
- d) Privatization of banking sector
- e) Strengthening of supervisory controls: SBP's role.

9 Current Trends in the Financial industry in Pakistan

- a) Innovation challenges - branchless banking, mobile banking, risk mitigation and BASEL II, BASEL III
- b) Interest-free banking – Islamic Banking
- c) New areas of financing – ex. Microfinance

10 Laws relating to financial systems

- a) Banking laws and regulations
 - i) Bank Company Ordinance 1962
 - ii) Negotiable Instruments Act 1881
 - iii) State bank of Pakistan Act 1956
 - iv) Foreign Exchange Manual
 - v) Financial Institutions Ordinance 2001
 - vi) Prudential Regulations

7 Specific Learning Objectives (SLOs)

Introduction to Financial Systems and Banking Regulations

Chapter	Candidates Learning Outcome	Cognitive Levels			
1	Overview of the Financial System	Candidates should be able to:	K	U	A
1.1	Financial system of Pakistan and the role of State Bank of Pakistan (traditional/non-traditional functions)	a. Discuss the structure of Pakistan’s financial system		*	
		b. List the prominent players of Pakistan’s financial system	*		
		c. Discuss the role of State Bank of Pakistan in regulating the activities of Pakistan’s financial system		*	
		d. List the traditional and non-traditional functions of the SBP	*		
		e. Discuss the changes and developments experienced by Pakistan’s financial system		*	
		f. Discuss the factors of change that have modified the dynamics of Pakistan’s financial system		*	
1.2	Components of the financial system	a. List the factors effecting the growth and development of a financial market	*		
		b. Discuss how a financial and capital market’s growth is determined		*	
1.3	Development and growth of financial and capital markets	a. List the components of a financial system	*		
		b. List the functions of the key components of a financial system	*		
		c. Discuss the functions of the key components of a financial system		*	
1.4	Regulatory authorities governing the financial and capital markets	a. Discuss the role and importance of the regulatory authorities governing the financial and capital markets		*	
		b. List the primary functions of any regulatory authority with respect to functioning of a capital market	*		
2	Structure of the Financial System	Candidates should be able to:	K	U	A
2.1	Money Markets	a. Define money markets	*		
		b. Describe the primary role and significance of a money market		*	
		c. Describe the framework being followed by the money markets in Pakistan		*	
		d. Discuss the money markets in Pakistan		*	
		e. Describe the importance of Pakistan’s money markets in the overall working of the country’s financial system		*	
		f. Discuss the functions and importance of international money markets in the overall performance of any financial system		*	
2.2	Mutual Funds	a. Define mutual funds	*		
		b. List the types of mutual funds internationally and locally	*		
		c. Discuss the risks involved in dealing with mutual funds and mitigation strategies available		*	
		d. State and discuss the SECP regulations concerning mutual funds and describe the impact of these regulations on their performance		*	
2.3	Depositories	a. Define depositories	*		
		b. Discuss the role and functions of a depository		*	

	c	Discuss the concepts of depository participants, issuers and registrars	*		
	d.	Recall the Central Depositories Act, 1997 (Pakistan) and list its stakeholders	*		
	e.	Discuss the role and functions of the CDA, 1997	*		
2.4	Capital markets	a.	Define a capital market	*	
	b.	Describe the primary role and significance of a capital market	*		
	c.	List the functions of a capital market and how they effect the overall dynamics of a financial system	*		
	d.	Discuss the capital markets of Pakistan	*		
	e.	Describe the importance of Pakistan's capital markets in the overall working of Pakistan's financial system	*		
	f.	Define international capital markets	*		
	g.	Discuss the functions and importance of international capital markets in the overall performance of any financial system	*		
	h.	Discuss the types of capital markets present in a financial system setup	*		
	i	Differentiate between the various types of capital markets in terms of their operations and functions	*		
	j.	Define international capital markets	*		
	k.	Discuss the functions and importance of international capital markets in the overall performance of any financial system	*		
2.4.1	Primary Markets	a.	Define primary markets	*	
	b.	Discuss the significance and scope of primary markets	*		
	c.	List down the various agencies and institutions involved in primary market operations	*		
	d.	Discuss how a primary market develops, what factors are responsible for these developments and how do these developments effect the overall financial system's workings	*		
	e.	Discuss the role and importance of the following primary market intermediaries in the overall functioning of a financial system: merchant bankers, registrars, underwriters, bankers to issue, portfolio managers, debenture-trustees	*		
2.4.2	Secondary Markets	a.	Define a secondary market	*	
	b.	Discuss the significance of secondary markets	*		
	c.	List and discuss the functions and scope of secondary markets	*		
	d.	Discuss how secondary market functions influence the overall performance of a financial system in a country	*		
	e.	Discuss the role and importance of the following secondary market intermediaries in the overall functioning of a financial system: stock brokers, sub-brokers, advisors, their rules, regulations and code of conduct framed by SECP	*		
	f.	Describe the regulatory framework and control available to monitor and regulate the proper functioning of stock exchanges	*		
	g.	Define and discuss the primary operations of stock exchanges and how these operations regulate the overall dynamics of a financial system	*		
	h.	Define and discuss the classification and listing of securities and the impact and significance of these listings on the financial system's activities	*		
	i.	Define the concept of over the counter markets	*		

		j. List and discuss the functions and roles played by the market players in a financial system	*	
		k. Discuss the role of investors and companies in the financial system's performance	*	
		l. Discuss the laws and regulations concerning securities and how they impact their trading/usage in order to influence the economic outcome	*	
2.5	Non Banking Financial Institutions	a. List and discuss the various type of NBFIs	*	
		b. Discuss the operating mechanism, growth potential and the role of NBFIs in the financial sector	*	
		c. List the types of financial industry players in Pakistan, their formation , regulation and discuss the role they play as part of the system	*	
3	Securities and Exchange Commission of Pakistan (SECP)	Candidates should be able to:	K	U A
		a. Describe the role of SECP in regulating the financial market operations of Pakistan	*	
		b. Discuss corporate governance	*	
		c. Discuss the SECP guidelines for disclosure and investor protection	*	
4	Financial Instruments	Candidates should be able to:	K	U A
4.1	Money Market Instruments	a. Define and discuss the workings of following money market instruments 1. Treasury Bills 2. PIBs 3. Certificates of Deposits 4. Bankers' Acceptances 5. Eurodollars 6. Repos and Reverse Repos 7. Call Money Market	*	
4.2	Capital market Instruments	a. List and discuss the types of capital market instruments	*	
		b. Discuss the workings of following fixed income instruments: 1. Bonds/Sukuk 2. Municipal Bonds 3. Corporate Bonds 4. Term Finance Certificates 5. Asset Backed Securities 6. Treasury Notes	*	
		c. Discuss the workings of the following equity securities 1. Preferred stock 2. Common stock	*	
5	Yields	Candidates should be able to:	K	U A
		a. Discuss the importance of interest rates in a financial system of a country	*	
		b. Describe the properties (functions/features) of and pricing methodologies of financial assets	*	
		c. Discuss the level and structure of interest rates and their impact on the overall economy	*	
		d. List and discuss the forces determining rates in an economy and how can these forces be controlled in order to achieve desirable outcomes	*	
		e. Define Term structure - the yield curve and discuss its significance in functioning of an economy	*	
		f. Define what is meant by spot rates and forward rates, also discuss how these impact the actions of financial system players	*	

		g. Discuss the concept, impact and significance of local benchmark rate like KIBOR, t-bill rates on the local financial system		*	
		h. Discuss the concept, impact and significance of International benchmark rate like LIBOR rates on the local financial system		*	
6	Credit rating and risk evaluation	Candidates should be able to:		K	U A
6.1	Concept, scope and significance	a. Define the concept of credit rating and risk evaluation		*	
		b. Discuss the scope and significance of credit rating and risk evaluation and credit rating agencies		*	
6.2	Regulatory framework	a. Discuss the role of the regulatory framework with respect to credit rating firms operations		*	
		b. Describe sovereign (country) ratings and explain how they impact investment decisions		*	
6.3	Credit rating agencies in Pakistan and their process	a. List the generic process of credit rating adopted by the credit rating agencies operating in Pakistan		*	
6.4	Rating methodologies for various instruments	a. List some of the credit rating methodologies available for assessing various different instruments		*	
6.5	Evaluation of risk	a. Describe why risk evaluation is necessary			*
		b. List the beneficiaries of risk evaluation reports		*	
6.6	Benefit to investors	a. Describe the various benefits investors reap out of credit ratings and risk evaluation reports			*
7	Financial system and policy	Candidates should be able to:		K	U A
7.1	Major functions of financial policy in a developing country	a. Discuss the major functions of financial policy in a developing country			*
		b. Discuss how the role of financial policy differs in a developing and a developed country			*
7.2	Financial intermediation	a. Define the concept of financial intermediation		*	
		b. Discuss the factors hampering financial intermediation and discuss its impact on the working of a financial system			*
7.3	Financial Disintermediation	a. Discuss the concept of financial disintermediation			*
7.4	Shallow finance	a. Define the concept of shallow finance		*	
7.5	Financial repression	a. Define the concept of financial repression		*	
7.6	Financial deepening	a. Define the concept of financial deepening		*	
8	Financial sector reforms	Candidates should be able to:		K	U A
8.1	Financial sector reforms - importance and scope	a. Discuss the importance and scope of financial sector reforms			*
		b. Describe how these reforms impact the overall workings of a financial system			*
8.2	De-regulation and liberalization of financial sector	a. Define what is meant by re-regulation and liberalization of financial sector		*	
		b. Discuss the concept and rationale behind the de-regulation and liberalization of the financial sector			*
8.3	Globalization: integration with world financial sector	a. Define the concept of integrating a country's financial system with the world financial sector		*	
		b. Discuss the pros and cons of such integration			*

8.4	Privatization of banking sector	a. Define the concept behind privatization of banking sector	*		
		b. Discuss the changes this act brought about in the overall dynamics of Pakistan's financial and economic arena		*	
		c. Discuss which banks are privatized		*	
8.5	Strengthening of supervisory controls: SBP's role.	a. Discuss SBP's role in overall strengthening of supervisory controls with respect to financial system's performance		*	
9	Current Trends in the Financial industry in Pakistan	Candidates should be able to:		K	U A
9.1	Innovation challenges	a. Discuss the expected benefits and challenges posed by the innovations such as branchless banking, mobile banking, risk mitigation and BASEL II, BASEL III			
9.2	Interest-free banking	a. Define interest free banking			
		b. Discuss the need to introduce interest free banking in Pakistan and what are the expected benefits from this initiative			
		c. Discuss Islamic Banking			
9.3	New areas of financing	a. Discuss the new areas of financing that have become a part of Pakistan's financial system			
		b. Explain Micro finance			
10	Laws relating to financial systems	Candidates should be able to:		K	U A
10.1	Banking laws and regulations	a. Recall the salient features of the Banking Company Ordinance	*		
		b. Recall the salient features of the Negotiable Instruments Acts	*		
		c. Recall the salient features of the State Bank of Pakistan Act 1956	*		
		d. Recall the salient features of the Foreign Exchange Manual	*		
		e. Recall Financial Institution Ordinance 2001	*		
		f. Recall the scope and salient features of the Prudential Regulations	*		

8 Scheme of Assessment

a) The pattern of the examination paper along with marks distribution is as follows:

Type of Question	No. of Questions	Marks / Question	Total Marks
MCQs	30	1.5	45
CRQs	7	5	35
ERQs	2	10	20
Total	39		100

b) There will be one examination for the course.

c) The duration of the examination will be 3 hours.

d) All Constructed and Extended Response Questions will be in a booklet which will also serve as an answer script.

Key Definitions

i) Multiple-Choice Questions (MCQs)

Multiple-choice question is a form of assessment in which respondents are asked to select the best possible answer (or answers) out of a list of choices. Only one answer can be keyed as correct.

ii) Constructed Response Questions (CRQs)

Constructed Response questions are open-ended, short answer questions that measure application-level cognitive skills as well as content knowledge. These questions provide candidates with the opportunity to generate and weave ideas into a short response. The candidate supplies a response in the form of a few sentences, a graphic organizer, or a simple drawing/diagram with explanation.

iii) Extended Response Questions (ERQs)

Extended constructed-response questions are lengthier and more complex exercises that allow for a finer level of discrimination in scoring the responses. Extended-response questions require candidates to consider a situation that demands more than a numerical response or a short verbal communication. Candidates are required to model, as much as possible, real problem solving in a large-scale assessment context.

9 Recommended Texts & Reference Materials

Recommended Readings

1.	Pakistan, Institute of Bankers	Introduction to Financial Systems and Banking Regulations 2011
2.	Pakistan, Institute of Bankers	Laws Relating to Financial Services
3.	Dr. Asrar H. Siddiqi	Practice and Law Banking in Pakistan

Supplementary Readings

1.	Chartered Banker	Business Law Book 1 & 2
2.	Chartered Banker	Financial Services, Regulation & Ethics
3.	Chartered Banker	Business Law Book 1 & 2, 1st Edition

10 Definition of Cognitive Levels & Command Words of the SLOs

i) Cognitive Levels (Knowledge, Understanding and Application)

Knowledge (K)

This requires knowing and remembering facts and figures, vocabulary and contexts, and the ability to recall key ideas, concepts, trends, sequences, categories, etc. It can be taught and evaluated through questions based on: who, when, where, what, list, define, identify, label, quote, name, state, etc.

Understanding (U)

This requires understanding information, grasping meaning, interpreting facts, comparing, contrasting, grouping, inferring causes/reasons, seeing patterns, organizing parts, making links, summarizing, solving, identifying motives, finding evidence, etc. It can be taught and evaluated through questions starting with: why, how, show, demonstrate, paraphrase, interpret, summarize, explain, prove, identify the main idea/theme, predict, compare, differentiate, discuss, chart the course/direction, report, solve, etc.

Application (A)

This requires using information or concepts in new situations, solving problems, organizing information and ideas, using old ideas to create new ones, generalizing from given facts, analyzing relationships, relating knowledge from several areas, drawing conclusions, evaluation worth, etc. It can be taught and evaluated through questions starting with: distinguish, analyze, show relationship, propose an alternative, prioritize, give reasons for, categorize, illustrate, corroborate, compare and contrast, create, design, formulate, integrate, re-arrange, reconstruct/recreate, reorganize, predict consequences etc.

ii) Definition of Command Words

Knowledge

Arrange:	To put something in a particular order
Define (the term or terms):	Only a formal statement or equivalent paraphrase is required. No examples need to be given. Specify meaning.
Find:	A general term that may variously be interpreted as calculate, measure, determine etc.
Give:	Provide meaning or quantity or a fact about something
Identify:	Describe with specific examples of how a given term or concept is applied in daily life
List:	Name item-by-item, usually in one or two words, precise information such as dates, characteristics, places, names.
Measure:	To determine extent, quantity, amount or degree of something as determined by measurement or calculation
Name:	Mention the commonly used meanings of things, objects, people, books, etc
Outline:	Implies brevity, i.e. restricting the answer to giving essentials
Recall:	To bring back to mind and write down, as it is given in the text you have already memorized
Recognize:	Involves looking at a given example and stating what it is
Skim:	To read quickly to search for key information

State:	Implies a concise answer with little or no supporting argument
Use:	To deploy the required attribute in a constructed response
Write:	To construct full sentences of continuous prose, not abbreviated text

Understanding

Acknowledge:	To accept that is true
Appreciate:	To judge with heightened perception or understanding
Arrange:	To put something in particular order
Clarify:	Implies further explanation of any given information that elaborates the key components
Comment:	Present an informed opinion
Compare:	List the main characteristics of two entities clearly identifying similarities (and differences). Identify similarities and differences.
Comprehend:	To understand something that is complicated/difficult
Conceptualize:	Make an understanding on a given topic with the help of examples, graphs and data, etc
Convey:	Use or apply appropriately in context
Deduce:	Go beyond the information given to draw a conclusion which is not explicitly stated in the stimulus material
Describe:	Requires Candidates to state in words (using diagrams where appropriate) the main points of the topic. It is often used with reference either to particular phenomena or to particular experiments. In the former instance, the term usually implies that the answer should include reference to (visual) observations associated with the phenomena.
Develop:	To make an argument or ideas clearer by studying it in more detail. To build a statement
Differentiate:	Identify those characteristics which always or sometimes distinguish two categories
Discuss:	Present advantages and disadvantages or strengths and weakness and give a conclusion
Distinguish:	To identify those characteristics which always or sometimes distinguish between two categories
Draw:	Implies a simple free hand sketch or diagram. Care should be taken with proportions and the clear labeling of parts.
Elaborate:	Clarify or enrich given statements or definitions, by providing relevant details or examples
Eliminate:	To remove a variable from two or more simultaneous equations
Establish:	To prove correct or true on the basis of facts, argument or other evidence to come to conclusion
Explain:	May imply reasoning or some reference to theory, depending on the context
Explore:	To examine or discuss something carefully in order to find out more about it
Express:	Use appropriate vocabulary, language structure and intonation to communicate thoughts and feelings
Follow instruction:	Demonstrate an understanding of the information given especially the required sequence of events
Highlight:	To bring to front, make evident, bring to light, with emphasis
Identify:	Select the most appropriate from many possibilities on the basis of relevant characteristics. It will not normally be expected that the Candidate justifies the choice unless specifically asked to do so.
Illustrate:	To give clear examples to state, clarify or synthesize a point of view
Infer:	Go beyond the information given to identify what is implied but not stated
Interpret:	Clarify both the explicit meaning and the implications of given information
Investigate:	Thoroughly and systematically consider a given problem or a statement in order to find out the result or rule applied

Make a relationship:	Put different items together to develop a set of related data
Outline:	Set out the main characteristics
Paraphrase:	Repeat a text using different words
Point out:	Pick out and recognize specific information from a given content and/or situation
Practice:	Doing an activity or training regularly so that you can improve your skills
Predict/anticipate:	Make inferences about probable/possible turns of event from the information given so far
Present:	To write down in a logical and systematic way in order to make a conclusion or statement
Prove:	Propose a base to support the outcome
Rectify:	To correct something that is wrong
State:	Implies a concise answer with little or no supporting argument
Suggest:	To put forward an idea or a plan
Summarize:	Write a shorter version of a given text capturing the main points and eliminating detail. The writing must be grammatical and the referent of each statement must be clear.
Verify:	To prove, check or determine the correctness and accuracy of laws, rules or reference given in the set task

Application

Analyze:	Use information to relate different features of the components of specified material so as to draw conclusions about common characteristics. Break information into component parts and identify characteristics.
Advise:	Suggest solutions, with justification, to problems
Apply:	To use the available information in different contexts to relate and draw conclusions
Assess:	Make an informed judgment
Calculate:	Show workings to arrive at a numerical answer
Clarify:	Implies further explanation of any given information that elaborates the key components
Classify:	State a basis for categorization of a set of related entities and assign examples to categories
Compare and Contrast:	Involves (a) listing the main points or characteristics of two distinct and (b) clearly identifying similarities and differences between characteristics
Compose:	Form a piece of writing with a number of parts
Comprehend:	To understand something that is complicated/difficult
Construct:	To bring together given elements in a connected or coherent whole
Convey:	Use or apply appropriately in context
Demonstrate:	To show by argument, facts or other evidences the validity of a statement or phenomenon
Derive:	To arrive at a general formula by calculating step by step
Elaborate:	Clarify or enrich a given statement or definition, by providing relevant details or examples
Evaluate:	Make a judgment based on evidence
Formulate:	To develop a plan or proposal and decide all the details of how it will be done
Portray:	To describe or represent something or someone. To describe or show someone or something in a particular way according to your opinion of them
Predict/anticipate:	Make inferences about probable/possible turns of event from the information given so far
Summarize:	To express the most important facts and ideas in a short and clear form

Annexure 1 — Transition Process for Mid-stream Candidates

This section pertains to mid-stream JAIBP candidates (i.e. those ISQ candidates who enrolled and appeared for the JAIBP exams prior to July 2011 and have not completed their JAIBP as of July 2011). Mid-stream JAIBP candidates are requested to review this section thoroughly. This section provides mid-stream candidates with the details of the transition process, the impact that the structural changes in the JAIBP program will have on them and how they will be facilitated to complete their JAIBP program under the new structure.

Old Structure	New Structure
Stage 1	
Business Communication for Financial Services *	Business Communication for Financial Services *
Laws Relating to Financial Services **	Introduction to Financial Systems and Banking Regulations **
Accounting for Financial Services ***	Information Technology in Financial Services ***
Macro Economics and Financial System of Pakistan ****	Branch Banking ****
Stage 2	
Information Technology in Financial Services ***	Accounting for Financial Services ***
Lending Operations and Risk Management **	Lending: Products, Operations and Risk Management **
Human Resource Management — Basic Practices **	Human Resource Management and Organizational Behavior **
Marketing of Financial Services ***	Economics **
Stage 3	
Monetary Economics **	Marketing of Financial Services ***
International Trade Finance & Forex Operations *	Finance of International Trade & related Treasury Operations **
Management Accounting for Financial Services *	Management Accounting for Financial Services *

* Same as before in terms of sequence

** Expansion in contents

*** Changed the sequence of appearance

**** New or changed course

The structural changes made to the ISQ program are discussed in detail below:

Stage shifts

- “Accounting for Financial Services” has been moved from Stage 1 to Stage 2
- “Information Technology in Financial Services” has been moved from Stage 2 to Stage 1
- “Marketing of Financial Services” has been moved from Stage 2 to Stage 3

Course merger/ restructuring

- “Macro Economics and Financial Systems of Pakistan” has been broken into two components:
 - i) The first component, namely “Macro Economics” has been merged with “Monetary Economics” and the resultant course has been named “Economics”

- ii) The second component, namely “Financial System of Pakistan” has been merged with “Laws Relating to Financial Services” and the resultant course has been named “Introduction to Financial Systems & Banking Regulations.”
- This means that the Economics syllabus will now cover both macro and monetary economics, whereas Laws relating to Financial Services and Financial system of Pakistan will be covered in the subject namely, “Introduction to Financial Systems & Banking Regulations.”
 - We have also introduced a new course “Branch Banking” as it is a crucial pillar of the banking sector and requires a dedicated subject for its peculiarities to be addressed in detail.

Impact of Structural Changes on Mid-stream Candidates

The above-mentioned structural changes of the JAIBP program will impact the mid-stream candidates in several ways. Hence, there is a need to create a ‘bridge’ to help mid-stream candidates who are in the process of completing their course requirements convert to the new JAIBP structure.

The six different ways in which Mid-stream candidates will be affected are as follows:

1 Course Equivalence

The table below details how equivalences for 8 courses (with none or only minor changes) in the existing structure will be handled:

Straight Equivalence

Subjects based on Old JAIBP Syllabus	Corresponding Equivalent Subjects In The New JAIBP Syllabus
Subjects with no structural changes:	
If the mid-stream candidate has passed:	s/he will be exempted from:
Business Communication for Financial Services	Business Communication for Financial Services
Accounting for Financial Services	Accounting for Financial Services
Information Technology in Financial Services	Information Technology in Financial Services
Marketing of Financial Services	Marketing of Financial Services
Management Accounting for Financial Services	Management Accounting for Financial Services
Subjects with minor course enhancements:	
If the mid-stream candidate has passed:	s/he will be exempted from:
Lending Operations and Risk Management	Lending: Products, Operations and Risk Management
Human Resource Management — Basic Practices	Human Resource Management and Organizational Behavior
International Trade Finance & FOREX Operations	Finance of International Trade & related Treasury Operations

If the mid-stream candidate is yet to pass any of the above subjects, now they will have to pass the equivalent subjects as per the new structure

Equivalence for Restructured/ Merged Courses

For the remaining 3 courses in the JAIBP, namely “Laws Relating to Financial Services,” “Macro Economics and Financial System of Pakistan” and “Monetary Economics,” major structural changes have been made. All possible scenarios for mid-stream candidates have been captured in the 6 cases given below.

Case 1

In the old JAIBP structure, if the mid-stream candidate has NOT passed both “Laws Relating to Financial Services” and “Macro Economics and Financial System of Pakistan,” s/he will have to appear in “Introduction to Financial Systems & Banking Regulations.”

Case 2

In the old JAIBP structure, if the mid-stream candidate has passed both “Laws Relating to Financial Services” and “Macro Economics and Financial System of Pakistan,” s/he will be given an exemption in “Introduction to Financial Systems & Banking Regulations” in the new structure.

Case 3

In the old JAIBP structure, if the mid-stream candidate has only passed “Laws Relating to Financial Services,” or has only passed “Macro Economics and Financial System of Pakistan,” s/he will have to appear in “Introduction to Financial Systems & Banking Regulations” as per the new ISQ structure.

Case 4

In the old JAIBP structure, if the mid-stream candidate has only passed “Macro Economics and Financial System of Pakistan” and has not passed “Monetary Economics,” s/he will have to appear in “Economics” as per the new ISQ structure.

Case 5

In the old JAIBP structure, if the mid-stream candidate has passed both “Macro Economics and Financial System of Pakistan” and “Monetary Economics,” s/he will be given an exemption in “Economics” in the new structure.

Case 6

In the old JAIBP structure, if the mid-stream candidate has passed “Laws Relating to Financial Services,” “Macro Economics and Financial System of Pakistan” and “Monetary Economics,” s/he will be given an exemption in “Introduction to Financial Systems & Banking Regulations” and “Economics” in the new structure.

NOTE: All mid-stream candidates who have more than 4 courses remaining to complete their JAIBP will have to pass an additional “Branch Banking” course.

2 Stage Completion

Three courses have been moved to align the JAIBP courses better with the requirements in the careers of Pakistani bankers. Details are given in the table below:

Course Name	Stage shift
Accounting for Financial Services	Moved down from Stage 1 to Stage 2
Information Technology in Financial Services	Moved up from Stage 2 to Stage 1
Marketing of Financial Services	Moved down from Stage 2 to Stage 3

Details of how different scenarios will be handled are given below:

- A stage completed by a candidate as per the earlier course structure will remain complete after these changes take effect. However, such mid-stream candidates will be required to fulfill the stage completion requirements as per the new course structure and pass the remaining courses in the next two attempts (i.e. in Winter 2011 and Summer 2012).
- Mid-stream candidates who have started a stage but not yet completed it will now have to fulfill the requirements of stage completion as per the new course structure.

3 Stage Commencement Eligibility

All mid-stream candidates will have to comply with the requirements to start the next stage as per the new course structure. Specific cases for each stage are given below:

- To start Stage 2, mid-stream candidates will have to pass at least two courses of Stage 1 as per the new structure and appear for the remaining courses in Stage 1 in the same session.
- To start Stage 3, candidates will have to pass all courses of Stage 1 and at least two courses of Stage 2 as per the new course structure and appear for the remaining courses in Stage 2 in the same session.

4 ISQ Completion for Mid-stream Candidates who have 4 or Less Courses Remaining

All mid-stream candidates who have 4 or less courses remaining for completion of their JAIBP will not have to appear for the additional 'Branch Banking' course to complete their JAIBP, provided that they pass the remaining subjects by Summer 2012. However, such candidates can opt to take the "Branch Banking" course if they so wish.

5 Additional Time Period and Chances Allowed for Mid-stream Candidates

- Mid-stream candidates who have to take the additional Branch Banking Course
All mid-stream candidates with 5 or more courses remaining will have to take the additional Branch Banking Course under the new structure and will be allowed 12 chances or a time period of 6 years to fulfill their course requirements for the ISQ program.
- Mid-stream candidates who DO NOT take the additional Branch Banking Course
All mid-stream candidates who complete the ISQ program according to the old structure and have 4 or less courses remaining will be allowed 10 chances or a time period of 5 years to fulfill their course requirements for the ISQ program.

6 Award of Associate Chartered Banker title by UK's Chartered Banker Institute

All mid-stream candidates who wish to acquire the Associate Chartered Banker title by UK's Chartered Banker Institute will be required to appear for a Comprehensive Test.

Test schedule and details will be available at a later date.



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