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CURBING THE CORRUPT CULTURE IN COMPANIES
Developing the Ethics Line - Awaken the Whistleblowers

COMPETITION & CAPACITY BUILDING
An Evolutionary Approach to Capacity Building

Towards A Better Understanding
ISLAMIC FINANCE

FORMS OF SECURITIES
FOR LENDING PRODUCTS

IBP

editorial

IMF financing aims to assist countries in attaining economic stability and transition through economic shocks by providing cushion through funds. This gives the recipient country time to bring about the structural reforms and changes needed to resolve underlying issues that threaten its economic stability. The IMF program is, therefore, geared towards instating good economic governance and fiscal discipline in order to attain economic growth within the recipient country and ensuring a revenue stream that guarantees payback of the IMF's funds.

These IMF loans are usually disbursed in installments that are conditional upon the recipient country making policy changes or implementing certain economic reforms. This conditionality ensures that progress is made during the program and that the funds are not used only as a stopgap measure. Periodic program reviews evaluate whether the program is on track and if any different measures need to be taken to attain the program's objectives.

In a historic and positive turn of events, Pakistan recently cleared the final USD 102 million tranche of its USD 6.4 billion 3-year International Monetary Fund (IMF) program. Out of the 11 IMF programs that Pakistan has participated in so far, this program was the first ever to be completed.

Upon completion of their final review, IMF stated that due to an expected increase in CPEC-related investment in addition to a surge in private sector credit and economic productivity, it expects growth of the Pakistani economy to cross 5 percent in FY17. Fiscal deficit is also estimated to decrease to 3.8 percent next year. Due to this strengthening of macroeconomic indicators, Pakistan is poised for greater and sustained economic growth, with enhanced financial stability.

Amidst the optimism and promising projections, the IMF highlighted the sluggish export activity, delays in energy reforms and hesitation in privatization of public sector enterprises as worrying concerns afflicting the economic landscape.

The perils of complacency cannot be stressed upon enough here. The Pakistani economy's growth trajectory may be promising at this point in time, but any delays in economic reforms or reversals of key decisions that have been taken can very easily derail the progress the economy has made in the last few years. The challenge of the government and its economic policy do not end with the IMF program. They only begin here. The government is now faced with the challenge of maintaining the momentum of this growth trajectory and following through with their medium-to-long term plans of sustainable economic growth through timely structural reforms.

Reforms with political aftermath, such as taxation and energy-related measures and privatization of loss-making public sector enterprises, have largely been avoided thus far by securing waivers during the3 year working relationship with the IMF. It is to be watched how these challenges will be faced head-on in the near future, with the national elections coming up in 2018. While the IMF loan has been fully availed, the bitter pill of the trickier reforms remains to be swallowed and hence a full-blown celebration of overcoming economic malaise seems to be premature.

Pakistan's external debt peaked at a phenomenal level of USD 69.56 billion (as of March-end 2016) as circular debt continues to plague the economy. The energy crises, too, remains an economic nuisance that the government has failed to eradicate as it had promised to do in its tenure. With energy projects being stalled due to infrastructure limitations and cost overruns, there is much pressure despite the happy farewell to the IMF program. The Government is also yet to demonstrate an application of its afore-articulated commitment to privatize loss making public sector enterprises.

There is no one solution that fits all. Every country must pave its own path towards overcoming economic and political challenges. Having bid adieu to the IMF, we must not steer from our path and we must ensure that we take disciplined strides towards our goal of sustained economic progress.

Sirajuddin Aziz
Editor-in-Chief

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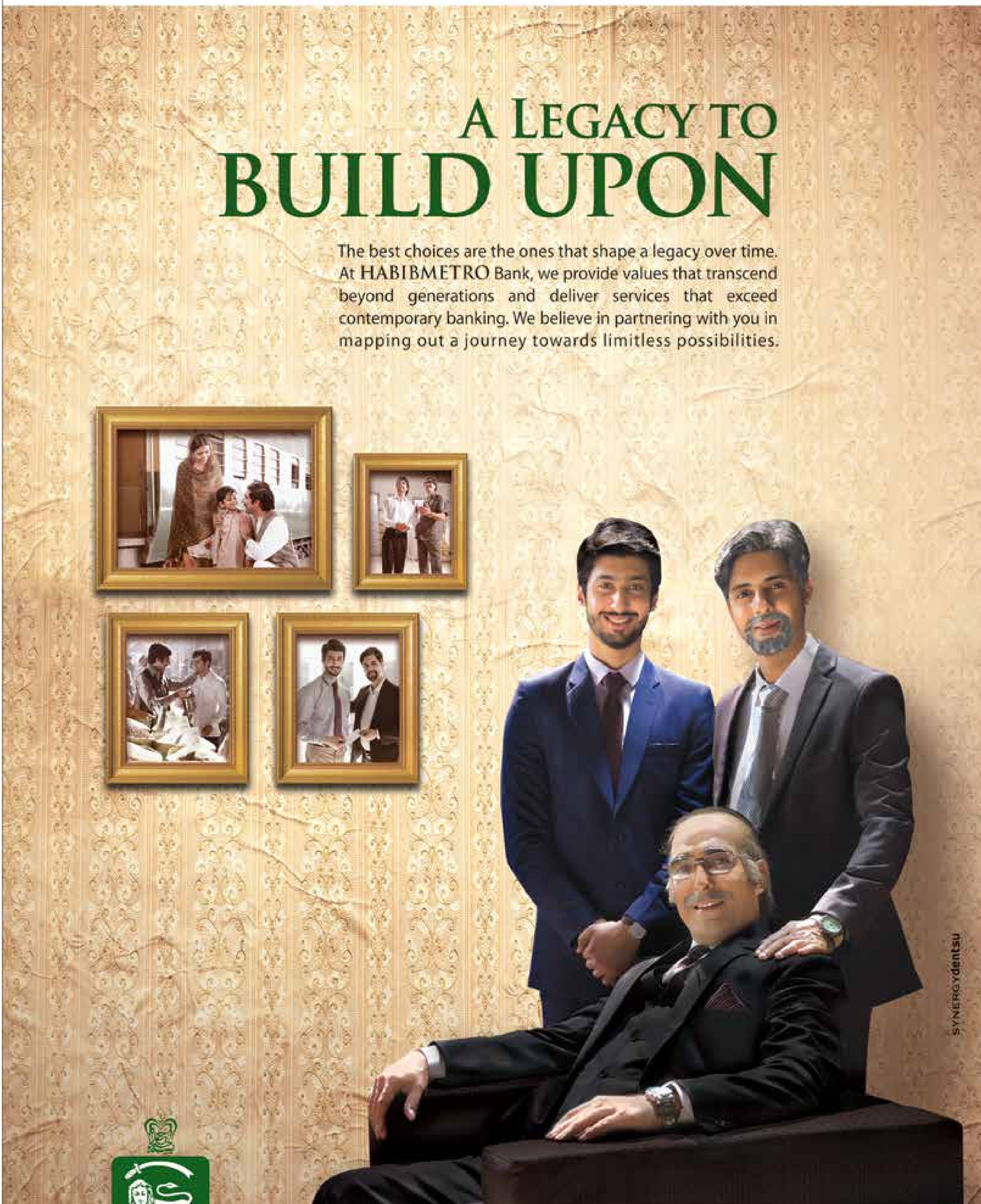

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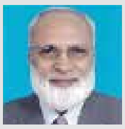

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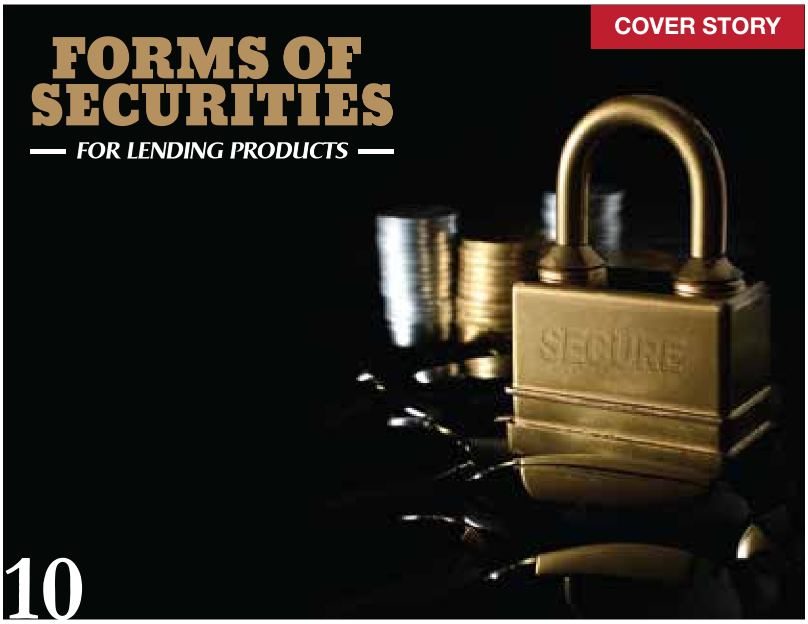

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IBP ORGANISES 1ST PAKISTAN BANKING AWARDS 2016

The Institute of Bankers Pakistan (IBP) in partnership with The DAWN Media Group and collaboration of A.F. Ferguson & Co. (a member of PwC global network) conducted the first ever Pakistan Banking Awards 2016 on Friday, 13th May 2016 at famous historical location - Mohatta Palace. Altogether, 28 banks enthusiastically participated to compete in 8 different categories amongst which 06 banks were declared as best.

Habib Bank Limited won 2 awards for "Environmental, Social & Governance Bank" and further won the Best Bank Award for "Small Business & Agricultural Financing." Tameer Bank, on the other hand was announced as the best "Bank the Un-banked" award and "Best Microfinance Bank" by accessing the untapped market in remote areas and penetrating its operations in the rural region of the country. Considering the parameters for providing efficient "Customer Services", Bank Alfalah won the lead. Meezan Bank was announced as "Best Islamic Bank" due to its quality services and extending finances as per Islamic laws to market. Muslim Commercial Bank was pro-claimed as best bank for "Corporate Finance & Capital Market Development" excelling in promoting capital market development and optimizing the commercial & industrial assets.

United Bank Limited stood prominent as "Best Bank" in the competition by contributing significantly in national development; making efficient use of resources, ensuring employee and customer satisfaction by managing the team and clients effectively at all levels.

Pakistan Banking Awards 2016 is a recent initiative to highlight the efforts being made by the banking and financial sector for the overall growth and development of the national economy. The Governor - State Bank of Pakistan, Mr. Ashraf Mehmood Wathra graced the occasion as the Chief Guest. The event was attended by all the top notch banking and financial professionals.

The folks' singers added further colors to the event. The organizers Mr. Husain Lawai (Chief Executive - IBP), Mr. Shabbar Zaidi (Partner - A.F. Ferguson) and Mr. Hameed Haroon (Chief Executive – The DAWN Media Group) affirmed to continue recognition of the financial sector through holding the Pakistan Banking Awards regularly.


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Pakistan Banking Awards
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Gender Diversity - Inclusion Conference & Awards 2016

Gender Diversity - Inclusion Conference & Awards 2016

The Institute of Bankers Pakistan (IBP) in collaboration with HR Metrics held the Gender Diversity and Inclusion Conference 2016 on May 25th, 2016 at Karachi. Realizing the effective role females play in the growth and development of the overall economy, the event was organized to celebrate women empowerment.

Leading industry professionals shared their knowledge and experiences on gender diversity and inclusion and how it can create a positive difference in the overall outcome of economy. Panel of speakers included Mr. Zahid Mubarak – CEO (HR Metrics) / President – SHRM Forum Pakistan, Mr. Shazad Dada – CEO (Standard Chartered Bank Pakistan), Ms. Zubina Sadick – Head Talent and Diversity (HBL), Mr. Effenus Henderson – Chair Diversity & Inclusion Standards (SHRM ANSI, USA), Mr. Leon Menezes – Practitioner, Writer, Professor of Practice (IBA), Ms. Fatima Asad – Said – Director Human Capital Excellence (Abacus Consultancy), Ms. Syma Waleed – Head of Rewards (Fatima Group), Ms. Sadaffe Abid – Social Entrepreneur and Co-Founder (Circle) and Ms. Atiqa Odho – Actress, CEO (Odho Cosmetics and Odho Productions).

Ms. Khawlah Usman – Director Business (IBP), offered the welcome address. The event was attended by more than 200 professionals from various sectors of the industry, students, media personals. etc.

Diversity Value Index Awards 2016 were given in three categories: Public Listed Companies, Government Organizations, Private Organizations and Non-Profit Organizations. Engro Corporation, Shell Pakistan Pvt. Ltd. and Faysal Bank Ltd. won in the Public Listed category. State Bank of Pakistan won the best Government Organization award.

HRS Global, Ask Development and Abacus Consulting were bestowed with Best Private Organization award. In the category of Non-Profit Organization Dawood Global Foundation, Pakistan Institute of Corporate Governance and Aga Khan University Hospital were the achievers.

HBL was the Gold Sponsor of this mega event, followed by Allied Bank Ltd. and Fatima Group as Silver Sponsors and Mitsubishi Corporation and Engro Corporation as Bronze Sponsors. Unilever Pakistan Ltd., Jang Group, Mac Donalds and The Cakes Shop were also amongst the sponsors.

Gender Diversity - Inclusion Conference & Awards 2016

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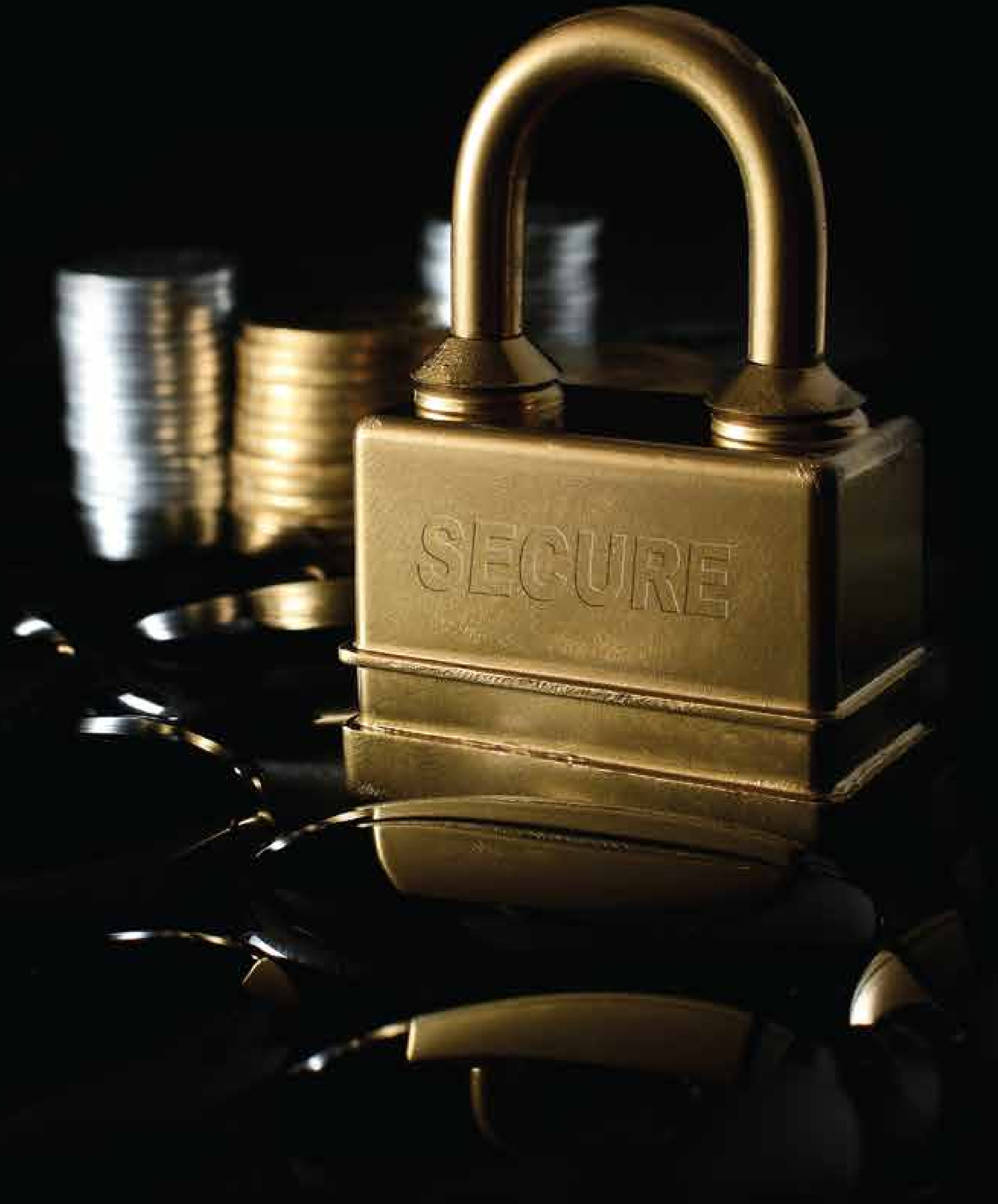
FORMS OF SECURITIES

FOR LENDING PRODUCTS

By M. Shahid Saleem



FORMS OF LENDING AND FACILITIES TO BORROWER

Cannons of Lending

Banks deal with public money in the form of deposits and they have to exercise several precautionary measures so that the money lent can be recovered with profit (interest/markup) and other costs related thereto. Therefore, they have to ensure the following principles while selecting a borrower:

- Safety: Banks have to ensure the principle "Safety First" of the funds lent by them as the very existence of a bank depends on recovering the amount with interest. Reckless lending is likely to land the bank in deep trouble that might put it in liquidation. Therefore, five elements commonly known as 5Cs [Character of Borrower; Capacity (ability to conduct business prudently); Capital Structure (resources employed by the borrower); Business Conditions & Purpose; Collateral] help a banker in arriving at a conclusion regarding the safety of funds.
- Liquidity (Possibility of Recovering): Banks are required to consider the liquidity of the funds as far as possible so that, if needed, they can get back the money by recalling the advance, wherever warranted.
- Dispersal. This means not to invest all or most of their funds in a specific sector but should maintain a portfolio of investment from security point of view.
- Security is a cushion to fall back upon, in case the borrower fails to repay the loan in normal course of events.
- Remuneration / Profitability on loan product keeping in view the reward and risk relationship.

These principles are normally called canons of lending and applied to reduce the risk involved in lending and can be expressed in mnemonics like: 5 Cs [Character; Capacity; Capital; Conditions; Collateral], PARTS [Purpose; Amount; Repayment; Term; Security], CAMELS [Capital; Asset quality; Management; Earnings; Liquidity; System], CAMPARI [Character; Ability; Margin; Purpose; Amount; Repayment; Insurance (Security)] and PARSERS [Person (Character, Capacity, Commitment); Amount; Repayment; Security; Expediency; Remuneration; Services]

Types of Credit Facilities Bank Can Provide to Borrower

Banks normally offer credit facility both on stand-alone basis as well as in syndication with other financial institutions. Exposures, both fund based and non-funded facilities are offered for short and long tenors through standard products listed as under:

A-1 Fund Based Facilities

- General Facilities under the domain are: (a) Running Finance (RF) that are Secured against collateral and Clean against personal security or guarantees, (b) Cash Finance (CF) facility provided against pledge of goods, (c) Term Finance (TF) is the repayment of loan in installments (d) Lease Finance are Hire purchase or Project Finance, (e) Consumer Credit like Auto Finance, Personal Loans, House Finance, (f) Credit facilities extended through Corporate Cards, (g) facility of Local Bills Purchased (LBP) and Local Bills Discounted (LBD).
- Import Facilities may take the form of (a) Finance Against Imported Merchandise (FIM) and (b) Finance Against Trust Receipt (FATR)
- Export Facilities are provided with a view to encourage exports and may take the form of (a) Finance under Foreign Currency (F.E. 25) Deposit Scheme, (b) Finance Against Packing Credit (FAPC), (c) Export Refinance (ERF-Part I &Part II), (d) Finance Against Foreign Bills (FAFB), (e) Foreign Bills Purchased (FBP) and Foreign Bills Discounted (FBD).

A-2 Non-Funded Facilities

These facilities make take the forms of (a) Guarantees, including Bid Bonds, Performance Bonds, Advance Payment Guarantees, Financial Guarantees etc. (b) Standby Letters of Credit, (c) Letters of Credit under Usance and Sight Bills, and (d) Underwriting

B) Subscription to or investment in shares, Participation Term Certificates, Term Finance Certificates, Sukuk or any other Commercial Paper by whatever name called issued or guaranteed by the persons.

C) Exposure (Net open position) on account of derivative transactions (Forward, Futures, Options, Swaps).

Prudential Regulations that Govern These Facilities

Central Bank of each country has the responsibility to issue guidelines and regulations that deal exposures with the aim to assist banks and financial institutions in better addressing their unique risk factors and dynamic environment by giving more discretion in business decisions. In Pakistan, Central Bank issued these regulations that describe minimum prudential benchmarks in critical risk areas to balance the considerations of financial stability of banks/DFIs vis-à-vis diversity and innovation.

To date the Central Bank has issued different sets of prudential regulations that deal with (a) Agriculture Financing, (b) Corporate / Commercial Banking, (c) SME Financing, (d) Consumer Financing and (e) Micro Finance Banks. Moreover, detailed guidelines are available on Project Finance, Export Finance Scheme and Islamic Finance.

NEED FOR COLLATERAL / SECURITIES FOR ADVANCES

Necessity of Collateral

Exposure without any security or collateral is treated as clean and central banks normally put a cap (in Pakistan it is of Rs. 2.0 million) and above which clean exposure is not allowed. However, finance extended from the date of opening of Letter of Credit (LC) till receipt of title documents to goods and FATR are general exceptions and banks may decide, its own about collaterals.

Categorized into Two Parts

We may categorize the Collateral into two parts (1) Primary Collateral that comprises of assets acquired with bank's financing e.g., hypothecation or pledge of stocks in case of running finance and cash finance. (2) Secondary Collateral these are Over and above primary collateral and it serves the purpose of additional security.

In practice, advances given as Clean is made against Promissory Notes or personal guarantees while Secured Advances are made against Tangible & Marketable Securities.

LEGAL FORMS OF SECURITIES FOR ADVANCES

Legal Forms of Securities are as under:

Now we move forward towards legal forms of securities that are available to banks / financial institutions to secure their advances. They may take the forms of:

Lien, Charge, Pledge, Hypothecation, Guarantee, Indemnity, Mortgage

Lien

Contract Act, 1872 deals with the Lien and is the banker's right to withhold property until claim on property is paid. A lien may be either:

» **Particular Lien:** arises from the particular transaction, connected with the property subject to lien e.g. a carrier's lien for its charges on goods carried.

» **General Lien:** arises out of general dealings between the two parties e.g. Bank's Lien.

Charge

» Transfer of Property Act, 1882 deals with the Charge and is the security for the payment of a debt or other obligation that does not pass "title of the property" or any right to its possession to the person to whom the charge is given.

» Charging a security means making it available as a cover for an advance. Whatever form the charge may take, the bank does not become the absolute or exclusive owner of the security, the bank has only certain defined rights in it, until the debt is repaid. It can also either be a Hypothecation Charge (where possession of property/asset remains with the borrower) or a Charge on Pledge goods (in which case the assets/-goods are held with the lender/Bank).

» Registration of charge is made under section 17(1-b) of the Registration Act and the Companies Ordinance, 1984 entrusted responsibility of registration to the lending banker within 21 days. Therefore, enforcement of charge cannot be made without notice.

» A fixed charge (or mortgage) is created on some space and ascertained property of the company which prevents dealings in it. Whereas, floating charge leaves the company free as long as the company remains a going concern, but when company goes into liquidation or debenture holders appoint a receiver, the floating charge immediately becomes fixed or crystallized.

Pledge

» Contract Act, 1872 deals with Pledge that is a bailment of goods as security for payment of a debt or performance of a promise. Wherein bailment means delivery of goods by one person to another for some purpose, under a contract that the goods shall, when the purpose is accomplished, be returned or otherwise disposed of according to the directions of the person who is going to deliver them. In a pledge the ownership remains with the pledgor, but pledge has the exclusive possession of property until the advance is repaid in full, while in case of default the pledge has the power of sale after giving due notice. The essential feature of a pledge is transfer of possession of the goods, either Actual or Constructive. For example, when possession of the goods is physically transferred from the borrower to the lender, possession is said to be actual and when the keys of the warehouse in which goods are stored are handed over by the borrower to the lender or lien the documents of title relating to the goods are delivered duly endorsed, if necessary, possession is then said to be **symbolic or constructive.**

» Person delivering the goods is called "pledgor" or "pawnor" and the person to whom goods are delivered is called "pledgee" or "pawnee" whereas, persons authorized to create a valid pledge of goods or documents of title of goods are: Owner; Commission Agent/Broker; Seller (left in possession of goods); Hirer (under hire purchase); Mercantile Agent by delivering title documents but pledged goods are delivered by the owner.

» The contract of a pledge need not be expressed in writing and may be implied from the nature of transaction or circumstances. However, to avoid any dispute, a suitable Letter of Pledge is taken so that there is no doubt about the intention of the pledgor.

» A charge by way of pledge of goods does not require registration under the Companies Ordinance. The main advantage of pledge is that the banker (as lender) is in possession of the goods therefore, in the event of default by borrower, the bank has the right, after giving reasonable notice to the pledgor, to sell the goods and liquidate the advance.

» In a loan agreement negative pledge is generally taken and refers to the undertaking of the borrower not to pledge its assets to other lenders until value of loan is fully collateralized and secured and in a bond indenture, it refers to a similar undertaking by the issuer not to pledge its assets until the bond holders are equally secured.

Hypothecation

» When property in goods is charged as security for a loan, but ownership as well as possession remains with the borrower, the goods are said to be 'hypothecated'. It is a kind of mortgage wherein stocks of goods in the possession of a debtor may be hypothecated to the banker and in the Letter of Hypothecation the debtor undertakes to pay the proceeds of sales of such goods to his current account with the banker and to have the stocks adequately insured (against theft, fire, riots and civil commotion etc.) with usual bank clause incorporated in the policy.

» Some risks are also associated with hypothecation e.g., low control over goods (i.e. possession are with borrower) and it is difficult to verify title to the property.

» Under the terms of the Letter of Hypothecation, the bank has the right at its discretion, to take possession of goods and thereafter to treat it as a pledge. The bank may take over possession of the goods and after giving reasonable notice to the borrower, may arrange to sell them without intervention of the court for the purpose of recovery its dues.

Guarantee

» Contract Act 1872 deals with guarantee and is refers to a promise (either oral or written) by one person, called "guarantor / surety" to another for answering the present or future debts of a second person called "principal debtor". Guarantees are generally of two kinds: (i) Specific – When refer to a specified transaction only, once the repayment of entire amount is made, it becomes void. (ii) Whereas a guarantee which extends to a series of transactions is called "Continuing Guarantee" and is revoked (affects future transactions only) when there is a change in constitution of firm by death, insolvency or retirement of partner or by admittance of a new partner.

» A contract of guarantee is rendered invalid and surety is discharged of his obligations in case the guarantee was signed by him: (a) by Mistake (b) by Misrepresentation (c) by Concealment of a material fact (d) under Coercion (e) under Undue Influence.

Indemnity

» Contract Act, 1872 deals with contract of indemnity in which one party (indemnitor) promises to save the other (indemnitee) from loss caused to him by the conduct of the promisor himself, or of any other person. Indemnity in the legal sense may also refer to an exemption from liability for damages. A typical example is an insurance contract, whereby one party (the insurer, or the indemnitor) agrees to compensate the other (the insured, or the indemnitee) for any damages or losses, in return for premiums paid by the insured to the insurer.

» An undertaking is given to compensate for (or to provide protection against) injury, loss, incurred penalties, or from a contingent liability. A shipping company for example, will ask for a bank's indemnity for releasing a shipment to a consignee who has lost original shipping documents. The bank in turn will require the consignee to sign a counter indemnity before issuing its indemnity to the shipping company. This way the consignee gets the release of shipment on completion of a transaction, and both the shipping company and the bank are protected in case some dispute arises out of that transaction.

Mortgage

» Transfer of Property Act 1882, deals with Mortgage and refer to transfer of an interest in specific immovable property for securing payment of money advanced or to be advanced by way of loans and this transfer is actual. The transferor is called a mortgagor, transferee a mortgagee; principal money & return of which payment is secured for the time being and instrument (if any) by which the transfer is effected is called a mortgage deed.

» Mortgage may be of different kinds e.g., (a) Simple, Registered or Legal Mortgage (b) Equitable or Mortgage by Deposit of Title Deeds (c) Mortgage by Conditional Sale (d) English Mortgage (e) Anomalous Mortgage and (f) Reverse Mortgage.

PRICING OF LOAN PRODUCTS

Pricing Mechanisms of Loan Products

» Pricing of the loan is the key feature in lending products and is the mark-up rate that banks charge to the borrowers. Such rates comprise of two components in which one is Base while other is Variable Component. The Base Component of Mark-up is derived from (i) Internal cost of funds i.e., rate of return promised to the depositor and the administrative cost of generating, processing and servicing the deposit/depositor, and (ii) Market based cost of funds i.e., costs on which a bank borrow from other banks e.g., KIBOR, T-bills, PIBs, REPO and Reverse REPO rates are generally used as benchmark indicators in the Pakistan market. Variable Components of the Mark-up: is the spread that banks keep on top of their base component or cost of funds when lending to customers. The size of spread generally depends on three factors (i) Type of Customer (corporate/wholesale/retail) (ii) Customer Credit Rating (based on profile) and (iii) Banks Balance Sheet Mix (and its need for deposit or loans at a given point in time)

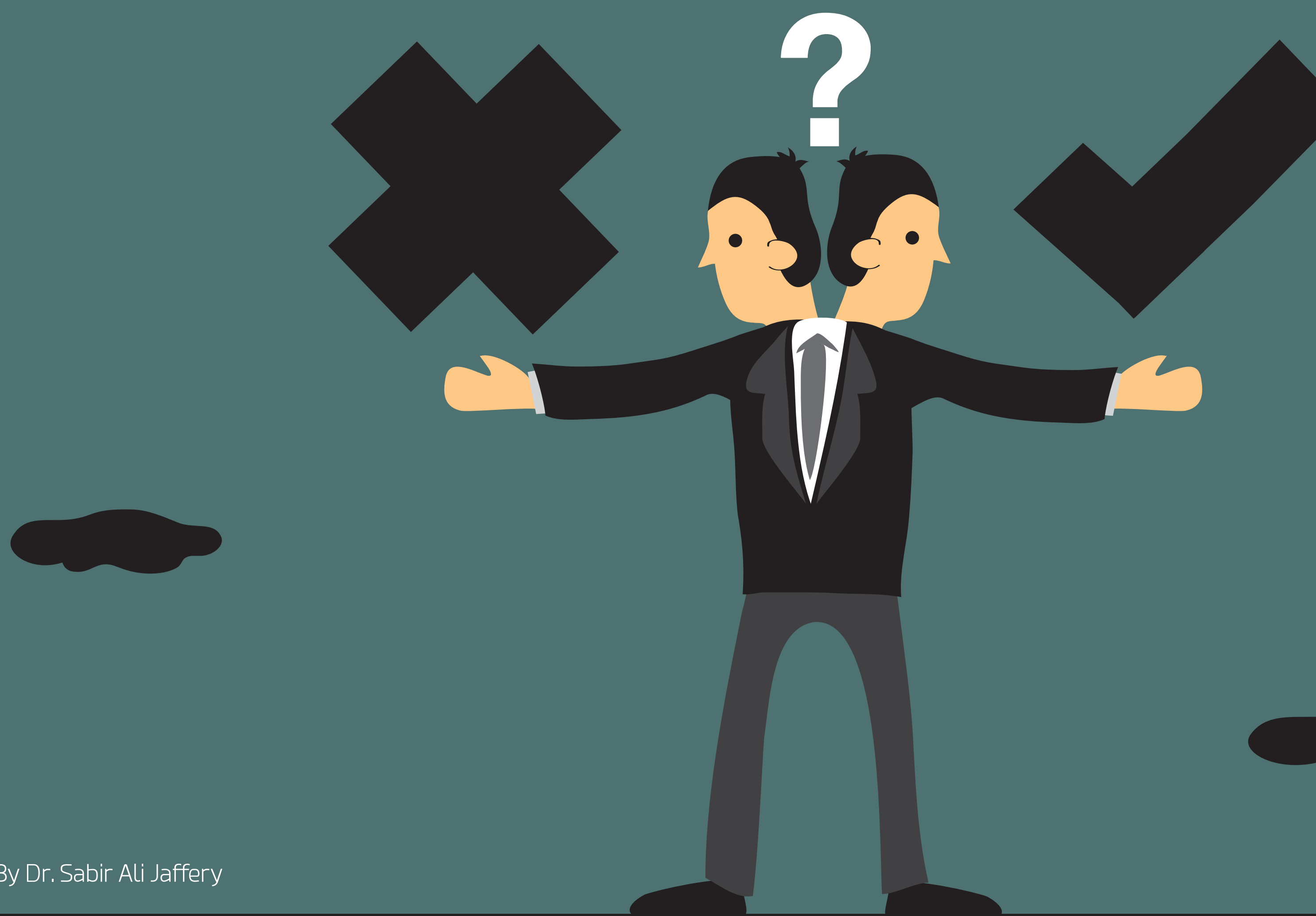
Fixed and Floating Rates of Mark-up

» Mark-up rate quoted to borrower can be floating or fixed rate. In Floating Rate also known as variable or adjustable rate refers to a rate on any type of credit that does not have a fixed rate of mark-up or interest over the life of that credit. It is charged on a periodic basis and usually tied to the movement of an outside indicator or the prime rate/discount rate. One of the most common rates used as the basis for applying interest rates is the KIBOR. However, in Fixed Rate it does not fluctuate during the fixed rate period. This allows the borrower to accurately predict their future payments.

» When rates are low, a fixed rate loan would allow the borrower to "Lock In" the low rates and not be concerned with interest rate spikes. On the other hand, if interest rates are high at the time of the loan, the borrower will benefit from a floating rate loan, because if the prime rate falls, the rate on the loan would decrease.

Other Methods of Pricing

In practice a lending product may be priced on various methods and may take the form of (a) Risk Based Pricing: in the simplest terms, is alignment of loan pricing with the expected loan risk. It's a manifestation of the risk reward concept – higher the risk, higher the reward; in this case higher the risk, higher the price of credit i.e. mark-up. (b) Risk Reward Pricing: is the ratio used by lenders to compare expected returns of a loan to the amount of risk undertaken to capture these returns. Ratio is calculated mathematically by dividing Amount of profit the lender expects to have made when the position is closed (i.e. the reward) by the amount he stands to lose if price moves in unexpected direction (i.e. the risk). (c) Relationship Yield Pricing: is pricing the credit based on the overall customer relationship rather than on a stand-alone product basis. (d) Opportunity Cost: is the cost of an alternative that must be forgone in order to pursue a certain action. Put another way, the benefits you could have received by taking an alternative action.



By Dr. Sabir Ali Jaffery

COMMERCIAL BANKING
Problems and Solutions

Q.1 Will the following bank accounts be opened ? If yes, how will the title of the account be named?

(a) One father wants to open a PLS account jointly with his minor son.

(b) On the death of the husband, the widow wants to open a PLS account jointly with her minor son.

(c) Both father and mother of a minor son are dead. First cousin of the minor proposes to open PLS account jointly with the minor.

(d) Two brothers, both minor, wants to open their joint account.

Ans. (a) Father is the natural guardian of the son. The joint account can, therefore, be opened as desired. The title of the account will read as:

"Son (name) Minor, Father (name) Guardian"

(b) Mother is also natural guardian of minor son. The account can, therefore, be opened as proposed. Title of account will be identical to one stated in (a) above.

(c) Cousin is not legal guardian of minor. Hence, the proposed account cannot be opened.

The cousin may be advised to get himself appointed legal guardian of the minor by court. Thereafter, he can open joint account with the minor.

(d) Two minors cannot open joint account.

Q.2 A cheque is drawn payable to Ms. Shakeela Ismail in her maiden name. In the mean time, she is married to Mr. Haroon. How will she endorse the cheque?

Ans. The cheque will be endorsed as under:

"Shakeela Haroon nee Ismail"

Q.3 Owner of Hafiz Textile Mill Naeem Uddin is a blind gentleman. He is called 'Hafiz Saheb' by all. Hafiz sahib accompa-

nied by his son Saleem Uddin approaches you to open the account of his mill with himself as its sole proprietor. He also desires to operate upon the account singly. On inquiry, he states that his son Saleem will always accompany him whenever he visits the bank. What precautions will you take while opening and conducting the account?

Ans. Attested photograph of the man and attested copy of his NIC will be pasted on the account opening form. The entries on the form will be read out to the blind man and this fact recorded on it which will be witnessed by a person known to the bank.

Mr. Naeem will be required to come in person whenever he will need to draw a cheque. The cheque will be written by the person accompanying him in presence of the bank officer and the amount on it will be pronounced to Hafiz sahib. Hafiz sahib will affix his thumb impression on the cheque before the bank official who will attest it. Cheques intended to be payable to third persons shall always be drawn as 'order' cheques and invariably crossed 'A/c Payee'.

One copy of the statement of account, as and when one is issued, will be required to be confirmed as to its correctness and admittance by Naeem Uddin with his thumb impression affixed on it in presence of bank official who will attest the thumb impression. The person accompanying him to be identified by the bank official will witness the proceedings and write that the balance was read out to Naeem Uddin who had admitted it to be correct.

Q.4.One Mr. 'A' has clean overdraft limit of Rs.35,000/-. The current balance in his O.D. account is Rs.39,347/- Despite repeated reminders from the bank, he has failed to repay the amount. 'A' also has a TDR for Rs.100,000/- in joint names of himself and his minor son, to be matured one year from now. He suggests that the TDR may be encashed premature and O.D. adjusted. The In-charge Deposits Department proposes that the bank should exercise its right of set off on Term Deposit to the adjustment of overdue O.D. account. The Branch Manager does not agree to either proposal. What is your opinion in the matter?

Ans. To enable a bank to exercise its right of set-off, the debit and credit have to be under the same title. Hence, the right cannot be exercised in the given situation as O.D. and TDR are in two different names. Premature retirement of TDR also cannot adjust the O.D. as the guardian cannot use minor's money for his own benefit and the minor could claim the amount at any stage since it would not have been utilized in his interest. Although in this situation, the claim of minor could be against his father but bank could also be made a party to it.

Of course, on payment after maturity, father can use the funds covered by the TDR towards adjustment of the O.D. Then it would be between the guardian and the ward, and the bank would have nothing to do with how the father spends the proceeds of the TDR.

Q.5 Aitezaz Uddin has a TDR in his name. At a later stage but before maturity he desires the name of his son Aitemad Uddin to be added to the name of the beneficiary with the condition "payable to either or survivor". Yet again, Aitezaz Uddin desires to delete the name of his son Aitemad Uddin as joint beneficiary of the TDR and wants to retain it in his single name only. How would you proceed?

Ans. The condition 'payable to either or survivor' is maintainable only on payment at maturity. Any change in the terms during currency of the deposit should have consent of both the parties. Hence, change in beneficiary's name can be affected only under joint instructions.

HABIB INSURANCE

Operational Risk Management

By Dr. Sabir A. Jaffery

The loss that may accrue owing to inadequate, deficient, or faulty processes, procedures, systems, and people is ascribed to operational risk. As categorically defined by Central Bank, it is the risk of loss arising from inadequate information system, technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems problems

Although banks and financial institutions are highly sensitive and vigilant to prevent any malpractice and control transactional errors, yet lapses may some time occur unnoticed. Thus, failure to visualize and understand, and timely manage operational risk, which is present in almost all the financial transactions, may cause unprecedented losses.

CONTROL MECHANISM:

Ultimate responsibility of operational risk management rests with the board of directors and the senior management hierarchy. They ought to create a functional set-up within susceptible organization culture and develop an efficient and committed team assigned to adherence to sound operating controls.

The board of directors gives strategic directions. The senior management transforms these directions into management policy which is then transcribed into systems and procedures to activate operational risk management framework.

The policy should establish a process which ensures that any new or changed activity will be evaluated for operational risk before it is put to effect.

The management should ensure that the policy is transmitted down the line throughout the organization and is well understood by all concerned. The management also needs to enforce proper monitoring and control discipline to have effective implementation of the policy.

The policy needs to be reviewed with reasonable intervals and updated to synchronize with the current circumstances meritoriously.

To sum up, the organizational structure required to manage the operational risk should be identical to one that has been recommended for credit, market, and liquidity risks.

It would not be an amiss to quote here in verbatim what Central Bank has categorically recommended in this behalf.

"Although a framework of formal, written policies and procedures is critical, it needs to be reinforced through a strong control culture that promotes sound risk management practices. Banks should have policies, processes and procedures to control or mitigate material operational risks. Banks should assess the feasibility of alternative risk limitation and control strategies and should adjust their operational risk profile using appropriate strategies, in light of their overall risk appetite and profile. To be effective, control activities should be an integral part of the regular activities of a bank."

OPERATIONAL RISK MANAGMENT INDEPENDENT OF INTERNAL AUDIT

Operational Risk Management is a function independent of internal audit. It aims at effectively managing operational risk by way of assessing, monitoring, and reporting operational risks as a whole to ensure that the management of operational risk is being carried out as per strategy and policy. The function also coordinates various risk management activities. It also provides for 'operational risk metrics' or "Key Risk Indicators" (KRIs) to ensure the escalation of significant risk issues to appropriate management levels.

RISK IDENTIFICATION AND ASSESSMENT

Banks should identify, assess, and measure the vulnerability of the operational risk associated with all the products, processes, systems and activities. Before any new activity, product, process, or system is undertaken, the operational risk inherent

"The board of directors gives strategic directions. The senior management transforms these directions into management policy which is then transcribed into systems and procedures to activate operational risk management framework"

in them needs to be identified and assessed.

RISK QUANTIFICATION

Despite numerous techniques being evolved day in and day out, Operating Risk remains to be pretty difficult to quantify. However, as the Central Bank suggests, "the banks could systematically track and record frequency, severity and other information on individual loss events. Such a data could provide meaningful information for assessing the bank's exposure to operational risk and developing a policy to mitigate / control that risk."

RISK MITIGATION

Management should evaluate the measures they propose to adopt as to their effectiveness in reducing the probability of occurrence of an operational risk and also of their effectiveness in mitigating the impact of the risk if it occurs. Steps should also be taken to design control techniques to reduce the operational risk to an acceptable level.

While the control techniques adopted to cut down the operational risk vary from situation to situation, very often these include "code of conduct, delegation of authority, segregation of duties, audit coverage, compliance, succession planning, mandatory leave, staff compensation, recruitment and training, dealing with customers, complaint handling, record keeping, MIS, physical controls, etc."

RISK MONITORING

Monitoring activities should continue incessantly to reduce the probability of operational risk. It also provides an opportunity of early detecting and correcting discrepancies, if any. Early detecting and rectifying the deficiencies tend to mitigate the severity of a loss.

Senior management should, therefore, pursue a programme to:

- monitor and assess the exposure to all types of operational risks;
- initiate the mitigating actions; and
- ensure that adequate control system is available to identify and address a problem before it is too late.

CONTINUITY/CONTINGENCY PLANS.

Banks should also have continuity and contingency plans to ensure their ability to operate as going concerns and minimize losses in the event of severe business disruption.

Towards A Better Understanding Of ISLAMIC FINANCE

By: Athar Hussain and Mujahid Abbas

Islamic Finance in our society is still seen as merely, the same practices that are put forth under a new umbrella which means that Islamic Finance is no more than the same conventional interest-based finance dressed with new clothing which is serious misconception and misnomer. Another common thought about Islamic Finance is rolling that Islamic banking replaces interest rate with profit and there is nothing more.

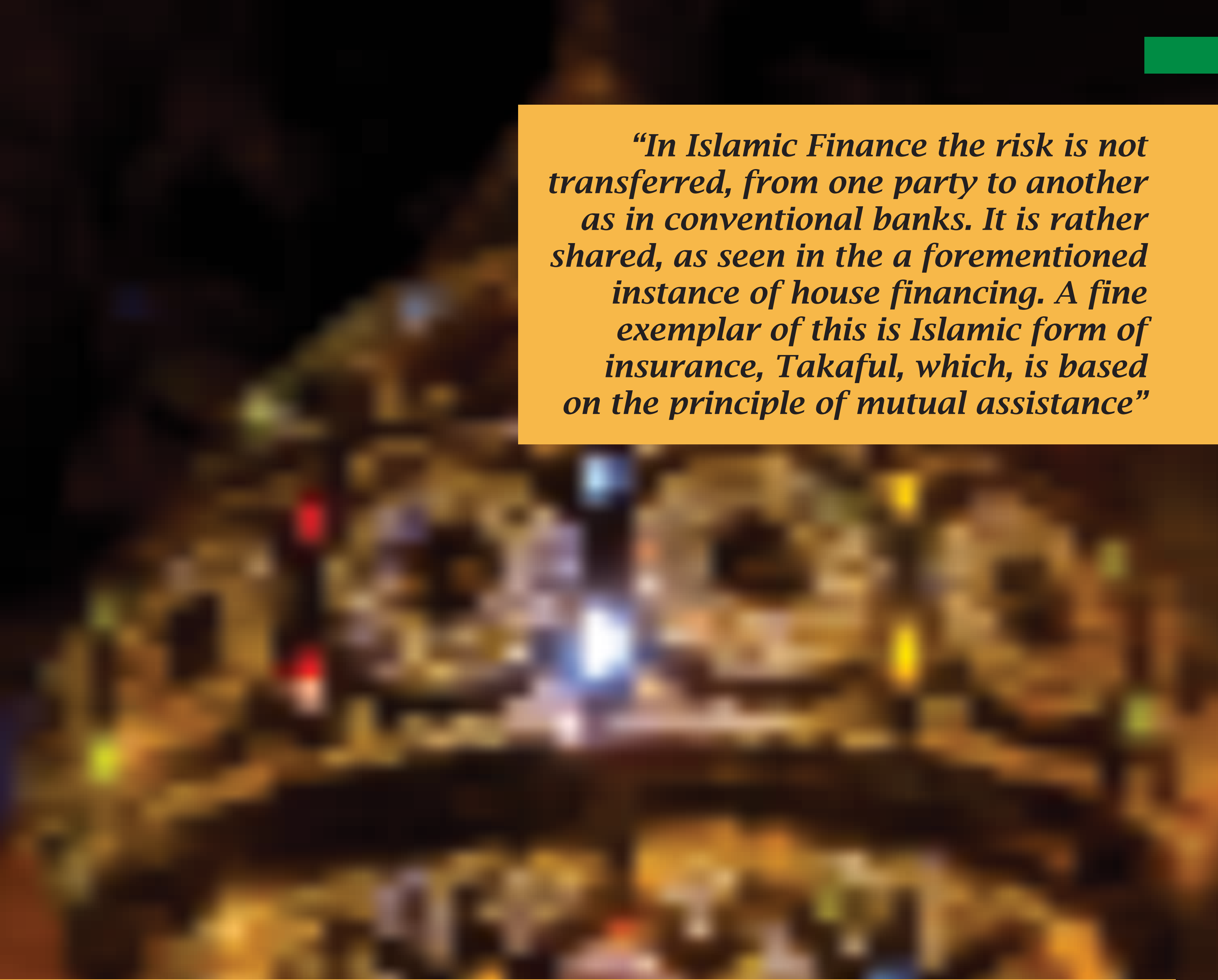
The authors have tried to present a condensed piece of knowledge describing the key principles of Islamic Finance and how it differs from conventional. The list is however, much bigger when analyzed in depth. Islamic Finance stems from the fundamental principle of morality and prohibits Interest (Riba), Gambling (Maisir), Uncertainty (Gharar) and any other immoral products and activities such as alcohol, non-halal food, tobacco, weapon, pornography etc. whereas conventional imposes no such restrictions.

We will work through some common misconceptions about Islamic Finance and elucidate the arguments in the light of facts.

Conventional banking practice is based upon an underlying lender-borrower relationship. It means that the bank either lends money or borrows to balance off its supply and demand requirements. This implies charging or paying interest on the money lent or borrowed. However, an Islamic Bank actually acts as a facilitator to assist people with different needs, be it financing or investing. The money has to be actually invested into real economic activity. For example, to provide a customer with house financing, the bank will first buy the house and then sell it to the customer, thus charging a profit on sale.

Some critics of Islamic finance have advocated that this kind of practice is identical to a term loan facility to finance the purchase of a house. In both cases the bank, plays an intermediary role. From the economic benefit perspective, both facilities serve the same purpose of allowing a customer to own a house and pay later with a margin of profit or interest as the case may be. The similarity of the ultimate result, nonetheless, should not be a contentious point. Worth admitting here, is the fact that a bank whether Islamic or conventional, has to act as a profit seeking financial institution, which, is vital for its survival. The methods of achieving this result are however different. Islamic finance brings the concept of sale instead of loan to finance the customer. The Islamic bank has to purchase a house from a vendor at 'x' amount and sell it to the customer at 'x+y' amount. These are two real transactions whereby the Islamic bank actually purchases a house before it can be sold to the customer. The business and market risk is thus, shared by the Islamic Bank.

In Islamic Finance the risk is not transferred, from one party to another as in conventional banks. It is rather shared, as seen in the aforementioned instance of house financing. A fine exemplar of this is Islamic form of insurance, Takaful, which, is based on the principle of mutual assistance. Here, the risk is not transferred to the Takaful operator, but, simply the Takaful operator's role is set to act as an agent entrusted with the responsibility to manage the funds of participants from which, the participant affectees are indemnified. The Takaful Company is paid commission in exchange of the services rendered (Wakala) or shares profit and loss on investments (Mudarabah), but no underwrit-



“In Islamic Finance the risk is not transferred, from one party to another as in conventional banks. It is rather shared, as seen in the a forementioned instance of house financing. A fine exemplar of this is Islamic form of insurance, Takaful, which, is based on the principle of mutual assistance”

ing surplus is earned by the Takaful Company.

Islamic Finance requires the financial institutions to give additional disclosures that are not demanded by conventional banks. For example, investors in Islamic Financial Institutions are informed about the investments undertaken and satisfied to the last degree possible that they are halal or permissible activities. Conventional institutions, on the other hand, based on their lender borrower relationship, are not required to reveal their interests in which they put in the investor’s money. The bank is obliged to return the money to investors with an agreed return but how and where the fund is utilized, is at the discretion of the bank. Islamic financial reporting represents not only the financial position, performance and affairs of the entity, but also the legitimacy of its activities and the validity of contracts based on Sharia’s obligations.

Many Muslim scholars from around various key Islamic states have been exerting efforts in the development of Islamic finance since the major twentieth century. Here are some major historical developments from the timeline of Islamic Finance, worth noticing:

1960 to 1961 The foundation book of modern Islamic banking “Iqtisaduna” by M. Baqir al-Sadr.

1963 The Mit Ghamr Savings Bank (Egypt) and The Pilgrimage Funds Board (Malaysia)

1970 The Conference of the Finance Ministers of Islamic Countries (Karachi)

1975 Islamic Development Bank (IDB-Saudi Arabia)

1975 The first Islamic commercial bank - Dubai Islamic Bank

1976 The first International Conference on Islamic Economics (Mecca)

1979 The first Takaful company - The Islamic Insurance Company of Sudan

There are yet many other aspects to be unsurfaced. Improvisation is a gradual and continuous process every system goes through. Islam has set out very reliable and robust financial and economic principles founded on moral and ethical values. Islamic Finance certainly needs more cognizance and time to develop in practice. We should bear in mind that even, conventional form took a long time to develop into a very sophisticated system what we see now, owing to the fact that conventional banking is a multi-trillion dollar industry with a history of more than 500 years.

CURBING THE CORRUPT CULTURE IN COMPANIES

Developing the Ethics Line - Awaken the Whistleblowers

By: *Athar Hussain, Rohina Ali & Wasi Ahmed*

Whistleblowers highlight the areas which need attention to uncover fraud, defalcations, embezzlements and wrongdoings suspected in an organization. However, to act as whistleblower it is a very difficult and daunting process with an uncertain conclusion.

A whistle blower needs to be a courageous man who can face the challenge. At times, he enjoys a vested interest. Internationally speaking, new efforts are made by the Securities and Exchange Commission (SEC) of USA and The Occupational Safety and Health Administration (OSHA) that has now made it a little easier for whistleblowers to come forward, and the rapid increase in fraud cases shows that the need of whistleblowers is now greater than before.

In order to enforce high ethical corporate culture, an organization must create a culture that encourages employees to blow the whistle in a timely manner without fear. The question is, how does an organization create a culture that encourages employees to blow the whistle— i.e. to point out issues and show courage in confronting unethical or illegal and corrupt practices? And then how can a company ensure that timely action is taken? In other words, how does an organization awaken the whistleblowers?

EMPLOYEES RESPONSIBILITY TOWARDS WHISTLEBLOWING

If the company does have something to hide, then this is exactly why whistleblowers are needed. But then there is the question of who should they blow the whistle to - someone at the company, or the police or to regulatory agency or a government authority? If the person feels like they may be putting themselves in danger by revealing what they know, or that they may be providing the perpetrators with the ability to cover up their misdeeds, then going to someone in the company may not be the wisest decision at all. After all, the whistleblowers may put their trust in the wrong person and they have no way of knowing who they can rely on.

However, if there is someone that they can trust to do the right thing and work to resolve the matter within the company, then the whistleblower should in the first instance consider approaching that person with full information they have before going to the authorities. This of course also depends on the seriousness and severity of the infractions that are being committed.

TO PREVENT WHISTLE BLOWING, ENCOURAGE THE WHISTLEBLOWERS

Whistleblowing, or, 'blowing the whistle' on corrupt behaviour in an organization, can be one of the most difficult decisions an employee will ever have to make in his career. All companies, legal entities and institutions of good standing need whistleblowers because, when left unchecked, corruption can run rampant. However, actually standing up and being the one to blow the whistle requires a tremendous amount of courage and boldness.

Whistle blowing may be internal and external. Internal whistle blowing is essentially needed that is blowing the whistle by an employee within the organization to an authority within the organization – to preclude external whistle blowing and to avoid the resulting damage to the organization.

The question now arises how do organizations encourage internal whistleblowing?— This section provides some best practices for awakening employees to bring unethical or illegal practices to the forefront and addressing them before they become fatal to the organization.

The objectives of an internal whistle blowing programme are manifold. These include but not limited to:

- To encourage all employees from topto the bottom to bring ethical and legal violations of which they become aware of to an internal authority – their immediate supervisor or a

designated officer so that action can be taken immediately to resolve the problem.

- To minimize the organization's exposure to the damage – physical to the property, human resource or to the reputation - that can occur when employees circumvent internal mechanisms.
- To let employees know that the organization is serious about adherence to codes of ethical conduct and consider it of utmost importance that all employees should strictly adhere to the Code of Conduct and General Business Principles.

he barriers to a successful internal whistle blowing programme are as follows:

- A lack of trust in the internal system of the organization.
- Unwillingness of employees to be "snitches".
- Misguided union solidarity.
- Belief that management will not understand.
- Fear of alienation from peers.
- Fear of retaliation.

Although organizations should seek to remove these barriers, it is also important to acknowledge that some whistleblowers have less-than-honorable motives. What if the whistleblower is retaliating against a supervisor with false accusations? What if the whistleblower is bringing genuine problems to the fore but is also a subpar employee? In that case, does the whistleblower get a free pass just because he or she exposed an issue? What should be done when it becomes clear that encouraging employees to bypass the proper channels is undermining management decision making? What if whistleblowers participated in the very actions they are now exposing, perhaps as a mean of escaping the consequences of their participation? What if there is reason to suspect a whistleblower is targeting a specific employee because of his or her race, gender, or ethnicity or for some vested

Whistle blowing may be internal and external. Internal whistle blowing is essentially needed that is blowing the whistle by an employee within the organization to an authority within the organization – to preclude external whistle blowing and to avoid the resulting damage to the organization.

interests? These are just a few of the issues to be considered in creating a whistle blowing culture in the organization.

STEPS FOR ESTABLISHING A WHISTLEBLOWING CULTURE

Five important steps can be identified for establishing a sound whistle blowing culture in an organization. These are:

STEP 1 - CREATE A POLICY

A policy about reporting illegal, corrupt and unethical practices should include:

- Formal mechanisms for reporting violations, such as facilitations through hotlines and mailboxes.
- Clear communications about the process of voicing concerns, such as a specific chain of command, or the identification of a specific person or authority in the organization, such as an ombudsman or human resources professional designated as a focal point for reporting.
- Clear communications about bans on retaliation.

In addition, a clear connection should exist between an organization's code of ethics and corporate governance and the way performances are measured. For example, in the performance review process, employees can be held accountable not only for meeting their goals and objectives but also for doing so in accordance with the stated values or business standards of the company.

STEP 2 - GET BACKING FROM TOP MANAGEMENT

Top management, starting with the Chief Governance Officer of the group and the Chief Executive Officer of each entity within the group, each one should demonstrate a strong commitment for encouraging whistle blowing at all levels. This message must be communicated by line managers at all levels in the organization, who are trained continuously in creating an open-door policy regarding employee complaints.

STEP 3 - PUBLICIZE THE ORGANIZATION'S COMMITMENT

In order to create a culture of openness, transparency, teamwork, consultation, professionalism and absolute honesty, it is important that employees hear about the policy regularly like national anthem. Top management should make every effort to talk about the commitment to ethical behaviour in memos, newsletters, and speeches to company personnel. Publicly acknowledging and rewarding employees who pinpoint ethical issues is one way to send the message that management is serious and greatly values the matter about addressing issues before they become endemic.

STEP 4 - INVESTIGATE AND FOLLOW UP

The managers should be required to investigate all allegations leveled promptly thoughtfully and thoroughly, and report the initiations, origins and the results of the investigation to a higher authority. For example, a long-standing open-door policy requires that any complaint received must be investigated within a certain number of hours. Inaction is the best way to create cynicism about the seriousness of an organization's ethics policy.

STEP 5 - CRITICALLY EVALUATE THE ORGANIZATION'S INTERNAL WHISTLEBLOWING SYSTEM

There is a need to find out from employees about the organization's culture and its commitment to ethics, social values and adherence to Corporate Code of Ethics. For example, Sears conducts an annual employee survey which inter alia may include the issues concerning ethics. In this connection, some questions which may be pertinent to ask are: Do you believe unethical issues are tolerated in your organization? Do you know how to report an ethical issue? Do you know whom unethical issues and corrupt practice is to be reported? Finally, like corporate meetings for Health safety and Environment (HSE), Ethics meetings should be convened periodically.

It is believed that whistleblowers occupy a very precarious position. Regardless of the fact to who they report the misconduct and corrupt practice, whistleblowers are putting themselves in a dangerous situation. 'Biting the hand that feeds' so to speak has both ethical and practical implications. But without these brave and vigilant individuals, even the leading institutions would be getting away with more transgressions than they already do. Rather than viewing them as 'tattle tales', we should view them with respect.

COMPETITION & CAPACITY BUILDING

An Evolutionary Approach to Capacity Building

By: Sohailuddin Alvi

The paradigm shown suggests an evolutionary approach to group competitiveness. This approach provides an objective basis to transform competing individuals to a competitive group.

BUILDING CONSTRUCTIVE COMPETITIVNESS:

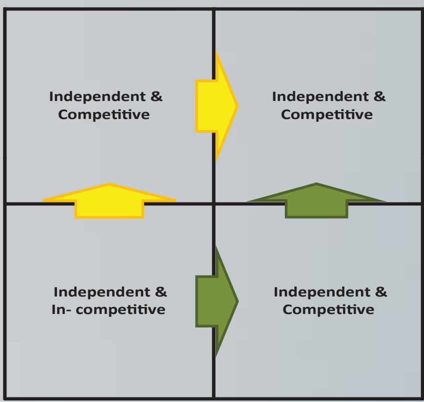
he word "competing" has become so much of rhetoric these days that we all buy into it blindly, without taking cognizance of its destructive nature. While the previous synergizes individual's efforts into bigger group accomplishments, the other destroys value through de-synergizing group accomplishments via nullifying individuals' efforts.

The paradigm consists of four quadrants, each has varied effect on
group competitiveness:

- Independent & In-competitive quadrant represents individuals who operate from aggressive orientation. However, they have very little commitment and capacity to deliver value. These individuals end up competing for personal goals only to nullify each other's' efforts. A good example is a group of independent players not having commitment and capacity to excel in the field. They end up competing internally while mostly losing the game to the opponents. Similar examples abound in the organization scenarios.
- Interdependent & Competitive quadrant represents individuals who operate from cooperative orientation and have higher commitment & capacity to deliver value. These individuals demonstrate potentials to synergize each other's efforts into optimal group performance. A group of individual football players, each being champion in his respective position, play together in a complimenting fashion to win the game is a relevant example. Similar examples abound in work organizations, transforming the organizations into high value financial entities.

CONCLUSION:

Building capacities for creating high value impact require rigorous efforts to constantly inculcating professional commitment and capacity, and team building. Ironically, at times organizations assume that college education and past experience has already built the commitment and capacity, so they invest in team building alone. Some organizations on the other hand which are overly structured along the hierarchies fail to recognize the need for team building *perse*. Consequently, the impact of capacity building is



reduced to rhetoric and the investment goes down the drain.

KEY WORDS:

Competitive – Commitment coupled with capacity to continually strive to excel / improve

Interdependent – *Assertive mindset leading to cooperative behaviour* – Enabling each other to excel/ improve. Together improving holistically!!!!

In **competitive** – Desire to achieve* more without capacity to excel / improve

Independent – *Aggressive mindset leading to competing behavior* – It undermines others rights with a strong belief that one has the right to win over others. Put it differently it encourages eliminating others

LEADERSHIP

By: Abdul Ghafoor Malik

WHAT IS LEADERSHIP?

Leadership is the process of directing and influencing the task-oriented activities of an organization, group, community or public.

IMPLICATIONS OF LEADERSHIP

There is an unequal distribution of powers among leader and his team or group. The leader has the ability to give directions and influence his team or group.

Thus, the leadership largely depends on the situation in which the leader operates and deliberates the matters as both sides react to each other.

DEVELOPMENT OF LEADERSHIP

Many research studies have specified insight picture into the broad functions of leadership as under:

Leadership is a matter of behaviour rather than personality. Success or otherwise can be judged by its perceptions as to what the leader acts or performs rather than at what position he is placed.

To develop leadership skills is to understand leadership functions. The practical way and technique is to keep the behaviour flexible and balanced to suit the situation.

How a leader functions; mainly depends and is influenced by his background, environment, values, vast studies, knowledge, and experience.

Leadership behaviour can be described in terms of two major acts and dimensions:

INITIATION

State and Government, even commercial organizations evaluate a leader in terms of strength of initiation of a person to judge his performance level.

CONSIDERATION

People have a tendency to evaluate the leader in terms of consideration and his kind and just attitude towards them.

CHARACTERISTICS/HALLMARK OF A GOOD LEADER

The leader should have a defined objective and direction to which he is leading. He must know his team, their experience, skill, competence and commitment. He should have the ability to read the situation and act accordingly. He should be trained enough to use four basic leadership styles which are as under:

DIRECTING

The leader gives direction and specific instructions and closely supervises execution of task assigned to his subordinates.

COACHING/TRAINING

The leader teaches, educates, trains and prepares the group or team for task

accomplishment and invites suggestions for improvement and progress in working.

SUPPORTING

The leader facilitates, supports the team and group's efforts towards task accomplishment and shares responsibility for decision making with them.

DELEGATING

The leader delegates charge to his team, associates and make groups for decision making and problem solving.

The leadership style is a combination of two categories of behaviour.

DIRECTIVE BEHAVIOUR

This is to tell the team or group with clarity as to what, how, where and when to complete the task.

SUPPORTIVE BEHAVIOUR

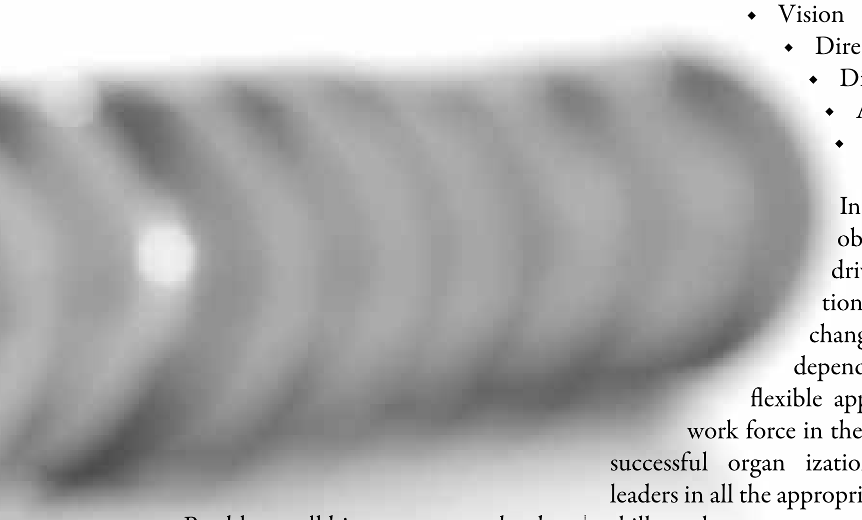
This involves listening to followers, providing support and encouragement for the efforts, facilitating their involvement in problem solving and decision making.

QUALITIES OF A GOOD LEADER

A good leader should:

Delegate necessary clout and responsibility to his associates to take initiative and run the system smoothly to produce positive results.

- Be a cool and confident person.



- Be able to tell his group as to what he expects from them.
- Always try to anticipate and foresee the future and develop strategy accordingly.
- Practice himself what he directs, proclaims and urges acceptance to his group or team.
- Have courage and be strong to take bold decisions.
- Have a striking personality and good command on his words and work.
- Have the ability to analyze the situation critically and guide his team accordingly.

Make proper use of:

Eyes	Observation
Mouth	Expression
Ears	Patience to listen to others
Brain	Thinking and taking decisions

EFFECTIVE LEADERSHIP

Effective Leadership is essential for continual growth, development and everyday management of an organization. Teamwork is the process which enables the organization to make and implement decisions. Leaders are the initiating persons of this process who are responsible for a cautious, vigilant and watchful action. The corporate culture within which a leader has to operate, ultimately determines success.

For creating and development of ideal leadership, quality is one that is based on the parameters and guiding principles given as follows:

- Vision
- Direction
- Distinctiveness
- Acceptance
- Commitment

In an economy, obsessed and driven by innovation and invariable changes, success is dependent on having a flexible approach with the work force in the organization. A successful organ ization should have leaders in all the appropriate management skills, who an create a culture and structure which makes sure those skills to take full effect to achieve desired results.

EXPERIENCED LEADERSHIP

No matter how much experienced a leader is in the context of working as a team, there is a first time for every person. Whether a person has been appointed as a leader of a team or taken on new responsibility with an existing role; he is bound to come across unforeseen, unfamiliar problems and challenges. This situation is further emphasized by the fact that the person comes across with different people that may cause conflict with others. Understanding the personality profile of the individuals will assist in alleviating some of the inbuilt problems that might arise when working together in a team.

A true leader needs to appreciate and incorporate two important factors which are:

- Cultural values and motives
- The way in which people perceive and process information

This has a bearing on the way in which people react to situations and here it is leader's role to understand other persons' feelings i.e. empathize with them and use this attitude to force and push the people in right direction. As such, the leaders should know as to how they observe the way in which people perceive information by understanding the behaviour patterns and their way of thinking.

Leader should Identify and Know:

- How to recognize and identify management and leadership mode.
- Understanding modality profiling and thinking approach.
- How individuals perceive and make out information.
- How to create the right and favourable conditions for positive and effective teamwork and maintain it to obtain desired results
- Build trust and commitment in the team Educate and develop awareness as to how one interacts with others in the team.
- Resolve conflicts in the team and handle critical situations.
- Communicate effectively.

  Maximize and capitalize on the performance of the team.

- Ways to inspire and motivate the team during period of change and combat the challenges which come up in that situation.

The leader should ensure a motivated, productive and harmonious team essential to achieving organizational goals.

Character, quality and spirit determine whether a person would succeed in life or otherwise. Leadership at the present time is not only supremacy, in addition it is the art of persuading people to work towards a common goal. This requires elevated interpersonal skills, social aptitude, ability and intelligence.

DEVELOPING TEAM LEADERSHIP & INTERPERSONAL SKILLS

In organizations today, much of the work is achieved directly through teams. Has someone ever thought as to why some teams prove successful and others fail even though abilities of the individuals in both the teams are almost equal.

Several team members work together willingly and develop common approach toward combined action and operation; whereas others seem to keep themselves away from each other. Team work is therefore the combination of employees' efforts towards achievement of organization's common goal of success.

HeAnce, Leaders should learn the strategies to deal with the peoples' problems which often hold a company back from developing and building high performance teams, achieving harmony within the workplace to accomplish change and modification efficiently and effectively.

The success of a company depends on the collective efforts of its employees. The extent to which a team demonstrates commitment to high productivity and high standards of work performance, often depends on the ability of the team leader.

All this is required to encourage one to become a better team leader as well as a team player. The team leader also develops a profound understanding of the socio-emotional relationship forces that operate in building of a team.

Fundamentals Of Team Effectiveness

- The phases of team development
- Evaluating team efficiency
- Benefits and difficulties of working as a team.

Team Leadership

- Role and responsibilities of a team leader.
- Revealing, helpful, instructive and counseling team mission
- Motivating team members telling them with clarity that they have been enduringly selected for these responsible positions.

MANAGING TEAM PERFORMANCE

- Problem solving and decision making in the team.
- Managing to eliminate differences amongst the team.
- Combating and managing challenging situations

MANAGING TEAM CLIMATE

- Building a climate of trust and openness
- Creating team distinctiveness
- Giving and receiving feedback
- Active and on the go listening
- Developing the winning spirit

In a climate of uncertainty and changing socio-economic conditions:

- Leader should be capable to explore how best he can influence human capital and knowledge resources to take advantage of strategic opportunities.
- The leader should be able to understand the strategic process.
- Identify and be familiar with the key issues for solution.
- Harmonize with and match key talent with key positions.
- Determine culture and performance requirements.
- The leader must be a striking communicator.

For triumphant leadership, attention is also required in the following areas:

- Management and supervision
- Human Resource management
- Sales and Marketing Management
- Legal and Financial management
- Team building
- Customer service
- Communication and negotiation skills
- Personal effectiveness

EFFECTIVE MANAGEMENT FOR BUSINESS LEADERS' SUCCESS

With challenges of increasingly globalised world, we should try to protect our intellectual assets. In this new environment, intellectual assets rather than physical assets are going to force growth and competitive advantage.

Leadership is the process of directing and influencing the task-oriented activities of an organization, group, community or public.

Hence, the leader must know how to manage and exploit innovation in order to march on the path of success. Intellectual workforce and protection, encourage and galvanize creativity by protecting the vision and intellectual efforts at the back with latest knowledge and innovation.

Organization is a place where individuals naturally resolve and settle to intellectual creation, protection, management and commercialization.

EXECUTIVE LEADERSHIP

Leadership grows and develops in government, private sectors and for that matter in every set-up. This is demonstrated through behaviour as under:

- Directive behaviour
- Supportive behaviour

Following three important aspects of management are essential for situational leadership in every sector to achieve the goal.

OBJECTIVES:

- Appreciation
- Authorization
- Reprimands

DEVELOPMENT OF GOVERNMENT EXECUTIVE LEADERSHIP

In Pakistan, Executive Leadership in goverment sector has developed in following sequential and chronological order:

Feudal Lords Leadership They generally adopted directive behaviour instead of supportive behaviour to have an effective control over public to accomplish their motives.

They generally ensure that the leadership revolves around their families thus, more or less, making it their hereditary, traditional and conventional right.

MILITARY RULERS LEADERSHIP

They have a disciplined and stable background.

In the past, they tried to bring new concept of democracy like "Basic Democracies" at lower level and then holding elections to hand over Power/Governance to elected leaders.

Their overall aim to take above actions was to give direction for a prosperous and strong country to march forward for the welfare of people.

INDUSTRIALISTS' LEADERSHIP

Industrialist leadership has been, basically, the opposite of feudal. They have always tried to take measures like agriculture reforms, agricultural income tax and other taxes on land and property.

Industrialist leaders do not have proper tring in politics and government leadership, hence, are less effective to deliver and provide good governess.

Because of their background and training, they are good and very keen in economic reforms and dealing with financial matters. That is why economy grows during their period. Industrialist leadership has always been very keen in development works in every socio-economic sector to bring prosperity in the country.

GOVERNMENT LEADERSHIP

In Pakistan, the Leadership whether it is civil, feudal politicians, military or industrialists'; much depends on civil bureaucracy which is the backbone of the

> No matter how much experienced a leader is in the context of working as a team, there is a first time for every person. Whether a person has been appointed as a leader of a team or taken on new responsibility with an existing role; he is bound to come across unforeseen, unfamiliar problems and challenges.

government functionaries. In fact, the civil bureaucracy has a full control on government functionaries which influence to a great deal with full strength the Leadership in power to mould it their way.

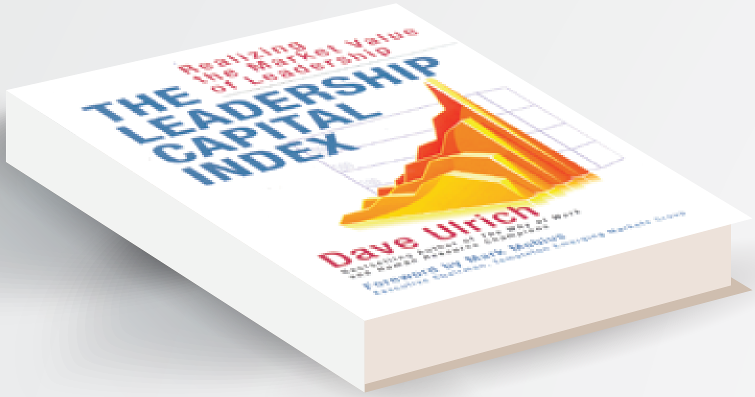
CORPORATE LEADERSHIP

In my opinion, all attributes i.e. qualities and characteristics which have been comprehensively discussed above regarding successful Leadership; are taken care of by the banks and others organizations driving this strength of character to manage their teams with full application, operation of expertise and professionalism in their respective fields, will excel and outclass their competitors.

As a result, they will attain and embrace icon Leadership in the field of banking, commerce and so forth.

THE LEADERSHIP CAPITAL INDEX:

Realizing the Market Value of Leadership



When it comes to evaluating a firm, leadership matters. We know that financial outcomes can predict about 50 percent of a firm's market value. Intangibles like strategy, brand, talent, R&D, innovation, risk, and so on account for the rest. But leadership underlies them all. And despite how important we know it is, we've been forced to rely on subjective and unreliable ways to measure its impact-until now. In this landmark book, leadership scholar, author, and consultant Dave Ulrich proposes a "leadership capital index"—a Moody's or Standard and Poor's rating for leadership. Drawing on research from investors and business leaders, and synthesizing the work of dozens of consulting firms and leadership experts, Ulrich analyzes two broad domains, each comprising five factors.

The individual domain includes personal qualities, strategic prowess, execution proficiency, interpersonal skills, and fit between the leader's style and the organization's market promises. The organizational domain encompasses a leader's ability to create customer-focused cultures, manage talent, demand accountability, use information to gain competitive advantage, and set up work processes to deal with change. Ulrich details rigorous metrics and methods for evaluating leaders on each of these factors. The result is a groundbreaking book that will be of vital interest not only to equity and debt investors but also to boards of directors, executive teams, human resource and leadership development professionals, government and ratings agencies—and of course to leaders themselves.

EDITORIAL REVIEWS

"Ulrich isn't just reeling off ideas. He backs them with the sharpest thinking from the Big Four and beyond. And he suggests how entire organisations, including HR, can support leaders in creating and propagating cultures that encourage the right behaviours."

- Robert Jeffrey in People Management

"No one is born a CEO. There's a full skillset that must be learned over time. Drawing on extensive research, Dave's approach to measuring this special brand of leadership enables investors and executives alike to evaluate and understand the qualities of those who determine a company's culture and ultimate success."

- Stephen A. Schwarzman, Chairman, CEO & Cofounder, Blackstone

"It is a delight to read Ulrich's take on leadership. His deep thinking, insights, and analytical ideas have brought much-needed rigor to the practice and processes of leadership. With this book he has begun the crucial journey of more deeply understanding leadership as a vital organizational asset."

- Lynda Gratton, Professor of Management Practice, London Business School, and author of The Key

"In today's digital world with sophisticated metrics, going with your gut on key talent acquisitions can be very hazardous. Ulrich has now introduced some needed rigor into evaluating organizational leadership."

- William Conaty, Advisory Partner, Clayton, Dubilier & Rice, and Coauthor of The Talent Masters

"This is a valuable and practical guide for investors to evaluate the leadership of companies before they invest. For those interested in the discipline of leadership, it is a comprehensive framework to look at leaders—their style and values—and evaluate how they perform. And this is also like version 1 of a useful manual for corporate leaders on how to run their businesses successfully."

- Dr. Tan Chin Nam, Chairman, Temasek Management Services, and Senior Corporate Adviser

"Leadership was once something you had to have faith in. Dave Ulrich has introduced some science into the mix. It takes some of the guesswork out of figuring out what great leadership really is."

- Keith R. Read, Senior Managing Director, Cerberus Capital Management, LP, and Cerberus Business Finance, LLC

"Investors who study Ulrich's approach-and employ it-will give themselves an advantage in the ever-tougher challenge of performing in today's markets. The book provides a genuine edge in answering the question, How do we find the better companies? Answer: by finding the better leadership teams."

- Jim Ware, CFA, Founder of the Focus Consulting Group and Coauthor of High Performing Investment Teams

ABOUT THE AUTHOR

Dave Ulrich is the Rensis Likert Collegiate Professor of Business Administration at the Ross School of Business, University of Michigan, and a partner at the RBL Group Consulting firm. He is the author or coauthor of over thirty books, including The Why of Work, Leadership Brand, and HR from the Outside In. He has received a Lifetime Achievement Award from ASTD (now ATD), has repeatedly been named to the Thinkers50 list of thought leaders, and has been designated the #1 most influential international HR thought leader by HR Magazine.

(This book is available in IBP Library)

Practical Enterprise Risk Management:
How to Optimize Business Strategies through Managing Risk Taking

Practical Enterprise Risk Management addresses the real need for organizations to take more managed risks in order to maximize business strategies and achieve long term goals. Based on ISO 31000 and applying current best practice, it provides templates and examples that can be adapted for any industry. Breaking down the theory on enterprise risk management, it helps you see risk as both an opportunity and a threat whilst giving you guidance on how to implement it. It provides models for Risk Adjusted Return on Capital to evaluate R.O.I and measure performance, advice on emergent risks, as well as best practice and advice on risk communication, transparency and protecting the brand.

EDITORIAL REVIEWS

Regional Head, UK, State Bank of India - From the Foreword by Mrutyunjay Mahapatra

"Having read very many of the significant books on risk management, Liz Taylor's Practical Enterprise Risk Management is undoubtedly the best that I have come across so far. ...Contemporary, comprehensive and current in its content, the book deals amply with the risks relating to corporate governance, conduct risk and personal ethics as part of risk culture and measurement of 'maturity' of an organization's ERM."

Internal Auditing - Nikki Lazenby and Chloe Tuck

"[A] well-crafted guide to enterprise risk management (ERM). Taylor examines the crucial role ERM can play, how to embed it into your organization, and how to take more managed risks. Liz Taylor's 35 years of experience as a practitioner in ERM comes across in every page. ...Practical Enterprise Risk Management is comprehensive and practical. It is a collection of everything one needs to know to develop and apply ERM. Each chapter includes figures, tables, and case studies, further making this book a real resource in ERM."

ABOUT THE AUTHOR

Liz Taylor has 35 years' experience as a practitioner in Enterprise Risk Management. She was formerly Chief Executive of ALARM, the Forum for Risk Management in the UK Public Sector, and Senior Vice President for Marsh Europe, the global insurance broking and risk management company, and she is a past Europe-wide Risk Manager of the Year. She is currently running her own training and consulting company, Liz Taylor Risk Consulting, and she is a Fellow of both the Institute of Risk Management and the Business Continuity Institute.

(This book is available in IBP Library)

"The modern banking system manufactures money out of nothing". Josiah Stamp

"If you have a gun, you can rob a bank, but if you have a bank, you can rob everyone." Bill Maher

"Friendship is like a bank account. You can't continue to draw on it without making deposits." - Unknown

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