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**CYBERSECURITY**  
*Challenge In Banking*

**BANKING ON**  
*General Manager*

**REGULATORY SANDBOX**  
*A Lighthouse for  
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**FORGING  
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**Rafi Ahmed**  
Editor

## Leadership Designs

As the great French Emperor Napoleon Bonaparte had once famously remarked: If you build an army of 100 lions and their leader is a donkey, in any fight, the lions will die like a donkey. But if you build an army of 100 donkeys and their leader is a lion, all donkeys will fight like a lion.

So leadership makes and unmakes both nations and corporate entities. Leadership has played a dominant role in all walks and fields of life since the advent of our planet Earth. Be it corporate world or the domain of politicking, leadership has shaped the nations and entities.

He or she is the person in the group that possesses the combination of personality and leadership skills that makes others want to follow his or her direction. While Rauch and Behling described it as the process of influencing the activities of an organized group toward goal achievement. Leadership is interpersonal influence, exercised in a situation and directed, through the communication process, toward the attainment of a specified goal or goals.

A leader is best described in the banking sector as one who is at the helm of affairs of a bank in the shape of Chief Executive Officer (CEO), also more commonly known as President. The CEOs are in command of all activities and matters pertaining to their banks. In banks it is not just Chief Executive Officers, Chief Operating Officers or Chief Financial officers who count, but at all rungs of the organizational hierarchy, there have to be leaders, whether running a branch and its various departments, region, GM level or Head Office departmental and divisional levels. Leadership is required, wherever the bank functions. Without effective leadership, there would be an anarchic situation which would result in disarray and failure to churn out the desired results.

In order to be a successful and effective leader in any entity, one should possess a host of elements, some of which are short-listed which embrace long-term vision, strong commitment to goals, ownership of the organization, emotional intelligence, timely decision making, self-confidence, will to empower the employees wherever required, sound and transparent communication skills with all stake-holders, analysing one's strengths and weaknesses, fairplay, creativity and simplicity.

Leadership style is rather a misnomer as leaders run by aphorism known as designs which are either inbuilt or learned through professional experience during their career progression. Design can be described as the mannerism or rubric through which a person employs his competence and authority to lead other people towards the cherished targets. There are multiple designs and each demands a separate treatment. The most pertinent leadership design is based on the function of the leader, audience and the situation. Each leader has his own personal penchant and taste for a specific design.

Besides, the specific situation helps decide the most appropriate synergy. Sometimes leaders must tackle issues that need immediate solutions without seeking the advice of the stakeholders. There are many patterns that define the leadership. Some of the prominent versions people adopt to lead organizations or other people are discussed in the following portion.

**Visionary leadership** is always on the top of all leadership templates in the domain of management science. This form of leadership involves leaders who recognize that the strategy of leadership followed by them are all achieved with and through people but guided by their broad-based vision. Most great and successful leaders possess this spectrum of vision in them. These traits have determined how these visionary leaders have reacted in the face of adversity, maximized available resources and made the decisions that won laurels for them but also created history of global importance. Scores of examples abound globally but let us catwalk some of the most famous glitterati, who have attracted world-wide audience and followers are: Elon Musk, CEO of SpaceX and Tesla Motors; Jeffrey Bezos, the founder/CEO of ecommerce giant Amazon; besides Bill Gates, philanthropist and principal founder of Microsoft Corporation. One of Pakistan's own visionary leader, who headed the largest charity was Abdul Sattar Edhi. He created the charitable empire out of ground zero.

**Autocratic leadership** was in vogue in most of the organizations for quite a lot of time but has since changed, however there are still organizations which are boss-centric in which the leader commands all authority and responsibility. In this type of leadership, the autocrat's decision prevails. It is a simple design where leaders arrive at specific decisions and they convey down the line

to subordinates and desire immediate implementation. Autocratic work environment is normally very rigid where decision making is centralized. In this kind of leadership, all policies are governed according to the whims of an autocratic leader. The autocratic design are followed in some modern corporate entities. Some of the vivid examples are Trump Organization; the design followed by Martha Stewart, an American businesswoman; and Leona Helmsley who was known for her tyrannical behavior in running her hotel business. Its most adverse effect is the high demotivation level among the staff with high turnover rates.

**Under a democratic leadership**, the employees are treated as team members and are consulted and associated in every decision making process. In contrast to autocratic leadership, this design is based on employee participation. The democratic leader holds final responsibility, but he readily delegates control to other people as well, who complete the assigned projects or tasks. The most unique trait of this leadership is that communication is active on all channels. It is believed that democratic leadership is one of the most favored leadership design of this century, as it reflects equity, ability, creativity, determination, perception and transparency. Some notable instances of democratic design are: Sergey Brin and Larry Page of Google, Steve Jobs and Tim Cook of Apple.

**Strategic leadership** is not restricted solely to the top management. It equips all levels of the managerial hierarchy with the specific aims to create a high performance life, team or organization. The strategic leader balances the needs for new opportunity and logical sense by providing prognostic skill set and support. A capable strategic leadership is successful in achieving the targets which an organization expects from its leadership in times of change. According to management experts, strategic thinking is a process that defines the manner in which people think about, assess, view and create the future for their organizations. An ideal example of this design of leadership is BCCI, which was the brainchild of legendary banker Agha Hasan Abidi and Uber ride-hailing company's founders Travis Kalanick and Garrett Camp. Jim Collins, author of *Good to Great*, wrote that the first job of a leader is to "get the right people on the bus (and the wrong people off the bus) before you figure out where to drive it."

**Transformational leadership** is quite different than other leadership designs as it is concerned with bringing about radical changes in organizations, amongst its employees and bring about paradigm shifts. Transformational leaders stimulate and empower others to perform more than what is demanded of them and give their optimum best. Under transformational leadership, there are demands for challenging situations and accomplishing

higher performance parameters. Thus they induce tremendous amount of satisfaction among the concerned people. Example of Lee Iacocca, an American automobile executive from Ford Motor Company, who transformed Chrysler Corporation which was on the verge of collapse into a prosperous entity from the ground up. Besides, we have the shining example of Jamil Nishtar, who effected great changes in National Bank of Pakistan in 70s and 80s.

**Cross-Cultural Leadership** is normally prevalent when several cultures crisscross in the society. This leadership has morphed as a way to recognize and reward star performers and front runners who had the opportunity of working in the current globalized market. Ideal instances: Christine Lagarde, the current Managing Director of IMF, who is a French lawyer, serving at the most culturally diverse organization in the world. Organizations, especially with international trends, need such individuals who can effectively adjust their leadership to work in different environs. Then there is Richard Morin, the Managing Director of Pakistan Stock Exchange, a Canadian with a lot of exposure to cross-cultural currents. Most of the Trans-National Corporates (TNCs) and Banks encourage cross-cultural leadership designs to obtain better results.

**Free-Rein leadership** delegates authority to employees and accords them freedom and autonomy to work as they choose with minimum or no intervention in their department and branches. According to research, this kind of leadership has been frequently reported to be the least satisfying and ineffective management style. Most of the organizations who had this type of leadership have changed to other more pragmatic designs.

**Transactional Leadership** is a design that involves an exchange process, whereby employees get immediate, definite rewards for carrying out the leader's instructions. Transactional leadership is beneficial for major marketing companies and marketing departments of bank branches and head office, with focus on increasing sales volume and business mobilisation in exchange for monetary rewards. Being fair in focusing on targets and forecasts, periodical evaluation of results are all important skills which are in the ambit of transactional leadership behaviors. Most of the banks dealing in mortgages, car leasing and personal loans have a type of transactional leadership which is restricted to their marketing departments.

Leadership is all about dreaming, inspiring, achieving and innovating, as quoted by Steve Jobs, Apple co-founder: "Innovation distinguishes between a leader and a follower."

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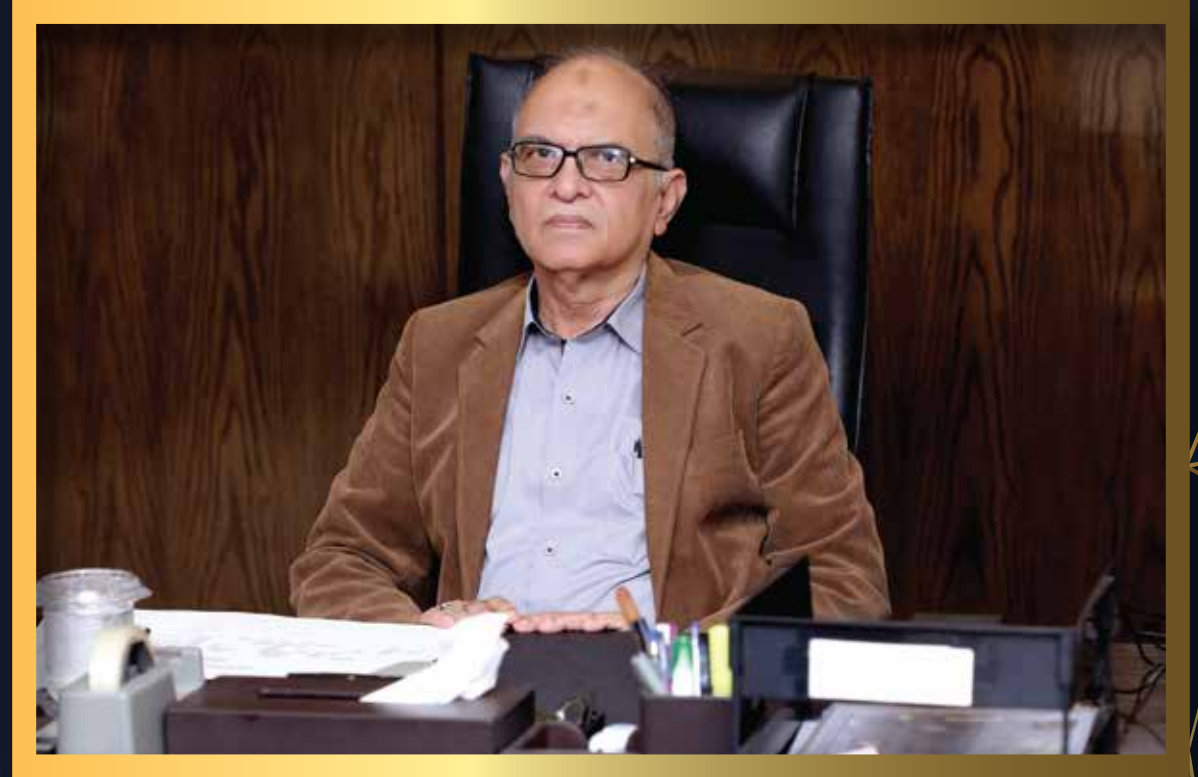
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## NEWS CORNER

# IBP GREETES NEW CHIEF EXECUTIVE



MR. MANSUR-UR-REHMAN KHAN  
CHIEF EXECUTIVE IBP

Mr. Mansur-Ur-Rehman Khan has assumed the charge of office as the Chief Executive, The Institute of Bankers Pakistan on Friday, March 15, 2019. Mr. Khan is a seasoned central banker, with more than four decades of central banking experience. He brings with him a rich diversified expertise of having served in the State Bank of Pakistan as a Deputy Governor overseeing a string of strategic departments, which included Corporate Services & Research Clusters of the Bank, comprising of Human Resources, Business Support Services, Information Systems & Technology, Finance, Payment Systems, Training & Development, Treasury Operations, Museum & Art Gallery Departments and Economic Advisor's Office. Prior to his being entrusted with the responsibility of Deputy Governor, he was Executive Director (Banking) and oversaw the working of Banking Policy, Banking Inspection and Banking Supervision Departments. Besides, he has also served as a Director on the Boards of House Building Finance Corporation, Small Business Finance Corporation, Pak-Kuwait Investment Company, as a Member on the Policy Board of Securities & Exchange Commission of Pakistan, as a member on the Boards of Pakistan Security Printing Corporation and Trade Development Authority of Pakistan (TDAP). He has also served as the Banking Ombudsman.

Mr. Khan holds a Master's Degree in Mathematics as well as a Degree in Law and Professional Qualification of DAIBP. He was also a Committee Member of the Islamic Financial Services Board (IFSB) as well as Chairman/Deputy Chairman of different working groups and was instrumental in preparation of Islamic Financial Standards on risk management and capital adequacy. Mr. Khan is a qualified director under Code of Corporate Governance 2012 of SECP. IBP is honored to have Mr. Mansur-Ur-Rehman Khan at the helm of affairs of this Institution. We wish him success in his new endeavor and hope he would take IBP to further greater heights in times to come.

# FORGING SUCCESSFUL RELATIONSHIPS AT WORKPLACE

HOW BUILDING A CLOSE RAPPORT WITH YOUR BOSS AND COLLEAGUES CAN CATAPULT YOU TO PROFESSIONAL SUCCESS

BY: NOMAN H. MALIK

INTERACTIONS ARE AN INTEGRAL PART OF OUR DAILY LIFE. POSITIVE AND HEALTHY INTERACTIONS BUILD STRONG AND LONG-TERM RELATIONSHIPS, WHICH ARE VITAL FOR YOUR PERSONAL AND PROFESSIONAL GROWTH AS A TRUE PROFESSIONAL AT THE WORKPLACE.

BY NATURE, HUMANS TEND TO LIVE IN COMMUNITIES AND LOVE TO INTERACT WITH OTHERS. INTERACTING WITH OTHER HUMAN BEINGS IS NOT ONLY OUR SOCIAL NEED BUT IT ALSO HAS THE ABILITY TO INFLUENCE THE STATE OF OUR MENTAL HEALTH.

SIMILARLY, IT IS CRITICAL TO ESTABLISHING POSITIVE RELATIONSHIPS AT THE WORKPLACE BECAUSE NO TRUE PROFESSIONAL CAN WORK AND PROSPER IN ISOLATION, WITHOUT THE HELP OF HIS BOSS, COLLEAGUES AND SUBORDINATES. IF YOU HAVE POSITIVE RELATIONSHIPS WITH THOSE YOU WORK WITH, THE WORK BECOMES MORE SATISFYING AND INTERESTING. IN FACT, IF YOU HAVE GREAT PEOPLE AROUND YOU, EVEN A MUNDANE JOB CAN BECOME MEANINGFUL.

Office is one place where we spend most of our time every day. Therefore, maintaining healthy relationships at the workplace is extremely important if you want to put your career on a growth trajectory. When you work in collaboration with your team, you not only enjoy your work more but also become more effective, innovative and resourceful in everything you do. Therefore, you must dedicate a certain time of your day in forging successful relationships with those around you. You do not have to spend hours to do that. Twenty minutes to half an hour is enough time to create a more positive bond with your colleagues. These small actions may include asking a colleague for a cup of tea or helping someone find a misplaced file. These little interactions go a long way in helping you lay the groundwork for a more positive relationship at the workplace.

## Building Blocks of a Good Relationship

Successful and effective relationships cannot be built on their own. A deliberate effort and a systematic approach are required to create a good working environment in which employees trust and respect each other and there is accountability for all.

Trust is the foundation of both personal and professional relationships. A lack of trust creates a toxic environment where it is difficult to communicate and work with each other.

Similarly, respecting each other is critical to establishing positive relationships. Without mutual respect, no strategy can help you become a good team member and work efficiently.

Other important factors that play a key role in building good relationships at the workplace are open communication, keeping your commitments, and acknowledging and listening to others.

### 1. Trust

Trust is a fundamental building block to develop a healthy relationship at the workplace. It is a confidence or belief that one feels towards another person or a group. Therefore, it is the foundation of all successful interpersonal relationships and is one of the primary binding forces in any relationship.

A trusting environment helps you create a strong connection with your boss, subordinates and peers and communicate with them more effectively.

When colleagues trust each other, there is more efficiency and productivity because everyone understands each other and less time is wasted in conflict or miscommunication.

Trust helps build teamwork and collaboration and is a key factor to boost morale and keeping the team's motivation at peak level. It is also a gateway to persuasion, sharing and developing ideas.

Trusting your colleagues also opens doors to true and honest exchange of thoughts and actions that will help you collaborate with others. Moreover, be

generous with praise of your colleagues when necessary.

### 2. Respect

Relationships thrive on respect. When you respect your colleagues, you value their involvement and ideas and thus command the same level of respect. This gives everyone a chance to grow and value each other's ideas.

You should always try to work in collaboration with your colleagues, as it helps you solve problems with a clear understanding, knowledge and vision.

It is true that sometimes it is extremely difficult to work with someone who doesn't have the same approach as yours, but everyone deserves respect no matter how different they are from you.

As a good young professional, you should always keep in mind that everyone at the office needs concentration and can sometimes be under immense work pressure or working to a very tight deadline.

Therefore, you can be quite a nuisance at the workplace if you have the unfortunate knack of interrupting others all the time. It is recommended that you always ask others before you interrupt them. "Are you busy?" or "Can I talk to you this time?" can be good starter questions.

**“FORGING SUCCESSFUL RELATIONS CAN BE LIKE WALKING A TIGHTROPE, AS YOU HAVE TO MANAGE IN ALL THREE DIRECTIONS AT THE SAME TIME, I.E. YOUR BOSS, PEERS AND SUBORDINATES.”**

If you have really urgent business, first politely apologize for the interruption and try to keep your request as brief as possible.

Respect is the backbone of a professional environment. A workplace where everyone respects each other and where all employees are treated fairly brings benefits for all.

### 3. Open Communication

All healthy and strong relationships depend on open and honest communication. Communication is something we do all day at the workplace, in both spoken and written forms.

As an aspiring young professional, you are advised to focus on making all your communication as effective as possible in order to build healthy relationships.

An open and honest communication with your colleagues is a gateway to positive and healthy relationships. Therefore, the more effectively you communicate with the people around you, the more positive and healthier your relationships will become.

To make your communication more effective, it is important that you are not only aware of the actual words you say or write, but also of your tone and body language.

Speaking through your body is as important as conveying your message using words. Therefore, positive body language can help you cover many a milestone and as a young professional you have to master the art of non-verbal communication.

An environment with open communication and trust allows everyone to be more engaged, resulting in increased efficiency and productivity. Such an environment also makes employees feel more satisfied with their jobs.

### 4. Keeping Commitments

Keeping commitments and taking responsibility of your words and actions is critical if you want to stand out at the workplace.

Your failure to keep your commitments can make people annoyed or disappointed.

A good professional always follows through if he/she commits to doing something.

Employees work as a team at the workplace and therefore rely on each other to complete assignments. More often than not they depend on others' commitments to complete a particular task. Therefore, you will find it impossible to build good relationships at the workplace if people feel they cannot rely on your word.

If for some reason you cannot meet a commitment, it is advisable that you let others know in advance and explain the reason why you cannot deliver on time or cannot complete a project. Do not wait until the last minute.

If you are too occupied to take on extra work learn to say "No" without saying no tactfully. Knowing and understanding your limits is crucial to avoid over-commitment.

“ **THE BOSS IN THE WORKPLACE IS NOT AN OBSTACLE THAT YOU HAVE TO AVOID OR CLIMB OVER. INSTEAD, LOOK AT YOUR BOSS AS A LEADER VITAL TO YOUR SUCCESS AND GROWTH. HE/SHE SHOULD BE CONSIDERED AS A SOURCE OF INSPIRATION AND MOTIVATION.**”

### 5. Acknowledging Others

Acknowledging others is one of the fastest and surest ways to win hearts. Everyone needs a little encouragement and recognition from others, no matter what his/her job is. Complimenting people around you when they do something well opens the door to building successful relationships at the workplace. Therefore, it is recommended that you praise your colleagues much more frequently than you criticize.

Whenever a colleague moves forward to your help and bails you out of a tight corner, always express your appreciation. Talk to your colleagues frequently. You do not need to make a strict schedule to have conversations with them, you just need to be positive whenever you communicate with them and acknowledge their presence.

Show the same consideration for your colleagues as you want for yourself. One positive comment from you or a "Good Morning!" with a smile can help your colleague overcome stress and feel reinvigorated once again.

### 6- Listening to Others

Listening to others is the best way to understand your colleagues and develop mutual trust and respect.

It is observed that people respond to those who carefully listen to what they have to say. Therefore, it is imperative that you should have great listening skills.

Listening patiently to others encourages them to give honest feedback and share some valuable insight. While listening to others, try to understand what the other person is saying and why. Always be willing to examine others' points of view, no matter how different they are from your own.

If you are in disagreement with someone, share your point of view as politely as possible and reach out to a win-win situation which is crucial to your success as a young professional.

### Relationships is a Three-pronged Process

Forging successful relations can be like walking a tightrope, as you have to manage in all three directions at the same time, i.e. your boss, peers and subordinates.

Failure to manage relationships with any one of them results in a bad experience, and often leads to misunderstanding and wastage of time and effort.

You have other relationships at the workplace as well, such as relationship

with suppliers, vendors, other organizations, agencies etc., but the most important relationships to counter are the ones with your boss, peers and subordinates.

### A- Relationship with Boss

One of the most critical relationships to master at the workplace is the one with your boss. The boss in the workplace is not an obstacle that you have to avoid or climb over. Instead, look at your boss as a person vital to your success and growth. He/she should be considered as a source of inspiration and motivation.

The heart of all relationships is mutual trust and respect. Therefore, acknowledge your boss, understand their position and communicate effectively and assertively.

As a young professional, you need to learn to take responsibility and realize that your boss is also human and therefore prone to mistakes.

Understanding your boss helps you avoid unnecessary conflicts and saves time and energy that can be utilized in delivering a winning performance.

Similarly, understanding what your boss expects of you is also equally important, as it helps you prioritize your responsibilities and focus your attention on achieving goals rather than doubting your manager's strategies.

Meeting Key Performance Indicators (KPIs) is not enough to get you an 'Outstanding' rating from your boss. Every boss has some expectations from their subordinates. Reading your boss's mind can be like finding a hidden treasure but it is not impossible.

Most bosses want their subordinates to look at the big picture. They want them to look around their own job and go the extra mile to deliver extraordinary results.

It is true that you have been hired to exhibit a specific role within the organization, but your bosses always want you to see the world from their seat.

Similarly, bosses want their subordinates to take initiative. Do not wait for your boss to instruct you all the time. Be proactive and take lead to initiate projects/tasks. Be clear that organizations seek proactive people. Look for the opportunity and grab it before someone else gets hold of it.

The workplaces are becoming more complex than ever. In such demanding

times, bosses at every level embrace those who can come up with solutions, not problems. Highlighting a problem is the easiest of all. Your boss wants you to be a creative, logical and analytical thinker when it comes to approaching and solving a problem.

### B- Relationship with Peers

The second type of interpersonal relationship you face at the workplace is with your peers. It is a kind of relationship between the two employees where no one has formal authority over the other. Instead, this relationship is governed by mutual respect, trust and understanding.

Understanding your colleagues is as important as understanding your boss. Young professionals who are on good terms with their colleagues are more likely to be involved in their jobs as compared to those who do not have good relationships with their peers.

A healthy relationship with your peers helps you beat stress and avoid negative interactions that drain your energy. Work-

“ **A HEALTHY RELATIONSHIP WITH YOUR PEERS HELPS YOU BEAT STRESS AND AVOID NEGATIVE INTERACTIONS THAT DRAIN YOUR ENERGY.**”



ing together as a team also brings opportunities for everyone involved and a deeper meaning to your work while helping everybody to achieve their goals.

Always remember that everyone in a relationship comes with their own set of expectations, and helping others meet their expectations is a step towards achieving yours.

Negative emotions and interactions affect everyone and unnecessary energy is spent in trying to bring the team together. Instead, focus on the positivity, as it strengthens relationships and helps others bring out the best in them.

Co-workers who respect each other are more likely to challenge each other and thus become better in the process and open opportunities for collaboration.

C- Relationship with Teammates

As a young professional, you may not have a large team working under you, but you may still have some junior team members. Treat your juniors the way you want to be treated by your boss, i.e. with respect and dignity.

It is advisable that you communicate regularly with your junior staff, as it will help you receive greater reciprocity. Make employees feel comfortable coming to you with new ideas and feedback.

Be a participative boss and always take their advice. Be fair and treat all of them equally. Avoid favoritism at all costs, as it creates discontent at the workplace and leads to a toxic work environment.

Delegate tasks with authority. However, make sure that you set realistic goals and achievable expectations. It is advisable that you never ask your staff to do something you would not do yourself.

Keep in mind that all employees need motivation and inspiration occasionally. Everyone has a need to feel esteemed and want their work valued. Genuinely complimenting others on a job well done creates the foundation of great work relationships.

Collaboration Makes Work Exciting

All the steps discussed above are likely to help you establish a close rapport with your boss, peers and subordinates, something which is integral to effective teamwork.

The members of a good team cooperate with each other, but at the same time challenge opinions and deal with different experience levels to reach goals.

Smart young professionals make themselves part of a team and work with others towards a shared aim. They know

that a team is always greater than the sum of its parts.

Collaboration within a team makes work exciting and more can be accomplished in less time when everyone taps into each other's strengths and make valuable contributions.

However, developing good relationships at the workplace does not mean you become friends with your boss, subordinates or even peers. Instead, it is advisable that your relationships at the workplace should be bounded and well-defined.

Therefore, it is better to maintain friendly and yet professional relationship with everyone at the workplace. If you still do not get along with anyone in the office or if you do not like someone in the first place, it is advisable that you develop a "working relationship" with them so that the work does not suffer. ■

*The author has based this article on a chapter from his book 'Stand Out at the Workplace – The Surefire Secrets to Win the Corporate World.'*

HIGHLIGHTS:

- TRUST IS A FUNDAMENTAL BUILDING BLOCK TO DEVELOP A HEALTHY RELATIONSHIP AT THE WORKPLACE. IT IS THE FOUNDATION OF ALL SUCCESSFUL INTERPERSONAL RELATIONSHIPS AND IS ONE OF THE PRIMARY BINDING FORCES IN ANY RELATIONSHIP.
- RESPECT IS THE BACKBONE OF A PROFESSIONAL ENVIRONMENT. A WORKPLACE WHERE EVERYONE RESPECTS EACH OTHER AND WHERE ALL EMPLOYEES ARE TREATED FAIRLY BRINGS BENEFITS FOR ALL.
- AN ENVIRONMENT WITH OPEN COMMUNICATION AND TRUST ALLOWS EVERYONE TO BE MORE ENGAGED, RESULTING IN INCREASED EFFICIENCY AND PRODUCTIVITY.

FACT SHEET

- FACT 1:**  
ACCORDING TO THE GALLUP ORGANIZATION, EMPLOYEES WHO HAVE BEST FRIENDS AT WORKPLACE ARE SEVEN TIMES MORE LIKELY TO BE ENGAGED AND PRODUCTIVE.
- FACT 2:**  
ACCORDING TO THE GALLUP ORGANIZATION, EMPLOYEES WHO HAVE GOOD FRIENDS AT WORKPLACE ARE MORE LIKELY TO BE SATISFIED.

DIVERSITY



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LOANS



DEPOSITS



MOBILE

# Affordable Social Protection For Financially Disadvantaged

By: Akram Khatoon

Despite an innovative approach towards providing social protection to the workforce in greater part of the globe, world population on the whole is faced with man-made and ironically human tolerated social inequalities like poverty, deteriorating security conditions and growing income inequalities. In this regard, few of the countries who have adopted measures under MDGs agenda could succeed in improving quality of life of disadvantaged segments of their population.

**F**urther in the wake of global financial crisis people, even in wealthy countries, started losing faith in the state's ability to protect them against socio-economic imbalances affecting their personal and businesses life — what to speak of low and middle income developing economies who have failed to achieve even basic standards of living.

The causes of discontentment among people all over the globe may vary from country to country, but these all reflect the need of revitalizing uncongenial political set up, economy and social contract to provide the citizens sense of security and confidence in the face of impending changes resultant in slowdown of economies and onslaught of new technologies, particularly fast digitization of socio-economic environment.

No doubt digital economy is giving rise to more short-term work via online platforms and freelancer population replacing traditional long-time job contracts, but according to World Bank's survey report, the total freelancer population is estimated at about 84 million, which is less than 3% of global labor force of 3.5 billion. Despite technological advancement and digitization entering various sectors of economy, informal sector continues to dominate both in emerging market economies and low and middle income countries with a share exceeding 90% of the total economy in some of the low income countries.

However, the challenges faced by short-term working population in economically advanced countries are the same, which are being faced by workers engaged in informal sector economic pursuits in almost all developing countries like informal wage work without any legal protection through labor laws and low productivity jobs, which deprive them of their access to benefits like health care insurance and pension on retirement. In fact, growing economies of developing countries demand gradual shift towards formalization of entire economic process putting in place formal employment wage contracts, thus giving rise to social insurance program and regulation of minimum wages and other benefits through labor laws enactment.

**In case of Pakistan, around 30% of the total population lives below poverty line. Employment opportunities in formal sector are limited. Real earnings of the workers continue to decline since last two decades due to galloping inflation and slowdown of economy. Informal economy is found to pervade, embracing both rural and urban sectors.**

In case of Pakistan, around 30% of the total population lives below poverty line. Employment opportunities in formal sector are limited. Real earnings of the workers continued to decline since last two decades due to galloping inflation and slowdown of economy. Informal economy is found to pervade, embracing both rural and urban sectors. As such, a sizeable segment of population is lacking in physical and productive assets and have no access to essential social services. Whereas Article 38 (a, d and e) of Pakistan Constitution specifically states that "State shall provide for all persons employed in

service of Pakistan or otherwise, social security by compulsory social insurance or other means; provide basic necessities of life such as food, clothing, housing, education and medicare relief for all such citizens irrespective of sex, creed, caste or race as are permanently or temporarily unable to earn their livelihood on account of their infirmity, sickness or unemployment; reduce disparity in the income and earning of individuals".

Presently, the government's initiative to redress inequalities and to provide social protection to have-nots is no other than traditional social protection system like providing subsidies, safety nets, special schemes and allocations for disadvantaged population, which add to already growing fiscal deficit and these are obviously in conflict with the market-driven path to economic growth. In fact, in the face of galloping inflation and rise in core inflation, it is expected of the government to increase subsidies (despite pressure from IMF and other funding agencies) and safety nets for an economically deprived population.

Yet to achieve real economic growth, it is imperative on the part of government to redress income inequalities by putting in place a permanent mechanism of an enabling environment for the disadvantaged, giving them access to quality education, new technologies and health care for development of a skilled and energetic work force. However, it is essential that policies to create an enabling environment should be area and community

specific. In this regard, local governments can be helpful if things are planned and implemented at union council level, keeping in view social/cultural norms and workers' capabilities, natural resources and social strength of each tehsil and town.

net providing economic support to impoverished population of the country. This is a guaranteed income program, which distributes cash to households, benefits gradually declining as income of the incumbent rises. Since digital technology

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However, the government recognizes the need for modernizing the social protection program and in this regard in the present century, government during the first decade developed and adopted a social protection strategy, which is in consonant with the poverty reduction strategy and Pakistan Vision 2030 as per agenda of Sustainable Development Goals (SDGs). As such, programs are under way to increase access of poor to economic opportunities through various soft loan schemes for youth launched by Federal and Provincial governments through public sector commercial banks. Benazir Income Support Program (BISP) is yet another well governed safety

has gained grounds in Pakistan in the form of mobile banking through digital transfer of funds etc. therefore to eradicate pilferage of funds and making the program more transparent, the cash transfers to deserving families / individuals should be done through their bank accounts. This strategy has already been adopted by India and program is known as 'Direct Benefit Transfer Program'.

Implementation of pension program for civil servants and private sector workers is yet another initiative, but the percentage of private sector workers covered under the program is very low.

Once the basic social protection strategies discussed above are made accessible to the economically disadvantaged segment of population, people themselves could upgrade their security with various subsidized programs like mandatory contributory insurance and saving plans presently being offered by government and private sector banks and insurance companies to general public. In some public sector organizations, worker contribution to social insurance is supplemented by the government. In this connection, government sponsored high return savings schemes like Behbood Savings Certificates for widows, senior citizens, handicapped people and families of Shaheeds is another initiative to provide income security and support to the economically disadvantaged population.

World Bank is also providing funding and advisory assistance to put in place a sustained social protection program. But experience of almost all developing countries show that even foreign assistance received for alleviation of poverty has failed in bringing the desired results. The impulse to generate sustained development must come from within, not from outside. There should be state-led initiatives for developing such a growth strategy, which provides a level playing field for all. ■

## Humor in Rumor

*While waiting in line to cash a cheque at the bank, a colleague developed a very loud case of the hiccups. By the time he reached the teller's window, the hiccups seemed to have worsened. The teller took my friend's cheque and proceeded to run a computer verification of his account. After a minute she looked up with a frown and said that she would be unable to cash his cheque. "I am sorry Sir," she replied, "but our computer indicates you do not have sufficient funds to cover this amount. As a matter of fact," she continued, "our records show that your account is overdrawn by five thousand." "It can't be!" he cried. "You have to be kidding!" "Yes I am," she answered with a smile, counting out his cash. "But you will notice that your hiccups are gone."*

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# BANKING ON GENERAL MANAGER

By: Rafi Ahmed

I would love to be a general manager just for the challenge.  
—Charles Barkley, former Basketball player.

**B**anking and financial domain is replete with nomenclature, which unmistakably look crystal clear but are sometimes embedded with subtleties that are hard to overlook and are complex in nature. The post of general manager (GM) is one of those appellations. This responsibility imposes on the holder of such posts in a bank to control a number of regions. So a GM, in the context of banking industry, is defined as any individual who is vested with authority to take charge of regions and control, oversee and monitor the entire set up as regards to business development, human resources, administration, progress and financial results of the regions under his jurisdiction. In most of the banks, the organizational hierarchy in the field, mostly comprises of three tiers, branch, regional manager and finally the GM. A region normally comprises on an average some 25/30 branches and three regions usually constitute a GM territory.

The job of a GM is of the nature of multi-tasking, but the same cannot be construed to be performed merely as a routine duty in a hasty and superficial manner or considered as perfunctory or run-of-the mill job, lacking any semblance of interest or enthusiasm. In the middle-rundle banks, the same position is known as Regional GM with as many as 50 branches, with at least three to four areas, commanded by him. In some banks the region is called area or cluster. Each area or cluster may be composed of 6 to 8 branches. So whether the GM is running with three regions of a total of 90 branches or one region with 50 branches, the functions and responsibilities are more or less of the same nature and require much serious treatment.

The appointment of a GM is commonplace in banks, if orderly and well-organized units are to be run effectively and is based on product and service range and quality, customer service delivery, clientele wellness and particular geographical locations. For example, the GM of Hyderabad of MCB Bank may harbor at least three regions namely Mirpurkhas, Hyderabad and Nawabshah, with a total of 90 branches. On the other hand, a similar position in Habib Bank Ltd in Multan may have four regions of Multan, Dera Ghazi Khan, Vehari and Bahawalpur under him accommodating some 120 branches. All GMs report to the Chief Operations Officer (COO), with obligatory and automatic dotted line reporting to the Chief Executive Officer (CEO). In some banks, in exceptional cases, they also report to Head of Retail Banking.

## Functions of General Manager

A GM's assignment chart embraces an enormous area, but these are few of the most typical tasks performed by him, which are listed here. The bank's desideratum demands following from him:

- Monitor and oversee daily progress of the branches/regions under him.
- Ensure the effective implementation of a strategy designed to develop business which includes liability management, asset management, international trade and profitability strategy.
- Arrange for the augmentation of key performance goals or KPIs for people reporting to him.

- Cater to direct management of key functional managers, executives and staff in the business and operational sides. In theory, his direct reports are only the regional or area managers but he oversees other staff also.
- Devising tactical programs to achieve targeted goals and objectives.
- Guarantee efficacious delivery and quality of products and services to customers.
- Involve in major or focused customer activities.
- Manage key talent hunt, hiring, retention and development programs.
- Figure out and decide upon main infrastructure provision and talent, forecast staffing needs; see whether a unit is neither overstaffed or understaffed.
- Disseminate and share strategies and eventual outcome with the employees under his command.
- Rapport with senior corporate echelons and formulating inputs in overall bank-wide strategic design.
- Above all, devise ways and means for evolving a fulcrum for inculcating a culture of teamwork and ownership in the workplace.

## Portrait of General Manager

The GM's job portrait, among other functions, entails a lot of visits to the business units known as branches. The branches are the microcosms of a bank and the GM has to undertake such visits as a part of his carefully planned itinerary. Since the area traversed by him may be too large, so it would not be a daily affair, a branch can be visited possibly only once a month, with the exception that some emergency cases have arisen.

A person in a GM's role is somewhat of a potpourri of multi-faceted experiences and talents. He must possess the personality of a specialist, also simultaneously work as a generalist and must be cognizant of all principal areas of the banking operations, human capital management, credit portfolio, deposit mobilization,

“A GM, in the context of banking industry, is defined as any individual who is vested with authority to take charge of regions and control, oversee and monitor the entire set up as regards to business development, human resources, administration, progress and financial results of the regions under his jurisdiction.”

products proficiency and finance of international trade. He must have the acumen and flair to coordinate processes and operations over the area of his jurisdiction. A GM must also understand the dynamics and intricacies of finance, accounting, marketing and project finance. Today's GM should also be familiar with the trajectory of green banking in order to contribute his might towards ecological improvement.

A GM is not built overnight, it takes years of toil and achievement-oriented approach to bring himself into an acceptable mold, he has to crisscross through a number of corporate assignments stage-wise, perhaps, beginning from a modest position and then graduating and tilting towards undergoing more advanced tasks. The experiences gained through rotation in various departments ensure his success. These augments his trove of expertise, which would be later used in the organizational development. GMs should have a deep understanding of the banking industry, political, legal and economic factors, market forces and an uncanny empathy with the customer base.

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Most GMs emphasize only on business side while ignoring perforce the immense human capital awaiting to be unleashed at his doorsteps and available on his fingertips to be used for organizational progress. Elaborating on this factor, Nadeem Ahmed, a longtime area manager in Summit Bank, comparing the past with the present trends, states that old-timer GM's topmost priority was team-building and stress on discovering potential candidates. They explored this through holding informal meetings with the staff of the branches and regions whenever they visited their branches. But according to Nadeem Ahmed, the same is not true nowadays, as the GM and RM (regional manager) are more inclined towards the business factors and pay short formal visits. The old-timers' success lay on a ready-made platter of potential branch managers or operations managers, kept handy in case of exits or staff turnovers, shortlisted by the GMs themselves. In case of need, the succession plan was ready without any fanfare, says Nadeem Ahmed. He further says that the informal meetings were acting as catalysts in icebreaking between the branch staff and the top brass and added to the business also automatically. So while visiting branches, the GM should first of all familiarize with staff first-hand by holding meetings with them.

Against the backdrop of a rich repertory of know-how, a recipe for sure success in the role, GMs need not necessarily have degrees in business administration as commonly believed these days. Of course, an MBA degree enriches their academic profile and vision, but other factors are crucial and vital too for their skill set. According to Ali Pesnani, Business Head in JS Bank, the basic ingredient that goes into the making of a GM is leading from the front with effective leadership traits and a strong determination to create a highly energized and motivated team. He goes on to say that the GM should also have a knack for forging and fostering mutually beneficial relationship with the management, customers and colleagues and he must possess a high degree of integrity and transparency above all. He opines that those who perform as soloists on solo flights never succeed, as it is the teamwork that ultimately delivers. Above all he must deal effectively and harmoniously with the internal and external customers alike.



If someone is young and aspiring to rise as a GM in the banking hierarchy, he must then make ceaseless efforts for on-the-job rotation, no one would place him in that position unless he himself takes the initiative. This is the first step-in towards the ambition for eventually becoming GMs. As Laozi had famously said: A journey of a thousand miles begins with a single step.

Some of the steps in that direction requires push into other departments as a means of gaining diverse experience and adding more spice to and enriching one's existing portfolio. A GM should evince keen interest associating in challenging cross-functional projects as a way to enhancing the learning curve and professional networking. The management gurus define a cross-functional team as a group of people with diverse functional expertise working towards a common aim or target. It may include personnel from finance, marketing, operations, treasury, credit, risk and human resources.

As Vivek Wadhwa, (an American technology entrepreneur and distinguished Fellow at Carnegie Mellon's

School of Engineering) is quoted: A key to achieving success is to assemble a strong and stable management. Thus a competent GM would gather an effective team to strive for best possible results for his bank.

#### Challenges of a General Manager

The role of a GM is not so simplistic as it sounds. A GM is held accountable to his COO or CEO for all the activities generated by him but with main focus on financial results. The GMs are accorded unfettered freedom in operating within their business units to churn out optimum favorable results. The GMs face some challenges when devising an effective proactive result-oriented strategic plan and its successful implementation with positive outcome. Besides they must also look more outwardly with a broad-based vision aimed at future prospects. It is important for them to not only keep a close rapport with the team under their jurisdictions but also keep an amiable relationship with the customers, specially the core ones or those who are labelled as cash cows. The ones who have a huge deposit base with no or low cost tags and those who have a credit lines or engaged in

import/ export business. This necessitates frequent personal visits and invites to office, to develop warmer upfront person-to-person relationship. These help ward-off any competitor inroads and encroachments into the GM territory. Besides with an eye for future, the GMs should make recommendations for making major investments and improvements in other fields as far as working of the bank and customer delivery is concerned.

They must lend their support to organizational efforts for evolving a sound internal corporate culture that attracts and retains good talent and enhances their personal grooming and professional development.

#### Career Progression for a General Manager

There is always a great scope for a GM to progress in their own banks or join other banks with more lucrative propositions. Although the GMs virtually belong to the top-rung of senior management, but they also aspire for still higher positions, which means they must be in line for promotion as either Executive Vice Presidents / Senior Executive Vice Presidents or Group Heads at Head Office level. Of course not all can make it, but many do make it to tower of success.

“ Against the backdrop of a rich repertory of know-how, a recipe for sure success in the role, GMs need not necessarily have degrees in business administration as commonly believed these days. Of course, an MBA degree enriches their academic profile and vision, but other factors are crucial and vital too for their skill set.”

It is a normal practice in some leading and medium-sized banks to internally hire their corporate level top executives from amongst the existing inventory of the GMs. The challenges and the ensuing daunting tasks of the GM role make it a perfect proving ground for individual career advancement.

#### Some Tasks to Do

In order to make their branch visits successful and effective given below is a brief to scrutinize a few of the most pressing and important items for GMs in view of scant time at their disposal:

1. First of all, check if the branches are opened in time and all staff are punctual by surprise visits exactly at the branch opening time.
2. The cash must be checked if it is in line with the cash recorded.
3. The prize bonds, if any, maintained in the shut period.
4. Asset and liability portfolios and profitability graph.
5. Examine if there is any infected credit portfolio.
6. Customer audit: Visit some selected customers at their offices or firms at

random without BMs, so as to correctly audit the customers.

7. Compiling a list of staff who deserve promotion or increased increments. Letters of appreciation can also be presented to some staff for being duty-conscious or regular and punctual.

8. Also note the quantum of cut, soiled and defective notes in the vault lying unsorted, undisposed and not yet surrendered which bites off the profitability of a branch.

9. A cursory view of the latest audit report of the branch, jotting down serious audit objections if any and see whether the same have been addressed or not.

But Faqir Ejaz Asghar, who enjoyed a cherished career as a GM both in MCB Bank and Silkbank, is of the view that GM visits should lay more emphasis on such important things as branch ambience and quality of service as the only factor that makes difference in banking is the service quality.

On the other hand, Mian Pervez Ali Shah, another leading GM at one time in MCB Bank, endorsing Asghar's view, goes on further to note that whenever he used to visit branches he ensured that ambience is maintained, as it is a necessity for the quality service delivery to customers as well as for the staff. Besides, the GM has

sometimes to act as a disguised super cop or spy to detect any adverse happenings, but the errant BM/ Staff should be talked to separately and discreetly, in order to repair or thwart any wrong-doings which comes to the knowledge of the GM beforehand. He also says that his strategy on this count fared well and saved the bank from frauds and forgery, as the GM is also the custodian of Bank's precious assets as well.

In the end, remember your career is dependent on the team working under you, if you promote their career growth, then your career graph would also rise in due course.

As John D. Rockefeller had remarked: Good Management consists in showing average people how to do the work of superior people.

Although you may have superior workforce or individuals, those dubbed as average also demand your leverage.

It is therefore up to you to develop people in such a way to enable them to give their best. As Warren Bennis, the famed American expert on Leadership Studies, says: Success in management requires learning as fast as the world is changing. So keep moving with the changes and grab the moment, if you desire to be successful. ■

The Chartered Banker in its issue of Winter 2019, has initiated a new feature titled as OPEN MIC through which the journal sought the insights of 17 finance professionals on a burning industry topic: Does the future lie with FinTechs or incumbents? Among those whose viewpoints on this topic were printed, also include Mr. Faisal Hussain, Director Academic Operations of The Institute of Bankers Pakistan. We reproduce his perception:

**FAISAL HUSSAIN**  
Director Academic Operations,  
The Institute of Bankers Pakistan



*"The financial model of the future will be derived from user needs and requirements, rather than the devised plan. If we review the recent disruption by technology in the business models of the hospitality industry by Airbnb and in urban transportation by Uber, it will be evident that technology has created ease of operations and a flexible model suited to the masses, largely responsible for their popularity.*

*Similarly, FinTechs across the globe are working to come up with flexible features that suit the masses. Cryptocurrency or online token-based payments, also create ease of operations and flexibility, which is the need of the hour for the financial model, therefore this mode of payment should be regulated rather than ignored."*

## IN A NUTSHELL



# Effective Managers\*

By: Khawaja Naveed Ahmed

A manager can be described as a person responsible for controlling, administering and managing the resources of an organization or group of staff. All managers must possess or practice some qualities, in order to contribute value-addition towards achieving the organizational goals. All managers hold an important place in the organogram of a bank or any organization. They are the handy factotums or Mr. Fixits, who are always ready to perform devotedly for the organizations to which they belong. It does not matter whether they work with a team of 5 or 25 members, the position demands a lot of responsibility and commitment.

The following signpost spells some of the qualities as to how to be an achievement-oriented manager.

#### Leadership Competency

To be an efficient manager, all managers must learn to lead their teams from the front and be a leader not a boss.

#### Effective Communication Skills

In order to be a competent manager, they must possess effective communication skills to be in constant rapport with the team with clear cut instructions. This not only means passing down job responsibilities and expectations, it also connotes listening with understanding and patience, necessary for desired results.

#### Product Knowledge

All successful managers must possess adequate product knowledge of their organizations and also the dynamics of customer service and human resources at their disposal.

#### Organizing Ability

First of all the managers must be properly organized, if they fail to do so or lack it, then the team would certainly prove to be shabby and ill-equipped to deliver.

#### Time Management Skills

Another major factor in being a successful manager is time management. Time management demands punctuality, regularity and fixed turn-around time (TAT). All official meetings should be planned carefully and time factors must be strictly adhered to.

#### Dependability & Accuracy

A manager leading a team has to be dependable both in his promises and output. This means being accessible for their teams and senior rungs of leadership, enabling the task to be done and guiding the teams in case of need. A manager has to be accurate, for example he is asking a customer to come at 10/11 AM for the meet, which means he doesn't value his own on other time.

#### Assigning Responsibilities

The manager must be conversant with the art of delegating tasks, so that he is counted as an effective team leader. It would not be appropriate on his part to do everything by himself, all team members must be consulted and given specific tasks with timelines. This would also lead to better time management and team motivation.

#### Conclusion

In the end it is necessary to accord full respect and dignity to even the most junior or support staff, listen to them and solve their grievances if any. A manager who is proactive and takes measures beforehand is most successful in today's intensely competitive business environment. Lastly, along with a proactive acumen, the manager ought to have a positive and optimistic outlook. In the words of Amelia Earhart\*\*: "The most effective way to do it, is to do it." ■

\* This brief covers all managers not just Branch Managers.

\*\*American aviation pioneer and author, the first female aviator to fly solo across the Atlantic Ocean and mysteriously disappear on July 2, 1937 at the age of 41.

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# Regulatory Sandbox

## A Lighthouse for Financial Innovation?

By: Syed Hassan Talal

The Global Financial Sector is witnessing a significant transformation due to technological progress and the role it has played. Over a span of decades, various technological innovations have led to new business models and products including new methodologies to conduct financial transactions: From the invention of Automated Teller Machines (ATM) to Centralized Core Banking Systems (CBS) to Peer to Peer (P2P) lending. In the recent decade, technological progression has exponentially increased as compared to past decades. The race of innovating a financial product equipped with technology having more efficiency and more customer centric has led to introduction of new business models.

According to Cambridge Centre for Alternative Finance (CCAF), four key technological advances are currently revolutionizing the financial sector:

- Mobile Phones / Internet – Sharing Economy
- Cloud Computing
- Blockchain / Distributed Ledger Technology (DLT)
- Artificial Intelligence (AI) / Machine Learning and Big Data Analytics

The fundamental infrastructure and distribution channels needed to pave the way for developing business models and financial products is being addressed by the first two technological innovations. In various cases, these innovations reinforce each other and complement each other's services and applications. For example, cloud computing can be utilized by a digital lending platform for mobile phones to curb fixed capital costs of IT infrastructure. The platform also utilizes systems like AI and Machine Learning to analyze the borrower's credit history and risk of default by analyzing data of call records, digital repayments, social media presence etc. The synergizing of technological innovations by such amalgamation strengthens their disruptive potential.

Overall, these technological progressions have had the following main effects on consumers, financial service providers and other business sectors:

- Improvement of customer experience – More customer oriented platforms by making it easier to carry out transactions along with transparent process.
- Providing better access – Carrying out financial transactions at the ease of the customer; not time or location bound. Transactions can be carried out at any time of day, anywhere in the world, across various devices.
- Lower Operating Costs and Increased Process Efficiency – Making processes faster, more efficient along with lowering the operational costs. (i) According to a McKinsey report published in September 2016, mobile phone

technology can lower the cost of providing financial services by 80% to 90%.

### FinTech

The relatively young companies or Start-ups using one or more of the technologies (and their respective variants) listed above are known as 'Financial Technology' or 'FinTech'. In majority of the cases, FinTechs use new business models and innovative products to provide service to their customers and other businesses and hence creating a disruptive phenomenon in the financial sector. The FinTechs provide a more consumer friendly solution with lower costs and increased efficiency and transparency by utilizing new technologies. Providing financial products and services through digital channels, or Digital Financial Services (DFS), allows FinTech firms to be nimble, asset-light and quick to adapt to changes in the market and customer preferences. FinTech start-ups are forcing incumbents (banks and other financial institutions) to re-think their business models, and many are reacting by adopting new technologies, improving their service offerings, modifying their business models and reducing costs. It is also pertinent to mention that despite the innovative and disruptive products launched by FinTechs, the financial institutions no longer see the Fintech Start-ups as a threat or competition. In today's world, banks are more concerned about the potential competition from the giant technological companies like Alibaba, Tencent, Google, Amazon etc. which are going to start offering other financial products like e-wallets.

### FinTech & Financial Inclusion

Account ownerships is nearly universal in high-income economies, where 94% of adults have an account. In developing economies; classified by the World Bank as low or middle income; the share is only 63%. Approximately two billion people worldwide do not have a bank account or access to a financial institution via a mobile phone or any other device. According to Ericson, out of 2 billion non-bank account holding personnel, 1.7 billion hold a mobile phone.

FinTechs are one of the main factors for increase in financial inclusion in developing countries. The conventional brick and mortar model of banks is not cost effective due to higher fixed and maintenance costs. However, the cost effective innovative solutions used by the FinTechs have made it possible. One of the prime examples is DFS amalgamated with mobile phone technology. The amalgamation paved the way for speedy financial inclusion for the underbanked and even unbanked in the emerging markets. Between 2011 and 2014, 700 million adults became account holders making a steep decline of 20% in unbanked population from 2.5 billion. One of the major driving factors is the total cost of ownership of mobile phone utilization which is observing a decreasing trend. Moreover, the perception of poor people has shifted majorly regarding mobile phones from a 'luxury' to a 'necessity'. Keeping in view the emerging trend, FinTech companies were quick to grab the opportunities and launched products like Mobile Money, Peer to Peer (P2P) transfers which became pivotal in accelerating financial inclusion.

**Providing financial products and services through digital channels, or Digital Financial Services (DFS), allows FinTech firms to be nimble, asset-light and quick to adapt to changes in the market and customer preferences.**

One of the most successful cases of Mobile Money is M-Pesa in Kenya. At least 25 million Kenyans use Safaricom-owned service which transacted \$25 billion in 2015. To put into perspective, this was equivalent to 44% GDP of country (\$63.4 billion).

Mobile Money has also empowered women by providing them tools related to privacy, monitoring and control. Various studies have shown that mobile money has enabled women's earnings to receive, safeguard and invest in better avenues like children's education.

In addition to Mobile Money, mobile phones have enabled Digital Payment Services. Digital Payment Services includes utilities bills payment, government taxes/fines payment, donations to charities etc. to the utmost convenience of the payer. In addition to the convenience, Digital Payments also reduce costs for both payer and payee, along with increase in transparency and privacy. The lower transaction cost is a real game changer in financial markets. The benefits of digital payments were highlighted in various studies which were conducted over a span of years involving a variety of stakeholders' perspectives; from convenience of customers to transparency of payments to encouraging bank-shy customers to join the formal banking channels to reduction in cash based transactions.

#### FinTech & SME

In addition to the unbanked and under-banked personnel, the FinTech has also been reshaping battlefield for new entrepreneurs and SME sector. Traditionally, any start-up company has limited avenues for raising initial capital to start its business. The limited avenues for such financial assistance was restricted to friends and family members. However, with the advancement of technologies and outreach of communication technologies like internet, a new form of initial capital raising phenomenon appeared: Crowdfunding. Crowdfunding is an online money-raising strategy that began as a way for the public to donate small amounts of money, often through social networking websites. This phenomenon had a staggering impact on the socio-economic landscape of countries whose relevant legal framework started to get developed

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and implemented globally. USA launched its JOBS (Jumpstart Our Business Start-ups) Act in 2012 which allowed crowdfunding platforms to raise money for various projects via public. UK issued its own regulations by introducing "non-readily realizable securities" into FSM Act for crowdfunding to form up a regulatory and supervisory framework for crowdfunding platforms in UK. In the wake of small investments' opportunities, another dimension also opened up for small investors with short term periods: Peer to Peer (P2P) lending. P2P lending caught attention of general public quite rapidly in various jurisdictions. P2P lending has major acceptance in the public as it provides short term micro and nano loans to those in need. Moreover, for investors, such platforms provide better rate of returns of their investments than that of commercial/traditional financial products.

The numbers for crowdfunding is really interesting, in USA only over 35 FINRA approved crowdfunding platforms operate and North America generated \$17.2 billion in revenue from crowdfunding at the time of writing this report. In Malaysia, during 2017, 37 successful campaigns raised around \$8.4 million where 40% of the investors were below age of 35 years.

A new wave of Islamic crowdfunding has also sprung up in the midst of crowdfunding platforms' arena. The Islamic crowdfunding platforms offers Islamic Sharia' compliant products and services. The platforms like EthisCrowd (Malaysia, Indonesia) and Yielders (UK) provide Sharia' compliant opportunities to invest in properties and real estate.

It is pertinent to mention that various studies have shown the positive impact of the FinTech on financial inclusion, creating opportunities for SME along with entrepreneurial start-ups and small investors, positive change in life style of underprivileged communities and areas etc. However, these digital finance services also possess the inherent risks like traditional financial services which can lead to devastatingly negative impact to consumers, investors and may cause financial sector vulnerabilities. If these services do not get regulated or get poorly regulated, they can actually incur some serious damages to financial inclusion and; as observed in some cases; lead to financial exclusion. In order to get the optimal outcome of the potential of these financial innovations, proper regulatory and supervisory framework must be deployed to effectively mitigate the risks. Based on discussions and research, the risks were identified that are associated with Digital

**Financial innovation is happening at a rapid pace. In order to extract the optimal potential for such disruptive tech for financial inclusion and cost effective solutions without compromising the integrity of the financial institutions, consumer protection, consumer privacy, cyber security and financial exclusion, the regulator has to be proactive rather than reactive.**

Financial Services include Financial Exclusion, AML/CFT Risks, Customer Exploitation, Cyber Security etc.

#### Regulatory Sandbox

In order to extract the maximum potential of FinTechs meanwhile mitigating the earlier mentioned risks, the regulators were posed with a challenge; to step out of their prudent zones and be proactive. In the wake of such market developments, the regulators came up with the 'Regulatory Sandbox'. BBVA puts it like "A framework set up by a financial sector regulator to allow small-scale, live testing of innovations by private firms in a controlled environment (operating under a special exemption, allowance, or other limited, time-bound exception) under the regulator's supervision." Moreover, the purpose of the sandbox is to adapt compliance with strict financial regulations to the growth and pace of the most innovative companies, in a way that does not smother the FinTech sector with rules, but also does not diminish consumer protection. The sandbox model has already been utilized by regulatory authorities as well as financial sector players around the globe like MAS, Bank of England, Central Bank of Bahrain, Hong Kong Monetary Authority etc.

The regulatory sandbox provides opportunities to new startups and licensed financial institutions along with non-banking companies as well. The collaborative partnerships of new startups with big financial companies have provided them necessary consumer base to test

their products and services while the big financial companies have identified ways to improve their own procurement and governance processes for on-boarding start-ups. Moreover, the sandbox provides various learning opportunities to the regulators like determining the associated risks with the FinTechs' products and steps to mitigate them appropriately along with any value addition in the existing regulatory and supervisory frameworks. Regulators can fine tune their regulatory framework in light of the findings during the live testing of the FinTech products in the sandbox. Regulatory sandbox provides live testing environment for the start-ups to test their products and determine the customer acceptability, market viability and scalability of the products. This helps in significant reduction of deployment time and enhances the efficiency of learning curve.

Furthermore, regulatory sandboxes can be a guiding beacon for the FinTechs in their respective jurisdictions. As they will be setting the trends by accepting and rejecting the applications for FinTechs. Moreover, the trend would be observed by the markets. One can observe that the cohorts passing out from UK's FCA has a common factor of 'Blockchain' or Distributed Ledger based applications (FCA 2018). Some of the regulators in India, Bahrain, Malaysia etc. have explicit listing of 'Financial Inclusion' as their regulatory sandbox's adjectives. Policy makers can decide which objectives to be made integral in the sandboxes in alignment with their own country's respective policies and strategies. This can also

be witnessed in Central Bank of Bahrain (CBB) regulatory sandbox. The first two entrants in the CBB regulatory sandbox were foreign companies. As reported in one article, this shows the competition building between regulatory bodies in the Middle East to host innovative companies.

It is also a fact that regulatory sandbox is not 'one size fits all' approach. Regulatory sandboxes are not sufficient for promotion of financial innovation, however, they can be good to set the market trend and determine the associated risks of the ever evolving FinTech products. The regulators and policy makers will have to develop other relevant legal, regulatory as well as supervisory frameworks to support the promotion of financial innovation in their respective jurisdictions.

Financial innovation is happening at a rapid pace. In order to extract the optimal potential for such disruptive tech for financial inclusion and cost effective solutions without compromising the integrity of the financial institutions, consumer protection, consumer privacy, cyber security and financial exclusion, the regulator has to be proactive rather than reactive. Regulatory sandbox provides a chance to the regulators to be proactive in determining associated risks, guide and flourish the market innovation. Moreover, the regulatory sandbox can also act like a lighthouse for the FinTechs to converge the thinking minds towards a single goal, that goal can be financial inclusion, robust payment system, cost effective cross border remittance systems or centralized AML/KYC repository etc. ■

# Cybersecurity Challenge in Banking

**The global banking industry is facing a mammoth challenge of cybersecurity. Vulnerabilities to the breach of cybersecurity are hiking, as consumer banking operations through FinTech and digital process are increasing manifold with smartphone, tablets and computers. Cybersecurity can be explained as the professional practice to protect systems, networks and information technology programs of various organizations from any form of digital attack. The inherent purpose of the cyber-attacks is to access, change or destroy some sensitive information while disrupting routine business processes and exacting money of the consumers.**

By: Muhammad Rafiq

**T**he banking industry is all the more susceptible to the breach of cybersecurity due to its financial lure for the transgressors. However, effective implementation of cybersecurity framework is highly challenging because the available devices outnumber the people and the offenders are very inventive in their tricks.

## Incidents of Cybersecurity Breach in Banks

The bank customers rightly expect a foolproof security of data concerning banker-customer relationship e.g. personal identification number (PIN), debit or credit card numbers, date of birth, address and contact number etc. But the cyber criminals get secret access to these confidential details and embezzle the hard earned money of the customers. Let us examine some examples of cybersecurity breach over the years in the financial sector:

- A senior financial analyst of Countrywide Financial Corporation stole mortgage loan data of two million applicants and sold it for US \$ 70000 in America during 2008.
- In year 2012, a data breach on the debit and credit cards of 1.5 million clients of Global Payments Inc. took place whereby the social security numbers, names and addresses of the beneficiaries were faked. In order to rectify and control the damage, the company had to pay about US \$ 100 million.
- The largest bank of USA, JPMorgan Chase was also subject to a data breach affecting nearly seven million customers from small businesses and households. This incident evaporated the illusion that JP Morgan had invincible cybersecurity.
- Then in 2014, an employee of Korean Credit Bureau stealthily copied database of customers. The 20 million victim clients pertained to Nonghyup Bank, Kookmin Bank and Lotte Card.
- Again, in 2014, the Carbanak cyber-crime group was found to be indulged in "The great Bank Robbery" from the banks in Ukraine,

Russia, China and Germany. The fraudsters managed a remote and covered access to the victims' networks and took control of ATMs or banks' websites to heist money worth US \$ 1 billion.

- In 2016, Bangladesh Bank was the victim of a cyber-heist that caused a financial loss of US\$ 81 million.
- Just recently, Pakistan suffered the largest cyber-attack to its banking system. In the last week of October, over 19,000 debit cards worth US \$ 2.6 million from some 22 Pakistani banks have been found to be stolen by certain unknown outside hackers. After cashing out US \$ 2.6 million via ATM and POS at various international locations including Russia and USA, the cyber outlaws dumped these cards for sale at prices ranging from US \$ 100 to 135 each on Dark Web under the title "PAKSTAN-WORLD-EU-MIX 01". Thus, the cyber criminals succeeded in getting illicit access to the customer coffers.
- The modus operandi of this current cybersecurity breach in Pakistani banks is being probed. But it is likely to have been worked through skimming, whereby unlawful devices when placed over POS keyboard or ATM, remove or skim off data from legitimate debit or credit card. Later on, this data is transferred by the cyber criminals to the stolen cards for carrying out fraudulent transactions followed by subsequent selling of these felonious cards on the Dark Web. An opinion is that local criminals served as a conduit to their foreign accomplices. Linking of such culpable acts with Pakistani banks could attract dire consequences for terrorist financing and FATF regime.

## Impact of Cybersecurity Breaches on Banks

Cybersecurity breach is an issue of paramount concern for the banks and financial institutions. The menace of data theft is growing in magnitude and financial impact. For having in custody extremely valuable information linked with financial stakes, the banking sector has always been a favorite target of the cyber-attacks. Therefore, the banks and financial sectors are attacked 300 times more frequently by the cyber-offenders than the other business organizations.

The impact of the breach is normally underestimated, as it goes beyond the depletion of data and money. Following are the various impacts on the financial institutions suffering from cyber-attacks:

1. The customers do not continue business with the organizations that fail to protect their data privacy. This situation devalues the brand that is built with hard work. So, the reputational risk impacts the brand loyalty and trust that results in customer churn.
2. Distributed Denial of Services (DDoS) is increasing in frequency. During this down time, services are denied even to the legitimate users. It is very damaging situation. In 2016 alone, there was 56% rise in DDoS.
3. IT based financial solutions of the banks like ATMs, mobile banking and internet banking are exposed to various forms of frauds such as pharming, skimming and phishing etc.
4. According to Ponemon Institute and IBM, the average cost paid by a financial institution when subject to cyber-attacks targeting online services is US \$ 1.8 million. Once hacked, the damages to the company's database have to be repaired and remediated.

**“The banking industry is all the more susceptible to the breach of cybersecurity due to its financial lure for the transgressors. However, effective implementation of cybersecurity framework is highly challenging because the available devices outnumber the people and the offenders are very inventive in their tricks.”**

5. Then, failure in complying with the data protection legislation brings about monetary penalties. Globally even tougher and draconian cybersecurity laws are in the making to minimize the threat.

6. Again, there are so many below-the-surface costs like rise in insurance premiums, increase in cost to raise debt, forensic audit, investigation and advisory etc. that are borne by the affected banks.

7. Other material loss comes in the form of threat to intellectual property rights or trade secrets. Such damage is immeasurable.

8. Another consequence is faced when certain litigation against the financial organization is initiated. In fact, many affected customers adopt legal recourse to monetary compensation if some dispute over settlement arises.

9. Banks and financial organizations that are the target of cyber-attack, suffer decline in their stock prices. Such decrease from 0.4% to 0.9% was faced by Citigroup, Bank of America and Wells Fargo in their share stock when the outlaws made inroads into their cybersecurity.

#### International Efforts to Address the Issue

Internationally, certain initiatives have been undertaken to tame down the menace that affects cybersecurity resilience in the global financial system. Some guidelines have been issued by the

Committee for Payments and Market Infrastructure (CPMI) for global financial market infrastructures to improve cyber governance. CPMI also aims to ensure preparedness in the situation of cyber-attack, cognizance and awareness among all stakeholders.

Then, the G-7 too has presented "fundamental elements of cybersecurity for the financial sector" that serve as the corner stone to build upon and implement any cybersecurity strategy.

**“An opinion is that local criminals served as a conduit to their foreign accomplices. Linking of such culpable acts with Pakistani banks could attract dire consequences for terrorist financing and FATF regime.”**

#### Role of State Bank of Pakistan in Managing Cybersecurity Risk

Being the regulator of banking industry and payment systems, State Bank of Pakistan has been argus-eyed over the growing threat of cybersecurity in coordination with the members of financial industry. SBP has issued clear-cut guidelines through its circular.

- Framework for Risk Management in Outsourcing Arrangement by Financial Institutions has been issued by SBP in BPRD Circular # 06/2017. This document guides the banks how to manage the risk lying in dependence of the banks on third part service providers.
- SBP had advised the banks to prevent cyber-attacks by regularly enhancing the cybersecurity controls, processes and procedures to be pro-active towards any cyber-attacks. For this purpose, SBP stipulated cybersecurity to be integral part of IT risk management policy along with standard operating procedures to tackle any cyber threats.
- Regulations for Payment Cards Security were put forth by SBP stressing on the card service providers to follow international best practices to safeguard the card-holders from frauds like skimming.

- SBP required the members of the financial industry to comply with guidelines on the Internet Banking by developing a comprehensive internet security framework. This circular provides preventive controls over identity theft and fraud techniques.
- The legal framework of SBP was fortified with the promulgation of Prevention of Electronic Crimes Act-2016 by the government of Pakistan outlining a mechanism to investigate and prosecute cyber-crimes. National Response Center for Cyber Crime is also functioning under Federal Investigation Agency with authority to deal with technology related crimes.
- Last year in November, at the time of the country's largest cyber-attack on some 19,000 debit cards of worth US \$ 2.6 million issued from 22 Pakistani banks, SBP rose to occasion. SBP advised certain measures in emergency to protect the affected financial institutions and their clients. All banks are required to carry out extensive vulnerability assessment and penetration testing to identify potential weaknesses in their Alternate Delivery Channels & payment systems with submission of report to Payment System Department of SBP by March 31, 2019.

#### Measures to Combat the Challenge

Certain other measures to combat the challenge of cybersecurity in banking sector that would be instrumental in mitigating vulnerability of financial institutions to cyber-frauds and hacking incursions are elaborated as follows:

- Most banks normally are not able to realize the magnitude of cybersecurity risk; therefore, they consider it to be merely an element of IT risk. This leads to insufficient allocation of resources. Banks must correct this impression about the monster risk of cybersecurity and invest more funds to set up a new Cybersecurity Operating Model with a framework for information security management.
- Cybersecurity as a combination of defence, resilience and assurance is required to be well understood by the

**“Internationally, certain initiatives have been undertaken to tame down the menace that affects cybersecurity resilience in the global financial system. Some guidelines have been issued by the Committee for Payments and Market Infrastructure (CPMI) for global financial market infrastructures to improve cyber governance. CPMI also aims to ensure preparedness in the situation of cyber-attack, cognizance and awareness among all stakeholders.”**

financial institutions. Defence means prompt detection of any cybersecurity breach with real time reaction. Resilience stands for the capacity to bring back usual operations with a minimum damage. Assurance is based on the consolidation of defense and resilience in routine banking operations. Knowledge of these elements of cybersecurity serves as key to effective control.

c) Banks do have necessary outsourcing need of a number of services and equipment. But many banks are not well-equipped with systems and skills to oversee the third party operations. So, banks must develop necessary expertise and framework to keep watch over these outsourced functionaries to maintain cybersecurity.

d) An exclusive cybersecurity awareness culture is required to be nourished across the board. Regular awareness sessions for the customers must be conducted to train them in the process of secure internet, mobile, ATM and POS banking transactions while keeping the PIN secret. Employees in charge of IT based operations of the banks too must come to know the sensitivity of cybersecurity. Stern disciplinary action must be taken on the sharing of password. Thus, consumer

awareness about the cybersecurity features would contribute towards the mitigation of risk.

e) State Bank of Pakistan must consolidate all relevant circulars and instructions issued over the years and should bring forth stand-alone prudential regulations for cybersecurity in line with global best practices.

f) Cyber insurance must be opted so that the stable financial footing of the organization is maintained in case a significant cybersecurity breach takes place.

g) Board of Directors and Senior Management of the bank must ensure that a practical Cybersecurity Plan of the bank is in place, whose implementation is monitored and reviewed regularly to address the deviations and incorporate new developments of cybersecurity realm.

h) A robust Incident Management System should be in place with efficient detection mechanism and forensic analysis. This would help in getting true insight and evaluation of the cybersecurity breach. ■





# AI: Blindsiding Prejudice

**Machine bias is bad for business – and customers. Banks must ensure AI is an opportunity and not a threat.**

**A**lgorithms have an increasing amount of power over our lives, from what we see online, from how much our insurance costs to how likely we are to become victims or instigators of crime. So, what happens if human bias has accidentally been built into these computer programmes? News headlines have been telling this story ever-more loudly: ‘Women less likely to be shown ads for high-paid jobs...’ ‘When an algorithm helps send you to prison...’ ‘Same-day delivery less likely in black areas...’

Scientists have defined more than 180 human biases, any one of which can affect our decision-making. If artificial intelligence (AI) is trained with ‘bad data’ containing implicit racial, gender, or ideological biases, it can mean the decisions made by organizations, including government and business, are both unfair and bad for business.

How can banks use AI in a way that avoids these accidental biases, while making decisions more objective in areas including hiring, operations and customer service – and ensuring that lending decisions that are genuinely in customers’ best interests, regardless of short-term P&L impact?

“As today’s digital transformation is accelerating at warp speed through AI and machine learning, it’s imperative we crack open AI’s so-called ‘black box’ to examine its algorithms and understand how it arrives at a decision,” says Elizabeth Isele, an entrepreneurship and AI expert who is Associate Fellow in Global Economics and Finance at Chatham House, the independent policy institute. “But bias is not just in the algorithms. It lies within the outcomes – predictions and recommendations – powered by the algorithms.

“Banks and other financial institutions have an opportunity to take proactive

steps to mitigate bias built into AI and algorithms. As AI goes full steam ahead, it’s critical to ask the right questions while still in early stages: who is building and shaping this important technology that is impacting the future of banking – internally and externally – and economies worldwide?”

## Auditing AI

Transparency is essential to prevent society from hard-coding all manner of historical discrimination into our future, Isele believes.

“Since we know that algorithms regurgitate what is being fed into them, banks can scrutinize, monitor and safeguard each step of the machine learning process from input to output and everything in between – including data, algorithms, models, training, testing, predictions and data value blockchains,” she suggests.

‘Data value blockchains’ refers to how banks or any other operators can distribute valuable data, for example, their best practices or what they’ve learned about how to eliminate bias in machine learning, through an open, decentralized system.

“Banks have a unique opportunity to create teams of AI bias auditors to detect flaws,” Isele continues. “IBM has identified 180 biases, but hundreds more exist on a subliminal or unconscious level that requires human intervention. Technological expertise is not enough. Auditor teams must question each stage of the process, and every question requires the perspective of a diverse, cross-disciplinary team, inclusive of race, gender, culture, education, age and socioeconomic status, to audit and monitor the system and what it generates.

**“Machine learning models are increasingly used to inform high-stakes decisions about people.”**  
Kush Varshney,  
IBM Research

“They don’t need to know the answers – just how to ask the questions and make recommendations for adjustments to build accuracy and trust. Even more important than having an opportunity to evaluate bias in the ‘black box’ is having the freedom to correct the biases discovered.”

## Bottom-line Benefits

Proactively addressing bias in banks’ AI systems and programs would have a huge impact, Isele says. It would lead to more equitable fairness in hiring and lending – as well as positively impacting the bank’s bottom line.

“The benefits would include increasing the opportunity to hire more innovative talent who might not have fit the ‘traditional’ banking mode,” Isele suggests. “The banks could also develop new programs that would increase employee engagement and retention. Another bottom-line benefit would be identifying viable new loan applicants who might have been screened out earlier because of biases such as gender or age – to name just two detrimental biases.”

A proactive approach to AI also opens new intergenerational opportunities in the workforce, which is important given that many corporations are seeing up to five generations in their workplaces, Isele adds. “Catalyzing the experience of younger, tech-savvy employees with the life and work experience of older workers creates a deeper sense of purpose for employees and boosts productivity and return on investment,” she says.

In an insight article on bias in artificial intelligence titled AI: Bias in – bias out, professional services firm KPMG notes a number of examples of built-in machine bias. These include the first ever beauty contest judged by an AI system. Of thousands of photos submitted by the public and fed into a deep learning network, only one of the 44 winners had dark skin.

In another example, an organization adopts a ‘blind CVs’ system in an effort to avoid prejudice. But the change made no difference to diversity, because it was at the face-to-face interview that the unconscious bias came in.

## Built-in Bias

Ingrid Waterfield, Director, KPMG UK, specializes in diversity and workforce issues. She says: “At present, AI is only as good as the data you put into it and most of the data we have collated to date are based on historic biases.

“For example, historic pay bands will be vastly different for men and women. Data is also dependent on people feeling confident that they can answer truthfully. Your employee data might tell you that 2% of your workforce has a disability, but there probably are more, but employees don’t want to disclose it.”

More and more research suggests that diverse companies are more successful. Yet measures such as gender pay gap reporting and the diversity of UK FTSE boards suggest that senior leadership within most UK companies, banks included, are not reflective of society at large, Waterfield says. This suggests that businesses don’t yet have their systems and processes, on which decisions are made, free of bias.

“Artificial intelligence has the potential to change that,” Waterfield adds. “It’s not going to change the culture, but it has the potential to enable an organization to be more inclusive in its approach to talent. Machines do not discriminate, so whether it’s using AI for recruitment, funding or customer checks, in time, technology will make sure decisions are based purely on relevant facts.”

Banks need to be aware that the health warning on biases already built into data is a large one and that these anomalies will feed through into any new cognitive systems that are introduced.

“AI will learn and improve over time, but if the data put in is biased or incorrect, the data coming out will be too,” Waterfield explains. “However, a lot of work and investment is going into solving this problem. There are already projects under way designed to assess data for evidence of discrimination. At this point though, objective review is still required to ensure decisions made move businesses to being more diverse and inclusive.”

## Training the Trainer

Researchers at computing giant IBM are developing ways to reduce bias in the datasets used to train AI in an effort to avoid discrimination in decisions and behavior. This includes a ratings system that ranks the relative fairness of an AI system, so the user can consider the system’s level of bias, before deciding whether to trust it.

Kush Varshney, Principal Research Staff Member and Manager, IBM Research, explains: “Machine learning models are increasingly used to inform high-stakes decisions about people. Although machine learning, by its very nature, is always a form of statistical discrimination, the discrimination becomes objectionable when it places

certain privileged groups at systematic advantage and certain unprivileged groups at systematic disadvantage. Bias in training data, due to either prejudice in labels or under-/over-sampling, yields models with unwanted bias.”

IBM has recently launched AI Fairness 360, a comprehensive open-source toolkit of metrics to check for unwanted bias in datasets and machine learning models, and state-of-the-art algorithms to mitigate such bias.

In a whitepaper, IBM researchers have also proposed voluntary ‘factsheets’ for AI systems that would answer questions, including how the system was trained.

Aleksandra Mojsilovic, Head of AI Foundations, IBM Research, explains: “Like nutrition labels for foods or information sheets for appliances, factsheets for AI services would provide information about the product’s important characteristics.”

Big Tech as an industry has sharpened its focus on machine bias, and other players taking action include Facebook, which last year announced Fairness Flow, an automated bias-catching service for data scientists. Similar tools have been released by Microsoft and Accenture.

#### Diversity Focus

In the UK, Parliament’s Artificial Intelligence Committee, chaired by Liberal Democrat digital spokesperson, Lord

**“AI will learn and improve over time, but if the data put in is biased or incorrect, the data coming out will be too.”**  
*Ingrid Waterfield, KPMG*

Clement-Jones, published a wide-ranging report last year to consider the economic, ethical and social implications of advances in AI. It acknowledges the AI bias issue and makes a number of recommendations, including pre-processing data to ensure it is as balanced and representative as possible.

“Alongside questions of data bias, researchers and developers need to consider biases embedded in the algorithms themselves – human developers set the parameters for machine learning algorithms, and the choices they make will intrinsically reflect the developers’ beliefs, assumptions and prejudices,” the committee says in its report, entitled AI in the UK: ready, willing and able?

“The main ways to address these kinds of biases are to ensure that developers are drawn from diverse gender, ethnic and socioeconomic backgrounds, and are aware of, and adhere to, ethical codes of conduct.”

The committee also recommends the creation of a specific challenge as part of the UK government’s Industrial Strategy Challenge Fund, which offers research and development funding to help organizations address big industrial and societal challenges.

The aim would be to stimulate the creation of authoritative tools and systems for auditing and testing training datasets to ensure “they are representative of diverse populations, and to ensure that, when used to train AI systems, they are unlikely to lead to prejudicial decisions”. ■

*This article was originally published in Winter 2019 issue of Chartered Banker magazine.*

**“Banks and other financial institutions have an opportunity to take proactive steps to mitigate bias built into AI and algorithms.”**

*Elizabeth Isele, Chatham House*



# Bank on IBP

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# Laughing all the way to the bank

With big tech firms such as Amazon and Apple muscling in on the financial services market, the customer-retention game has never been more competitive.

**H**ow can UK banks foster loyalty at a time when they're still trying to rebuild trust? MoneyLIVE's The Future of Retail Banking Report 2018/19 published in association with the Chartered Banker Institute, surveyed 600 senior figures from across the banking sector. It found that more than one third of customers plan to use non-traditional financial services firms within two years, rising to just over half in five years and 70% in 10 years.

With Amazon, Apple and other global brands developing their own financial services, what products or approaches could help banks win customers and traction?

Shep Hyken is a Missouri-based customer service and experience expert, a

New York Times bestselling author and award-winning keynote speaker. He says the key to building trust and loyalty is creating consistent, predictable and positive experiences that inspire customer confidence.

"Doing business needs to be easy, and if you can make things convenient for your customer, provide them a good-quality product and deliver a consistent, predictable, positive customer experience, you will start to regain trust," Hyken says.

"There's one word to describe what Amazon does better: they're convenient. They're open 24 hours a day, seven days a week. They use technology to drive that convenience. They've created a self-service solution where the customer is in total control. They deliver."

Technology is already being used in financial services to provide this level of convenience. For example, PayPal-owned app Venmo enables the transfer of cash and bank cheques by text.

Hyken continues: "You can now use a camera to take picture of a cheque and send it to your bank. You couldn't do that before. And you can do it at two in the morning or two in the afternoon. All businesses need to become more convenient to their customers like this."

## Breaking Down Barriers

Sometimes there might be regulation or compliance issues that mean banks can't be as convenient as they would like. While this is outside the industry's control, providers should be focused on removing

all other barriers to doing business with them. For example, Ohio-based Huntington Bank, one of the largest banks in the US with around 1,000 branches, disrupted the industry by staying open after their competitors had closed.

Hyken explains: "They stayed open so people could come to the bank after work, and come to the bank on Saturday morning. A lot of banks don't do that. And as a result, they gained market share."

His top tips include educating customers and sharing content, including articles and videos, that are helpful and engaging.

"Customer education is very powerful," he says. "For example, why are there data breaches and what is your bank doing to prevent that? It needs to be done in a way that's engaging and entertaining to the customer. If it's just a report you put out, who's going to read that?"

**"It's not that everybody will read your content, but the ones that do are your fans..."**

**Shep Hyken,**  
customer service expert

"Sometimes a good content marketing strategy will engage. It's not that everybody will read your content, but the ones that do are your fans, and they'll talk about you. It's not blatant commercialism, but good, helpful written and video content that people want to read and watch."

## Being Creative

Imaginative approaches to content are also important. "Why always deliver content in a serious way?" Hyken asks. "Let's do a comic book instead. I don't mean funny, but using an interesting, graphical style to talk about an interesting topic. Make it simple and put it in comic book. Comic books are read 7.2 times on average and are held onto."

Engaging with the local community is another loyalty-boosting activity. Hyken explains: "What do you do for your community that will make people say, 'Wow! I love what you do for my community and want to do more business with you?' It's easier for smaller banks to be local, but plenty of big banks get involved too. It shouldn't be large corporate sponsorships. What can you do at local, community level that makes the customer feel you're part of them – and not just this big institution?"

Martin Lindstrom is a Danish author and branding expert who has advised Fortune 100 brands including Coca-Cola, Nestlé and Red Bull. He says banks are still trusted more than social media companies, but have been more focused on compliance than learning about their customers' needs and adjusting accordingly.

## Customer First

Lindstrom says: "Perhaps most importantly, banks know us very well. They just haven't used the insight they have about us to form a more fulfilled and informed relationship. In theory, they know our entire financial situation, they also know our purchase patterns, our dreams, our crises and our work life. Yet due to their complex legacy systems and convoluted compliance and regulation issues, they've placed themselves in a straightjacket."

"If I was in the shoes of a bank, I'd first of all truly learn what today's customers want. Yes, they want convenience – but there's much more to it. They also want to be recognized, feel safe, feel they can reach out to someone when they're in a crisis. They want to experience a flawless and intuitive interaction with their bank, rather than be bombarded with tons of information. Few banks today are able to offer this."

**"Banks should become intermediaries between the customer and the customer's world."**

**Martin Lindstrom,**  
author and branding expert

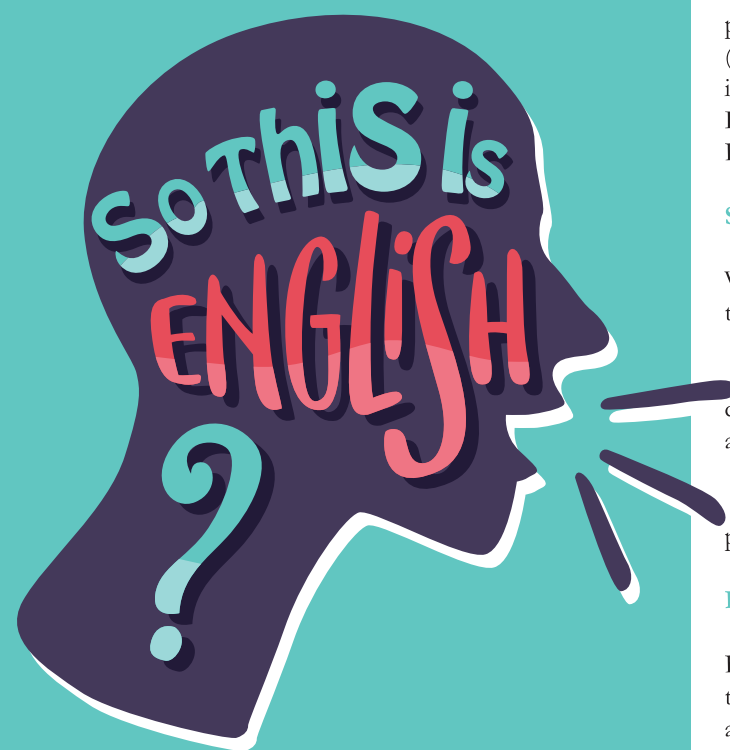
Lindstrom suggests banks need to 're-mine' their customer data to build more detailed customer profiles. This would enable them to begin making highly informed interactions with customers.

"Banks should become intermediaries between the customer and the customer's world," Lindstrom suggests. "They should be the negotiator for good deals, planning, education, data protection. In short, they should be my 'go-to person' whenever I want to make important decisions in my life. Today they're not – because they're more focused on seeing themselves as a money-lending or savings institution. Those days are long gone. They need to see themselves as a personal guardian." ■

*This article was originally published in Winter 2019 issue of Chartered Banker magazine.*

## MONEYLIVE REPORT FINDINGS

- 59% of the bankers surveyed perceive new intermediaries to be a significant threat to their relationship with their customers
- 81% believe the consumer is driven less by trust in large institutions and more by convenience and quality of experience
- 71% believe that banks' brand messaging has not kept pace with consumer priorities for speed, simplicity and convenience
- 79% agree that FinTechs are not intrinsically better than banks in terms of customer outcomes, but their brands are more engaging.



By: Fazail Rafi

#### Palindromes

English, which has assumed the status of common lingua franca across the globe, is full of oddities, eccentricities and idiosyncrasies. As a language, it is full of diversity, vibrancy and possesses the unique voracious appetite for absorbing words and terms from other languages and dialects from around the world.

One of the notable features of English is the word known as *palindrome*, which many people may not be familiar with. This is indeed a peculiar word in the lexicon and linguistics of English. It is defined as a word, line, verse and sentence which can be read the same backward as forward. Some of smaller words which can be pronounced both ways, such as mom, dad, did, bob, bib, gag, gig etc. The word palindrome was invented by the English dramatist Ben Jonson in the 17th century and is derived from the Greek roots palin (meaning again) and dromos (direction).

A few bigger words are:

- Civic
- Kayak (a small Eskimo boat)
- Level
- Madam
- Noon
- Racecar
- Anna (a girl's name)

Perhaps the longest palindrome in use today is said to be derived from the Finnish word 'saippuakivikauppias', which means just soapstone vendor. Among the famous sentential palindromes are: When Adam first talked to Eve, he is attributed to have said: "Madam, I'm Adam." Another notable sentence from the quirk: "Poor Dan Is In A Droop". There is a

palindromic sentence attributed to Napoleon Bonaparte (French Emperor 1769-1821), which he reportedly said while in exiled captivity in the Island of Elba: "Able Was I Ere I Saw Elba." Another peculiar one is: "A Man, A Plan, A Canal, Panama" and "Never Odd or Even".

#### Some more examples:

Was it a car or a cat I saw? 'Rats live on no evil star', 'Live on time, emit no evil', and 'Step on no pets'.

Other longer common single-word palindromes are: deified, repaper, reviver, rotator, redivider, radar, rotor, refer and rotor.

Among the cars, 'a Toyota' is the only one which merits as a palindrome, after the addition of indefinite article 'a'.

#### Portmanteau Words

Portmanteau actually is a large travelling bag usually made of tough leather and opening in two equal parts, but it has been also widely adopted as a word merging the sounds and combining the meanings of two others, for example motel or brunch (mo- of motor car and -tel of hotel, similarly br- of breakfast plus -unch from lunch).

Then we have podcast which is a portmanteau, coined from a combination of the words iPod and broadcast. Portmanteau is another flourish of the language. Interestingly, the word portmanteau itself is also a blend of two different words: porter (to carry) and manteau (a cloak).

#### Some more interesting examples are:

- Smog: Smoke emitted by the factories and burning of crop stubble plus natural fog (sm- from smoke and -og from fog)
- Breathalyzer: formed by combining breath and analyzer
- Blog: from source words web and log
- Bionic (biology/electronic): Artificial body parts that have been enhanced by technology
- Lollywood (Lahore/Hollywood): The Lahore movie industry
- Carjack (car/hijack): To take someone's car by force
- Chunnel (channel/tunnel): Word used to describe the Channel Tunnel that runs between the UK and France
- Cineplex (cinema/complex): A movie theater with several screens
- Dumbfound (dumb/confound): Greatly astonish or amaze
- Guesstimate (guess / estimate): To estimate without solid facts or figures
- Internet (international/network): A global system of interconnected computer networks ■



# Be A Honey Badger

Compiled by: Sidrah Jamail

Here is the trendy buzz. Honey may be even more beneficial than you think. In a study at the University of California, Davis, where researchers fed 25 people four or more table-spoons of buckwheat honey each day for 29 days, blood samples showed increased levels of compounds that help protect against cancer and heart disease. But you do not need that much honey to get a benefit and buckwheat is not the only variety to try.

In general, the darker the honey, the more the antioxidants it has. An antioxidant is a substance such as vitamin C or E that removes potentially damaging oxidizing agents in a living organism. Look for avocado and wild flower varieties. So savor this sweet news and enjoy. Buckwheat honey is a highly nutritious honey made by bees that collect nectar from buckwheat flowers, it is not a wheat and actually produces a type of fruit similar to rhubarb. Alfalfa and acacia are also types of honey.

Further studies have found that honey contains many of the good-for-you antioxidants found in fruits and vegetables. Nature's sweetener also has traces amounts of vitamins, minerals and amino

acids, making it a good choice over refined sugar, which has no real benefits. Honey is also a sweet deal for people on the go. A great pick-me up, honey has been shown to provide quick bursts of energy, help prevent fatigue and enhance athletic performance. Stir a spoonful into a glass of water before your daily workout. And if you are under the weather, honey may help soothe an irritated throat. Swallow a lump as you need it, or add it to a cup of hot tea.

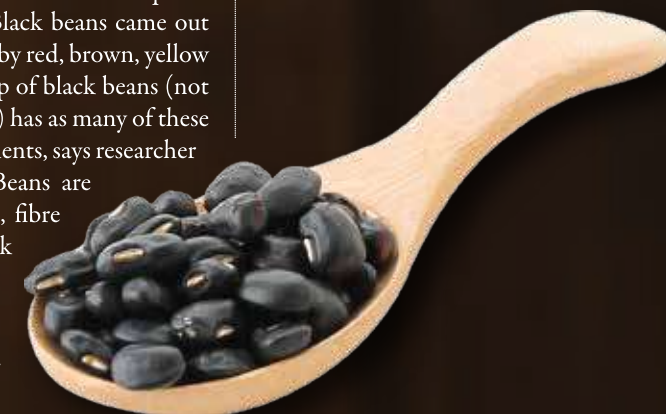
#### Black Beans

If the darker honey has health benefits, then black beans can also not lag behind. The darker the bean, the more antioxidant power it packs revealed US Department of Agriculture scientists who compared 12 kinds of beans. Black beans came out on the top, followed by red, brown, yellow and white. Half a cup of black beans (not the soya variety used) has as many of these disease-fighting nutrients, says researcher Clifford Beninger. Beans are packed with protein, fibre and folate. Black beans are classified as legumes. Also known as turtle beans because of

their hard, shell-like appearance, black beans are, in fact, the edible seeds of the plant. Here are some key points about black beans:

- Among other benefits, black beans may help strengthen bones.
- Black beans contain quercetin and saponins which can protect the heart.
- Black beans contain around 114 kilocalories per half-cup.

The iron, phosphorus, calcium, magnesium, manganese, copper, and zinc in black beans all contribute to building and maintaining bone structure and strength. ■



# SMALL & MEDIUM ENTERPRISES (SMEs), MICROENTERPRISES

**Q.** Nowadays, there is much hype regarding increasing financial inclusion and outreach through Small & Medium Enterprises (SMEs) Financing and the print media's commercial sections are abuzz with this subject. Could you please explain what is the difference between the two Enterprises?

**Ans.** There is a quite clear distinction between Small and Medium Enterprises (SMEs) as defined by the regulatory authority, the State Bank of Pakistan. Accordingly, a Small Enterprise (SE) is a business entity, which must qualify the following parameters:

Number of Employees	Annual Sales Turnover
Up to 50 (including contract employees)	Up to Rs. 150 million

In order to qualify as a small entity, it has to fulfill both the criteria of number of employees and sales turnover as well for treating it as Small Enterprise. However, in cases where an entity fulfills one parameter of SE and its second parameter falls within the range prescribed for ME or above the upper limit prescribed for ME, then the subject entity shall be classified as Medium Enterprise or Commercial / Corporate entity. Now we come to Medium Enterprise referred to in short as ME, which is a business entity, ideally not a public limited company which meets the following parameters.

Number of Employees	Annual Sales Turnover
51-250 (Manufacturing & Service MEs)	Above Rs. 150 million and up to Rs. 800 million
51-100 (Trading MEs- which also includes contract employees- in both the cases)	(All types of Medium Enterprises)

Similarly, when an entity's one parameter is as per Medium Enterprise criteria and its second parameter is as per Small Enterprise criteria, then subject entity would be treated as Medium Enterprise.

**Q.** Please define Microenterprises?

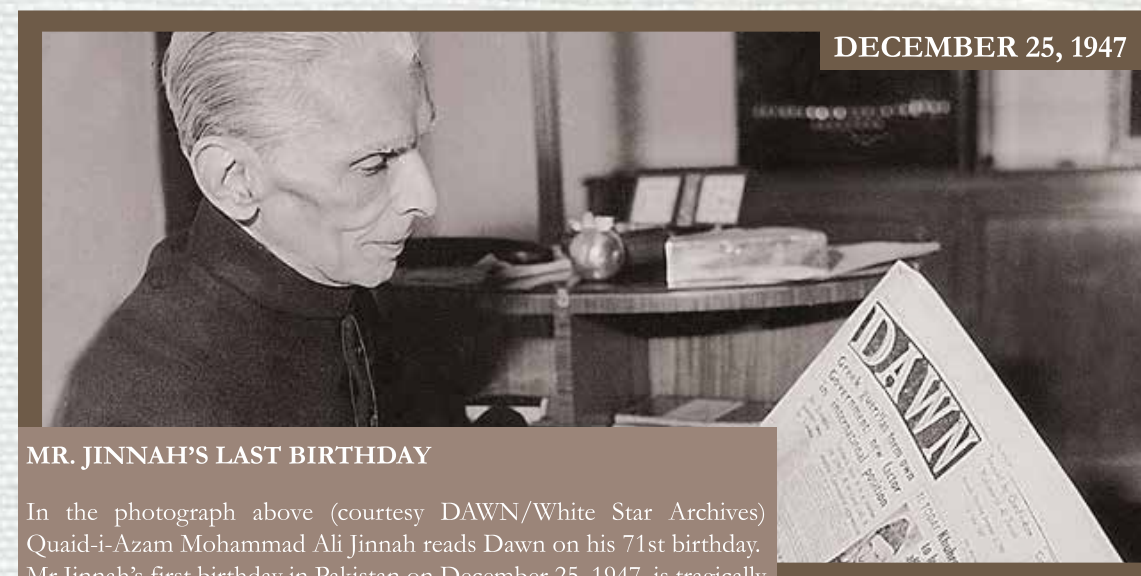
**Ans.** Microenterprises are defined as projects or businesses in trading, manufacturing, services or agriculture that lead to livelihood improvement and income generation. Moreover, these projects/businesses are undertaken by microentrepreneurs, who are either self-employed or employ few individuals not exceeding 10 (excluding seasonal labor).

Microenterprises include carpentry, electrical works, food stalls, farms (crops and non-crops), lathe machine workshops etc; which have traditionally lacked access to formal financial services. Microenterprises seek loans from microfinance banks, which are companies incorporated in Pakistan and licensed by the SBP for the purpose of providing microfinance services, especially mobilizing deposits from the public and providing credit to poor persons and microenterprises. The Microenterprises are eligible for loans up to a maximum of Rs. 500,000/- but the concerned microfinance bank shall extend the enterprise loan only in the name of microentrepreneur to ensure traceability and reduce the incidence of multiple borrowings.

**Q.** Why is it limited to only loans of maximum of Rs. 500,000 per annum?

**Ans.** The regulatory authority, the State Bank of Pakistan, in this case also our central bank, has stipulated some criteria. Accordingly, it is meant for life quality improvement and poverty alleviation of the poor persons, who have been defined as any individual, who has a meagre income means of subsistence but is involved in a livelihood activity and has an ability to repay debt from an annual income (minus expenses incurred on such a small activity) up to Rs. 500,000. This means net monthly income of approximately Rs. 42,000.

## A LEAF FROM OUR GOLDEN PAST



MR. JINNAH'S LAST BIRTHDAY

In the photograph above (courtesy DAWN/White Star Archives) Quaid-i-Azam Mohammad Ali Jinnah reads Dawn on his 71st birthday. Mr Jinnah's first birthday in Pakistan on December 25, 1947, is tragically his last one too. The morning starts when a small delegation of journalists from DAWN Karachi, led by the editor, Altaf Husain, calls on him to express their best wishes. They find him reading the morning's edition of DAWN.



A horse driven carriage brings the Quaid-i-Azam and his sister Ms. Fatima Jinnah to the State Bank, 1st July 1948.

The First ATM which was installed by HBL at Karachi



The first ATM was introduced in Pakistan by Habib Bank Limited, followed by BCCI, which was the second bank to offer ATMs. NCR had the market monopoly back then and they brought all the ATMs for Pakistan. Back in the 1990s, ATMs used to be for \$30,000 to \$40,000 each.

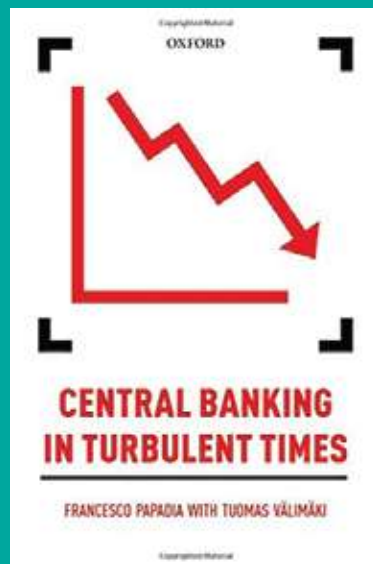
August 1947 - Pakistan gains Independence from India



Quaid-i-Azam Muhammad Ali Jinnah's hard work paid off when Pakistan was announced as an independent state for Muslims of the subcontinent. Following its creation as a new country, Pakistan applied for membership of the United Nations and was accepted by the General Assembly on September 30, 1947.

# CENTRAL BANKING IN TURBULENT TIMES

By: Francesco Papadia & Tuomas Vältimäki



Central banks came out of the Great Recession with increased power and responsibilities. Indeed, central banks are often now seen as 'the only game in town', and a place to put innumerable problems vastly exceeding their traditional remit. These new powers do not fit well, however, with the independence of central banks, remote from the democratic control of government. *Central Banking in Turbulent Times* examines fundamental questions about the central banking system, asking whether the model of an independent central bank devoted to price stability is the final resting point of a complex development that started centuries ago. It dissects the hypothesis that the Great Recession has prompted a reassessment of that model; a renewed emphasis on financial stability has emerged, possibly vying for first rank in the hierarchy of objectives of central banks. This raises the risk of dilemmas, since the Great Recession brought into question implicit assumptions that the pursuit of price stability would also lead to financial stability. In addition, the border between monetary and fiscal policy was blurred both in the US and in Europe. *Central Banking in Turbulent Times* asks whether the model prevailing before the Great Recession has been irrevocably altered. Are we entering, as Charles Goodhart has hypothesized, into the 'fourth epoch' of central banking? Are changes to central banks part of a move away from the global liberal order that seemed to have prevailed

at the turn of the century? *Central Banking in Turbulent Times* seeks to answer these questions as it examines how changes can allow for the maintenance of price stability, while adapting to the long-term consequences of the Great Recession.

## Reviews

"The global financial crisis started a transformation of central banking by showing that the nexus between price stability and financial stability is more complex than was previously understood. In this book, Francesco Papadia and Tuomas Vältimäki, not only offer a superb survey of the central banking experience through the crisis, but also identify the most important future challenges to monetary policy. An essential and provocative read to a broad range of audience from policy-makers to market analysts, from scholars to students of economics, to all those who want to deepen their understanding of central banks in the great financial crisis and their challenges thereafter." - **Erkki Liikanen, Governor, Bank of Finland**

"Central banking will never be the same after the great financial crisis. We have only begun to see how this long-established institution seeks to adjust to the new environment, an environment that it has done so much to shape. The book offers a unique account of this

institutional and intellectual journey by two authors who have lived this extraordinary experience in the trenches and have a deep understanding of the subject. A great read for anyone interested in this defining historical moment." - **Claudio Borio, Head of the Monetary and Economic Department, Bank for International Settlements**

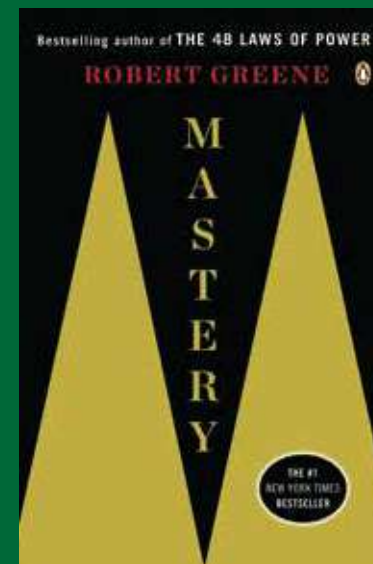
## About the Authors

**Francesco Papadia** has nearly 40 years of central banking experience. Beginning with the founding of the European Central Bank (ECB) in 1998, he served as the Director General for Market Operations until 2012. Prior to that, he held various positions at the Banca d'Italia and was Economic Advisor at the EU Commission. Currently he is Chairman of the Board of the Prime Collateralised Securities, Chair of the Selection Panel of the Hellenic Financial Stability Fund, Senior Resident Fellow at the Bruegel Institute, and a university lecturer.

**Tuomas Vältimäki** is the Head of Monetary Policy and Research at the Bank of Finland. As the Bank's Chief Economist, he is a member of the European Central Bank's Monetary Policy Committee. During his two decades as a central banker, he has also worked as a visiting expert at the European Central Bank.

# MASTERY

By: Robert Greene



From the bestselling author of *The 48 Laws of Power* and *The Laws of Human Nature*, a vital work revealing that the secret to mastery is already within you. Each one of us has within us the potential to be a Master. Learn the secrets of the field you have chosen, submit to a rigorous apprenticeship, absorb the hidden knowledge possessed by those with years of experience, surge past competitors to surpass them in brilliance, and explode established patterns from within. Study the behaviors of Albert Einstein, Charles Darwin, Leonardo da Vinci and the nine contemporary Masters interviewed for this book. The bestseller author of *The 48 Laws of*

*Power*, *The Art of Seduction*, and *The 33 Strategies of War*, Robert Greene has spent a lifetime studying the laws of power. Now, he shares the secret path to greatness. With this seminal text as a guide, readers will learn how to unlock the passion within and become masters.

## Reviews

"Greene's specialty is analyzing the lives and philosophies of historical figures like Sun Tzu and Napoleon, and extracting from them tips on how to manipulate people and situations—a cutthroat worldview that has earned him a devoted following among a like-minded readership

of rappers, drug dealers and corporate executives."—*The New York Times*

"Compelling."—*Forbes*

"Illuminating."—*The Guardian*

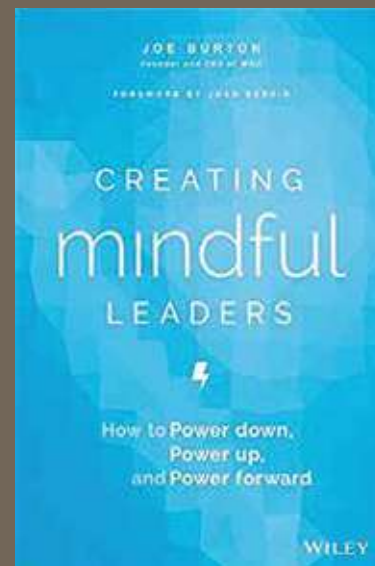
## About the Author

**Robert Greene** has a degree in classical studies and is the author of several bestselling books, including *The 48 Laws of Power*, *The 33 Strategies of War*, *The Art of Seduction* and *Mastery*. He lives in Los Angeles.

# CREATING MINDFUL LEADERS:

## HOW TO POWER DOWN, POWER UP AND POWER FORWARD

By: Joe Burton



**M**indfulness, emotional intelligence and resilience are the “must have skills” for modern leaders—yet many professionals are too stressed to know where to start. *Creating Mindful Leaders* provides deep insights and easy practices based in neuroscience, brain training and positive psychology to help professionals thrive in the “age of disruption.”

Written by a global COO turned successful tech entrepreneur, the book provides a roadmap to greater health, happiness and performance. It speaks to every professional wanting to reduce stress, achieve greater success and enjoy life more.

- The Book Offers immediately actionable techniques for professionals at all skill levels;
- Provides relatable, real-world advice;
- Helps build resilience while changing your relationship to stress;
- Shares a roadmap for sustainable performance in the face of ongoing change.

*Creating Mindful Leaders* provides an informed, humorous and expert peak into the sources of stress caused by the modern

pace of living and offers practical, actionable tools and techniques as the antidote to manage stress, increase resilience, and improve your wellbeing, performance, relationships, sleep and physical health.

### Reviews

“Since my late twenties my ‘go to’ secret weapon has been a twice daily practice of meditation. Here finally mindfulness, the goal of meditation, is de-mystified in a way that will draw others to a path from the person they are today to the one we all can become.”

—Rick Goings, Chairman & CEO, Tupperware Brands

“*Creating Mindful Leaders* is not your typical mindfulness book. Joe has made his mark and paid his dues in the corporate fast lane, and he brings an insider’s insights to this crucial topic. He is smart, irreverent, and has a wealth of stories to show what can happen when stress, ego and distraction get the best of us. If you think mindfulness is too wishy-washy for you, this book, research and advice will show why it’s a deeply transforming habit to help you to be successful in today’s business world without losing your soul.”

—Andy Lee, Chief Mindfulness Officer, Aetna

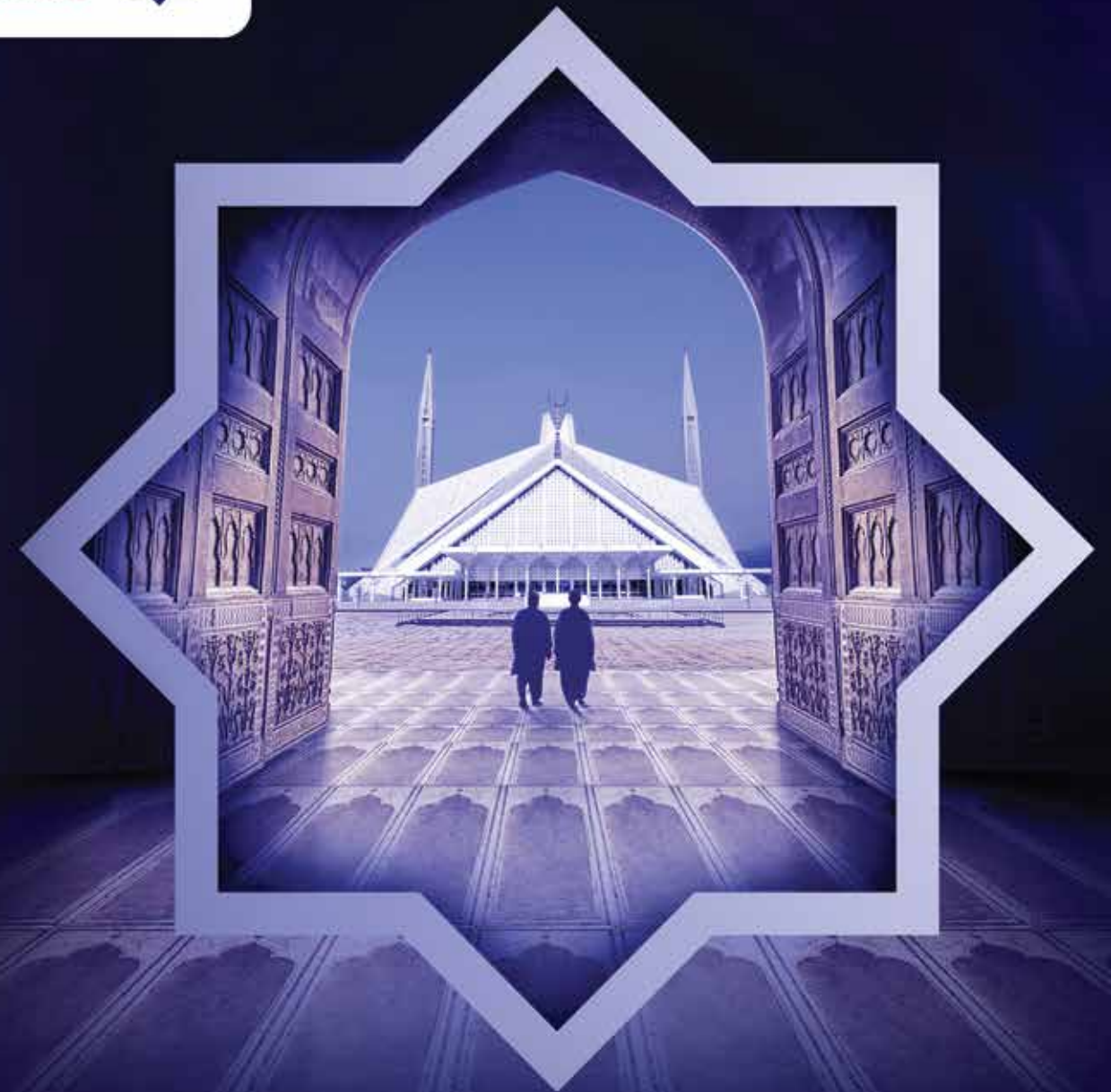
“This is a compelling call to action to bring mindfulness to the workplace. Burton shifts the mindfulness discussion from an individual activity to an organizational and leadership imperative. The book is easy to read and engaging, interweaving scientific findings, personal experience, and practical exercises from the company he founded.”

—Alexander Grunewald, Global Head, HealthTech Investment Strategy, Johnson & Johnson

### About the Author

**Joe Burton** is the founder and CEO of Whil, the world’s leading digital wellbeing training platform helping employees to reduce stress, increase resilience and improve their performance. He is an entrepreneur in the digital health space, former President of Headspace and spent fifteen years as a global COO in public companies. An alumnus of Harvard Business School, Joe is a renowned keynote speaker and contributor to *Forbes*, *Business Insider* and *HuffPost*.

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*"We ... in general and youngmen in particular do not know the value of money. A paisa saved today is two paisa tomorrow, four paisa after that and so on and so forth. Because of our addiction to living beyond means and borrowing money we lost our sovereignty over this Sub-continent."*

*Mohammad Ali Jinnah  
Founder of Pakistan  
(Ziarat, 1948)*



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