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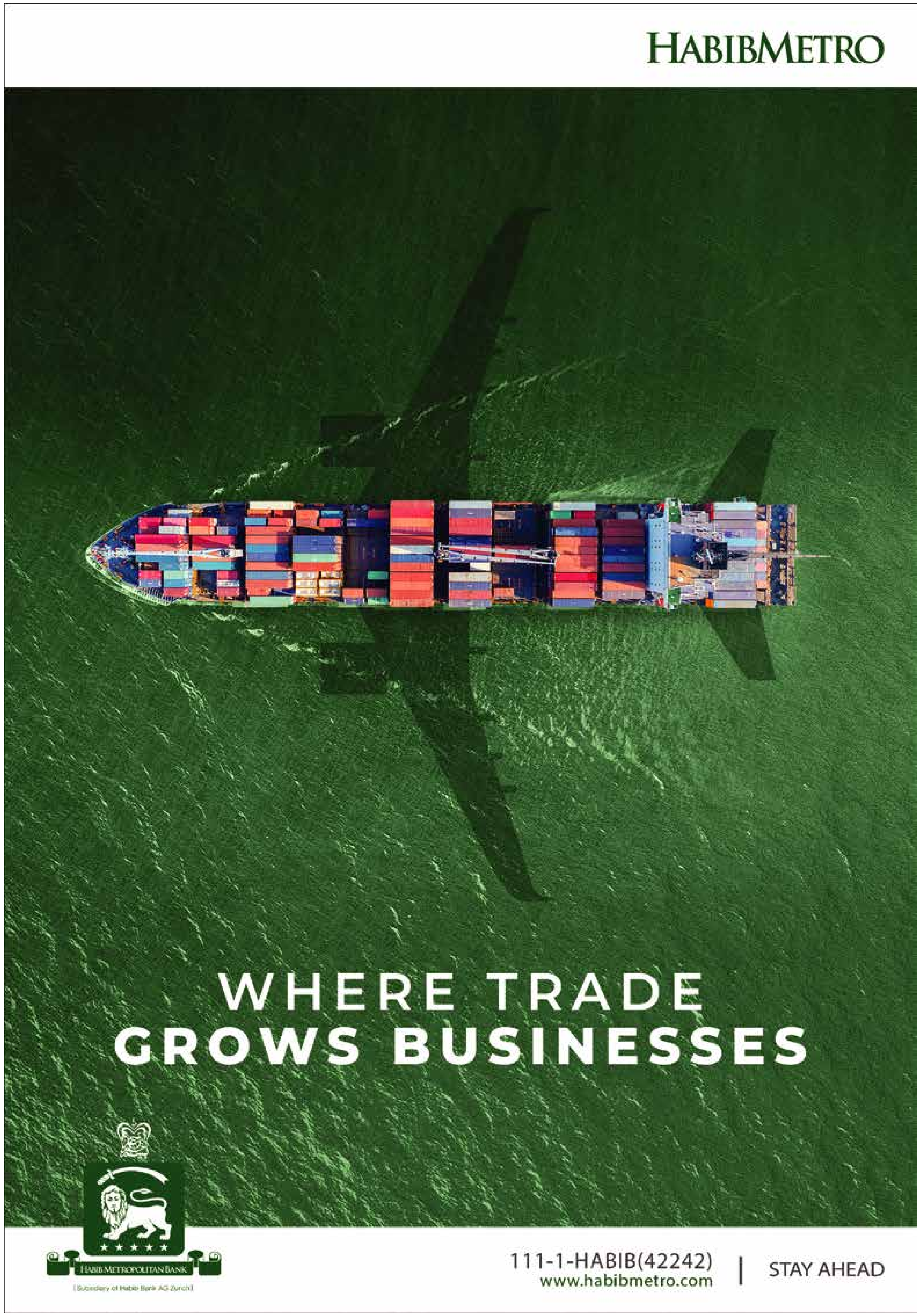
LEADERSHIP FROM A DIFFERENT PERSPECTIVE:
A Critical Analysis

COVID-19 & CREDIT RISK MANAGEMENT:
Challenges and Preparedness

CONSUMER CONFIDENCE SURVEY:
Reviewing Results of Surveys Conducted by SBP

PROVIDING PATRONAGE
to Whistle Blowing in Pakistan

IBP



EDITORIAL

Muhammad Mazherul Haq
Editor

Visible Impacts of the Invisible

"Twenty-Twenty is finished", this sounds captivating when any cricket tournament of this format is over, filled with joyful memories and celebrations. However, when looked at as a year, 2020 has portrayed altogether a different situation, marred with pandemic adversities badly impacting the health and wealth of individuals as well as nations across the globe. Ironically, the entire year had been dominated by the coronavirus disease (COVID-19) and many countries in the world are experiencing second or third waves of COVID-19 as they are entering into 2021.

Surfaced in November 2019 at Wuhan, China, the speedy spread spurred by heavier mobility of people on account of Christmas and New Year turned it quickly into a full-fledged pandemic declared by WHO on March 11, 2020. The authorities of almost all the countries, as a very first step, started to put restrictions on across the border mobility of the people by all modes of transportation, with immediate halt on air travel. Internally, they promoted the use of masks, placing particular emphasis on maintaining social distancing. However, with weaker masses' acceptability of these measures, the authorities had to impose partial and complete lockdowns, and even curfews at some places to abstain unchecked spread of this disease, which since its early outset started to pose considerably high life losses and dampened the economic activities ahead of any pessimistic estimates.

One of the World Bank's reports shows that by December 2020, the pandemic has pushed an additional 88 million people into extreme poverty (people living on less than $1.90/day) – and that figure is just a baseline. In a worst-case scenario, the figure could be as high as 115 million. The World Bank Group forecasts that the largest share of the "new poor" will be in South Asia, with Sub-Saharan Africa close behind. The ongoing economic fallout is hampering the ability of countries to respond effectively to the pandemic's health and economic effects. Even before the spread of COVID-19, almost half of all low-income countries were already in debt distress or at a high risk of it leaving them with little fiscal room to help the poor and vulnerable who were hit hardest.

To mitigate the fallout of the pandemic, the timely and calibrated policy interventions of the Government of Pakistan and the State Bank of Pakistan (SBP) seem to provide a conducive environment for economic recovery to take root. The immediate steps taken on fiscal side include expanding the outreach of the Ehsaas emergency program from 4.9 million to 12 million households and distributing Rs. 144 billion at Rs. 12,000 per household; providing a cash grant of Rs. 158 billion to 3 million daily wagers in the formal sector; allocating Rs. 50 billion for providing food items at subsidized rates to poorest people from Utility Stores; reducing all petroleum products' price: installments of electricity and gas bills' payment over three months; strengthening public hospitals' capacity to deal with the pandemic; tax refunds to exporters; and enhancing targets for wheat procurement to inject a cash stimulus to the rural economy, which have helped a lot in mitigating COVID-19 related adversities.

In addition to that, SBP policy measures allowed banks to strengthen resilience and limit credit risk despite the COVID shock, while businesses increasingly availed the Temporary Economic Refinance Facility (TERF), which provides financing at low rates for investment to support the recovery and long-term growth. Specifically, the amount approved under TERF by commercial banks increased to Rs. 263.8 billion as of December 24, 2020, while the approved amount for the SBP Rozgar scheme (to support employment and prevent lay-offs) increased to Rs. 238.2 billion by November 13, 2020. SMEs and small corporates accounted for nearly three-fourths of approved applications under the SBP Rozgar Scheme. The approved amount under the Refinance Facility for Combating COVID (which supports the health sector) increased to Rs. 8.4 billion as of December 31, 2020.

Similarly, the positive response to the SBP's Loan Extension and Restructuring Package continued, with applications of over 1.582 million borrowers approved for debt relief in the form of deferred principal repayment and/or restructured loans as of December 24, 2020. In particular, microfinance and SME borrowers derived substantial benefit from the Debt Relief Scheme. Nearly 99 percent of applications submitted by microfinance borrowers were accepted and an amount of Rs. 101.3 billion was approved for this segment; similarly, around 96 percent of applications submitted by SMEs were approved, with Rs. 27.5 billion approved for principal deferment and loan restructuring, as of December 24 2020.

The upside of COVID-19 has been the people's attitude towards facing these unprecedented challenges without showing any panic/chaos which provided ample space to policymakers on health and economics to do litmus tests. However, the negligence of the public towards observing social distancing and wearing the mask dampened the potential gain, if they had acted upon one of the many universal truths, i.e., "Precaution is Better than Cure".

Another aspect that revealed upfront is about knowing the unknown part of human behavior/capabilities best defined by Johari window; a psychological tool created by Joseph Luft and Harry Ingham in 1955. It tells how the situational forces unfold the power of unknown abilities already inscribed in human beings and the systems. Revelation of the strength of working from home (WFH), contrary to its earlier perception, emerged as an efficient way of attending office assignments with a lot of savings on account of commuting time, fuel expenses and environmental pollution, etc. Similarly, holding online meetings and conferences have also proved to be an efficient tool in achieving the desired objectives.

This pandemic has also been witnessed as a blessing in disguise at some places. In case of Pakistan, promotion of formal and digital channels played a major role in driving remittances up. The COVID-related international air travel restrictions also helped divert remittances from informal to formal channels. Contrary to the global trend of decline in workers' remittances flow to the recipient countries, an unprecedented growth was seen in Pakistan where workers' remittance has been recorded above US $ 2.0 billion per month during the past seven months.

Taking part in universal efforts against COVID-19, The Institute of Bankers Pakistan (IBP) is making extra use of IT interventions to conduct online training programs and conferences. Even during lockdown, IBP continued its knowledge sharing efforts and conducted online training sessions on important and fresh initiatives introduced by State Bank of Pakistan for the growth and development of the banking sector to deter this crisis-like situation. While the online training programs have been economical for the participants, they eventually raised the level of participation and spread of trainings. Higher number of participants were seen to have attended the online training programs from different cities and also took part in IT based self-tutorial programs available on IBP web.

Looking at COVID-induced habit of readers of spending more time on net browsing, we are adding some new features in IBP's Quarterly Journal to make it more attractive and engaging. The addition includes 'Rewinding the Reel' which contains glimpses from the past and a section on 'Projecting SBP Policies, Procedures and Publications'. Since I am a firm believer in the strength of feedback as a tool for bringing improvements, I would be greedily waiting for your comments on our fresh additions as well as the overall contents and standard of this publication. I welcome all the readers on my joining IBP as an Editor and Head of Publications & Communication and my team and I are always happy to reflect upon your feedback to further improve the quality of upcoming issues, and making the impact of the invisible more visible.

The Contributors

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Muhammad Mazherul Haq
is a profound central banker who spent 31 years in learning and sharing knowledge at State Bank of Pakistan in various capacities. Having served in 10 different departments, he worked both at core as well as support sides of the Bank. By virtue of leading innovations in a number of processes, he bagged recognitions from the Governors and the Board. At his last lap, as Director Currency Management Department, he had been instrumental in establishing state of the art Automated Cash Processing Center at State Bank of Pakistan.

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Deputy Governor SBP Launches Certification Courses at IBP

The Institute of Bankers Pakistan (IBP) held the Launching ceremony of Certification courses of Housing Finance on Thursday, October 29, 2020 at Head Office, Karachi. Deputy Governor, State Bank of Pakistan (SBP) Ms. Sima Kamil graced the occasion as Chief Guest.

The address by the Deputy Governor traversed many themes. At the outset, Ms. Sima Kamil lauded the role and contribution of IBP for enabling the financial institutions to move forward with an energized and creative workforce. She highlighted the lead role of Steering Committee on Housing and Construction Finance it played in preparing a roadmap to ensure sustainable availability of market-led financing of housing projects. The Deputy Governor also spoke on the measures taken by the Government and the SBP for the development of housing finance sector. Ms. Kamil elaborated at length about targets and incentives given by the Central Bank to promote the Housing Finance Sector besides stressing upon the need for training for capacity building of banking staff in the housing finance sector. She asked the participants to take fuller advantage of IBP's training and certificate programs on various topics including Housing Finance.

Earlier, Chief Executive of IBP, Mr. Mansur-Ur-Rehman Khan welcomed the Chief Guest and other participants. In his welcome address he elaborated upon the methodology IBP adopts for developing and delivering courses for the banks, including engaging of expert resources from SBP and commercial banks. He highlighted and appreciated the efforts of the teams engaged in the development of certificate courses of Housing Finance. He also lauded the initiatives taken by the Government of Pakistan and SBP for the development of Housing Finance Sector.

IBP, with due guidance from the SBP, has formulated the four certificate courses on Housing Finance Legal Framework, Mortgage, Monitoring & Documentation for the following banking officials:

- Front Office Staff;
- CAD Staff;
- Collection and Recovery Staff; and
- Credit Risk and Product Staff.

The first phase of these courses was completed in November 2020.

A memento was presented to Ms. Sima Kamil. The ceremony concluded with the Vote of Thanks by Mr. Arsalan Aftab, Director Academics and Examinations at IBP.

The Ceremony was also attended by Presidents of Banks, Committee Members of Council of IBP and other prominent bankers. The session was compered by Ms. Shahla Naqvi, Manager Publications and Communication, IBP.

Trainings Scenario

During the quarter ended December 31, 2020, 36 Online Regular Training programs and 12 Customized Training programs, including Housing Finance Certificate Courses, were held which were attended by more than 1500 participants. Significant topics of trainings include: BASEL III, IT Audit, Fair Treatment of Customers, SME Financing, FATF and AML Requirements in Pakistan, SBP Guidelines, Complaint Handling and Resolution and IFRS-9.

Continuing with its regular trainings, the Institute organized special webinars to promote initiatives by the Central bank as well as sessions to support the health and well-being of professionals.

A webinar on Meezan Roshan Digital Account and Islamic Naya Pakistan Certificates in collaboration with State Bank of Pakistan, Meezan Bank Ltd. and CFO Club was held on November 17, 2020 with a distinguished panel of experts, which included Ms. Sima Kamil, Deputy Governor State Bank of Pakistan and Mr. Irfan Siddiqui, President and CEO Meezan Bank Limited. The webinar was attended by significant number of participants both from Pakistan and overseas. The elite panelists enlightened the objectives and efficacy of Roshan Digital Account and Naya Pakistan Certificates.

On 29th December, 2020 a webinar in collaboration with CFO Club was held on Executive Health and Wellness, which was attended by significant number participants via social media. The panelists highlighted the importance of a balanced diet, exercise and medical check-ups in the busy lives of professionals, particularly in the current pandemic scenario. The webinar was highly appreciated by the participants.

Mr. Faisal Hussain of IBP Recognized as One of the Leading CIOs in Pakistan

IBP is delighted that Mr. Faisal Hussain, Director Research and Development, has been recognized among the leading CIOs of Pakistan during the ceremony held by Global CIO Forum on December 11, 2020 on behalf of the World CIO 200 Summit.

The World CIO 200 Awards are a multi-country CIO felicitation ceremony that recognizes the achievements of the 'Digital Leaders' of today. The CIO 200 Awards is not a competition but a celebration, that cheers the amazing lives of the CIOs and their career span. After touring fifteen countries in 2019, the 2020 roadshow is touring 26 countries.

Answers to 'Twiddle With a Riddle'

Here are the answers to the Crossword puzzle which appeared in the July-September 2020 issue of IBP Journal.

- Balance
- KIBOR (backwards)
- Cargo
- Hire
- Lien (diagonal)
- Equity
- Cent
- Pawn
- CEO
- Pledger (Backwards)
- Pledge (Backwards)
- Ledger (Backwards)
- Markup
- Provision
- Vision
- Signature
- Branch
- CAR
- ACR
- NPL
- Borrow
- Margin (Diagonal)
- Key
- Par
- Geek
- Sign
- Home

SBP'S INNOVATIVE INVESTMENT INCENTIVES FOR PAKISTANIS LIVING ABROAD

i) Roshan Digital Account (RDA)

Acknowledged as the start of New Era of Banking in Pakistan, Roshan Digital Account is a major initiative of State Bank of Pakistan, in collaboration with commercial banks operating in Pakistan. These accounts provide innovative banking solutions for millions of Non-Resident Pakistanis (NRPs) seeking to undertake banking, payment and investment activities in Pakistan including investment in Naya Pakistan Certificates.

Fully Digital Account Opening and Operations	Claimed to be a lifestyle banking

For the first time in Pakistan's history, NRPs are being provided an opportunity to remotely open an account in Pakistan through an entirely digital and online process without any need to visit a bank branch. Opening of the account will require only a basic set of information and documents. Banks have been asked to complete all necessary customer due diligence within 48 hours.

The Roshan Digital Account fully integrates the Pakistani diaspora with Pakistan's banking and payment system by:

Providing digital access to all conventional account services including funds transfer, bills and fee payments and e-commerce; Enabling investment in Pakistan's stock market; Opening up investment opportunities in the Pakistani property market very soon, including both commercial and residential real estate.

Accounts Available in Both Foreign Currency and Pakistani Rupees

The customer can choose either a foreign currency or rupee-denominated account, or both. For NRPs, these accounts would be interoperable and enable real-time online conversion from foreign currency to Pakistani Rupees and vice versa.

Resident Pakistani Can also open RDA by physical visit to the participating Bank

Resident Pakistanis who have declared assets abroad with FBR can open a Foreign Currency Roshan Digital Account by visiting branches of Bank Alfalah, Faysal Bank, Habib Bank, MCB, Meezan, Samba, Standard Chartered, and UBL. Through this account, among other facilities, they will be able to invest in USD-denominated Naya Pakistan Certificates, the newly-launched debt securities of the Government of Pakistan offering attractive returns over different maturities.

The standard account opening process for resident Pakistanis will apply. In addition to standard documents required for KYC/CDD, either (i) the latest wealth statement filed with FBR showing declaration/disclosure of assets held abroad or (ii) a signed affidavit stating the value of assets held abroad as declared in the latest wealth statement filed with FBR will be required.

Fully Repatriable

Funds available in the account can be remitted back from Pakistan without any approval from the bank or SBP.

ii) Naya Pakistan Certificates (NPCs)

Naya Pakistan Certificates (NPCs) are USD and PKR-denominated sovereign instruments issued by the Government of Pakistan specially for enabling investment by Non-resident Pakistanis. Resident Pakistanis who have declared assets abroad with FBR can also invest in USD-denominated NPCs. To do so, they can open a Roshan Digital Account in foreign currency by visiting a bank branch in Pakistan

NPCs offer attractive risk-free returns over different maturities of Pakistan.

3-Month	6-Month	12-Month	3-Year	5-Year
USD (%, Annualized)				
5.50	6.00	6.50	6.75	7.00
PKR (%, Annualized)				
9.50	10.00	10.50	10.75	11.00

On NPC, only a 10% withholding tax on profits is applicable that is full and final. No filling of tax return is required.

They are available in both conventional and Shariah compliant versions and administered by the State Bank of Pakistan.

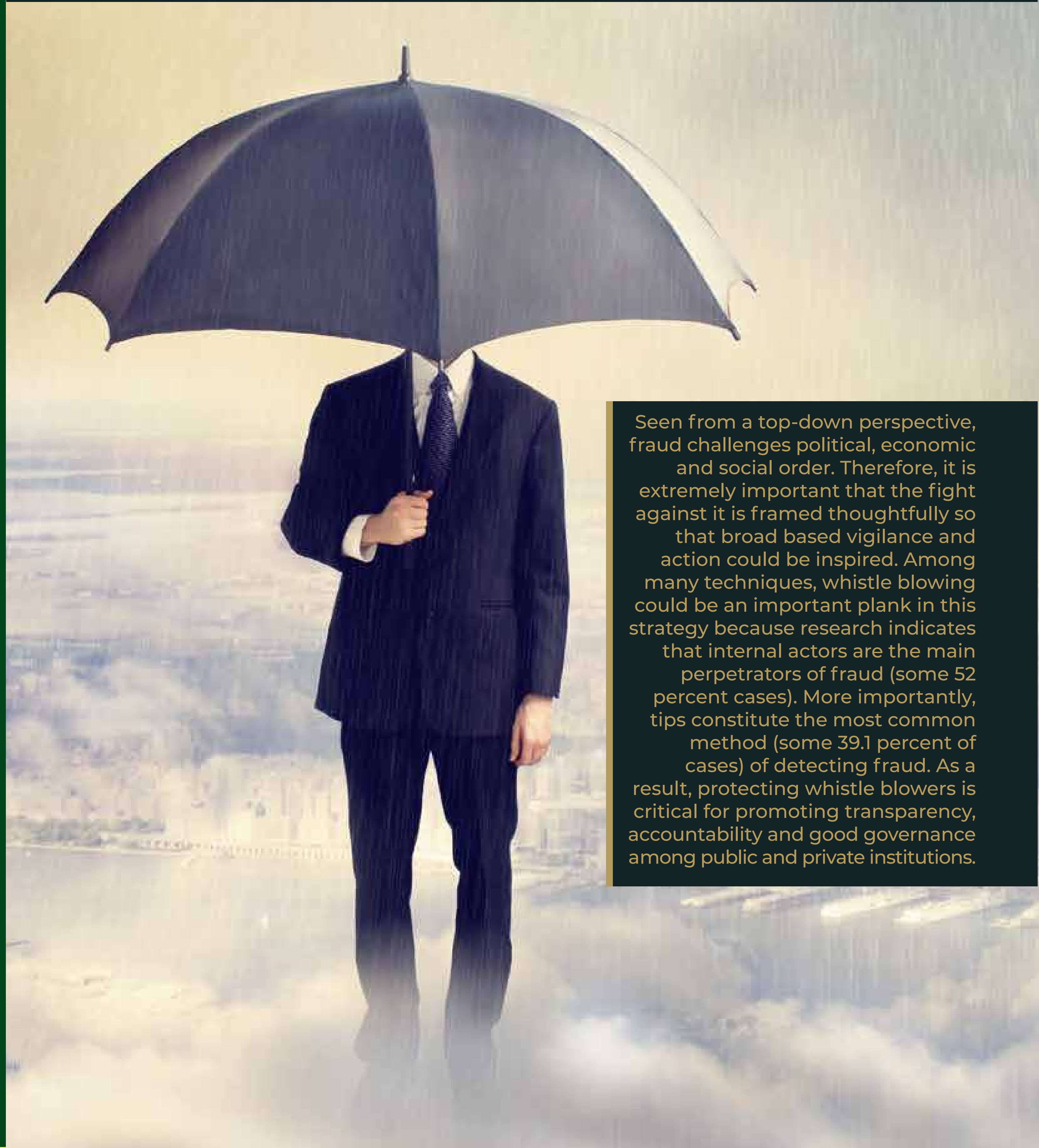
Islamic Naya Pakistan Certificates
(Shariah Compliant Version)

- INPCs are based on a Mudaraba structure whereby the investor invests in a Mudaraba pool that is used to extend financing to the Federal Government.
- Investment is remunerated from the profits earned by this pool.
- For this purpose, Federal Government has created a Limited Liability Company fully owned by it.
- This company is housed and managed by the State Bank of Pakistan (SBP) on the basis of a mandate given by the company's Board.
- Since INPCs are offered in both USD and PKR denomination, the company maintains separate Mudaraba pools for USD and PKR.

Further detail is available at https://www.sbp.org.pk/RDA/index.html and https://www.sbp.org.pk/RDA/FCRDARP.html

PROVIDING PATRONAGE
to Whistle Blowing in Pakistan

By: M. Subtain Raza, CFE, CAMS



Seen from a top-down perspective, fraud challenges political, economic and social order. Therefore, it is extremely important that the fight against it is framed thoughtfully so that broad based vigilance and action could be important. Among many techniques, whistle blowing could be an important plank in this strategy because research indicates that internal actors are the main perpetrators of fraud (some 52 percent cases). More importantly, tips constitute the most common method (some 39.1 percent of cases) of detecting fraud. As a result, protecting whistle blowers is critical for promoting transparency, accountability and good governance among public and private institutions.

Estimates released by Association of Certified Fraud Examiners (ACFE) show that the global cost of corruption and fraud is more than $2.9 trillion per year. Both theoretical and empirical studies point to a strong negative correlation between the perception of corruption and fraud in a country and its rate of economic growth. Some of the channels through which adverse economic impact is galvanized include higher cost of doing business in a country since bribes are an ex ante tax on capital reducing all future returns. Fraud lowers revenue collection and impairs capacity of the state to fund maintenance of law and order, and enforce contracts. Fraud promotes secrecy, underground economy, money laundering and capital flight impeding capital formation. It diverts resources from investment in human capital to infrastructure projects, which are more amenable to corruption. In any case, funds destined for 'public spending' on health and education are embezzled by resourceful persons excluding the poor, perpetuating poverty and skewing wealth distribution in a society. Corruption and fraud erode public trust, corrode social capital, undermine trust in playing by the rules and actualize arbitrary state action that inspires conflict rather than resolve it. In short, fraudsters challenge and shake the very foundations of a state and increase local and global fragility. Fraud adversely affects private businesses in terms of employee morale, business relations, reputation/brand strength, relations with regulators and share price (PricewaterhouseCoopers PWC).

Like other developing countries, the challenge for Pakistan lies in improving its governance so that non-trivial wrongdoing could be alleviated providing sound basis for increased private investment and faster economic growth.

Definition of Whistle Blowing

Hirschman (1970) identified whistle blowing with the act of dissent. According to him, when facing degenerative behaviors in organizations, employees might react in three different ways:

Exit: the standard response to dissatisfaction with economic entities, for instance, leaving one's position by seeking a transfer or resigning.

Voice: expressing one's concern or disagreement. It is the usual way to deal with dysfunctional social and political organizations. In both cases the means of expression are mechanisms to relieve the individual's discontent and to give signals that will allow the organization to heal itself.

Loyalty: a clearly distinct course of action which condenses into complete or partial compliance with questionable behaviors.

The definition of whistle blowing is as under;

Whistle blowing is a deliberate non-obligatory act of disclosure, which gets onto public record and is made by a person who has or had privileged access to data or information of an organization, about non-trivial illegality or other wrongdoing whether actual, suspected or anticipated which implicates and is under the control of that organization, to an external entity having potential to rectify the wrongdoing.

"Whistle blower" is defined as a man or a woman who, believing that the public interest overrides the interest of the organization he/she serves, blows the whistle that the organization is involved in corrupt, illegal, fraudulent or harmful activity.

Whistle Blowing Regime in Pakistan

On November 02, 2017, the President of Pakistan gave his assent to Act No. XXXVI of 2017 - Public Interest Disclosure Act 2017 ("Act") - approved earlier by both houses of the parliament. The Act provides a mechanism for public interest disclosure to arrest corruption and protect whistle blowers. Below is evaluation of the Act on the basis of G20 best practices formulated by Wolfe et al. (2014).

> Research indicates that whistle blowing plays a key role in detecting fraud, the world over. It is therefore incumbent upon governments to protect whistle blowers through legislation. Examining Pakistan Public Interest Disclosure Act 2017 on best practices reveals some key areas requiring further improvement.

Benchmarking Pakistan Public Interest Disclosures Act 2017 on Best Practice Criteria

#	Best Practice Criteria for Whistle Blowing Legislation (Wolfe et al., 2014, p.3)	Assessment of Public Interest Disclosures Act 2017 of Pakistan
1.	Broad coverage of Organizations	The Act provides a broad coverage of public sector organizations. However, coverage of the private sector entities is left to discretion as they would need to be specified by notification in the official Gazette *(Ch I, ss.2e).*
2.	Broad definition of reportable wrongdoing	The definition of reportable wrongdoing in *Ch I, ss.2c para i & ii* could have been more elaborate covering any dangerous activities, legal, regulatory and ethical breaches as well as losses due to incompetence. For instance, breaches in relation to violations of food, health, safety, unfair competition and environmental laws, and commission of criminal offences should be included.
3.	Broad definition of whistle blowers	Again, the definition provided in *Ch I, ss.2f* is wanting. A broad definition would include consultants, contractors, temporary employees, job applicants, and persons who have been blacklisted by the entities.
4.	Range of internal / regulatory reporting channels	The only reporting channel provided in the Act is the 'Competent Authority' heading the same department against which the complaint is being made or its nominee. The competent authority is given 'exclusive jurisdiction' on trial of the disclosed matter with powers of a civil court. While no disclosures can be made that are construed as breaches of privileges attached to elected offices, privileged are bound to partake in civil court proceedings if required. Further, the Act is silent on the 'right of appeal' outside the organization against the competent authority. (see *Ch I, ss.2a, Ch II, ss.3(1,6), Ch III, ss.7,8,9, Ch. V, ss. 19*).
5.	External reporting channels (third party/public)	The law is silent on external reporting channels arguably implying that protection does not extend to the disclosures made publicly or to third parties such as Member Parliament, media and civil society organizations.
6.	Thresholds for protection	Chapter *VI, ss.20* of the Act provides reasonable protection against all actions undertaken in good faith under the Act. Yet, it will be helpful if along with 'competent authority', the word 'complainant' is also specified among those who are protected. Also, *Ch. V, ss. 16* prescribes punishment for false or frivolous disclosure, which is understandable.
7.	Provision and protections for anonymous reporting	The Act rules out processing anonymous or pseudonymous disclosures (See *Ch. I, ss.3(5)*), which contravenes best practices.
8.	Confidentiality protected	*Ch. IV, ss.12* and *Ch. V, ss.15* reasonably protect the identity of the complainant and confidentiality of the disclosures made.
9.	Internal disclosure procedures required	The Act provides some procedures for internal disclosures and powers of the competent authority (e.g., *Ch II, ss. 3(3 &6), 4,5, Ch.IV, ss.13*) and creates scope for issuing additional rules pertaining to this matter (*Ch. VI, ss. 22,23,24*).
10.	Broad retaliation protections	*Ch. IV* broadly deals with and provides protection to complainants and witnesses against adverse employment action, harassment or direct reprisals. However, protections against lawsuits, prosecution or other legal proceedings are extended in *Ch. VI, ss. 20.* It is recommended that like the 'competent authority', the word 'complainant' should be clearly mentioned among those protected against lawsuits.
11.	Comprehensive remedies for retaliation	Somewhat limited remedies are provided to whistle blowers in case of retaliation. For instance, *Ch. IV, ss.10(3)* shifts the burden of proof against victimization of the complainant to the employing 'organization'. *Ch. IV, ss.10(5)* provides remedy of restoring the complainant to the status quo ante in case of victimization. The Act is silent on compensation rights or civil remedies for whistle blowers who suffer detrimental action.

12.	Sanctions for retaliators	The Act provides limited sanctions for retaliators. *Ch. IV, ss.10(6)* provides for penalties of up to Rs. 500,000 ($4,400) for any person who willfully does not comply with the direction of the 'Competent Authority' to protect the 'complainant' from victimization. This compares with the median fraud size in South Asia of $100,000 (ACFE 2016).
13.	Oversight authority	The Act in its present form does not provide oversight by an independent whistle blower investigation/complaints authority or tribunal.
14.	Transparent use of Legislation	*Ch. VI, ss.21* provides for preparation of an annual report on disclosures under this Act to be laid before each House of Parliament.

> "The Government of Pakistan introduced, on May 02, 2019, a bill to establish the Whistle Blower Protection and Vigilance Commission ('the Commission') to the National Assembly. The bill aims to facilitate whistle blowers in providing information relating to corruption to the Commission and provides protection and redress for any disadvantageous measures that whistle blowers may face."

Research indicates that whistle blowing plays a key role in detecting fraud, the world over. It is therefore incumbent upon governments to protect whistle blowers through legislation. Examining Pakistan Public Interest Disclosure Act 2017 on best practices reveals some key areas requiring further improvement. The Act does not provide a broad coverage of organizations, entertain anonymous complaints, facilitate a range of options for whistle blowers to report internally or externally, establish an oversight authority and provide opportunity for independent judicial review. In the event, the only reporting channel as well as the investigating authority, the 'competent authority', which is internal and potentially the head of the organization or its nominee assumes a substantial role and a prohibitive power. It is recommended that the legislation be reviewed to alleviate the above shortcomings. In particular, the Act is extended to include whistle blowers in the private sector and an independent external reporting channel is constituted under one of the existing specialized institutions that deal with fraud, preferably, the National Accountability Bureau. This would promote confidence, transparency and credibility.

Whistle Blower Protection and Vigilance Commission

The Government of Pakistan introduced, on May 02, 2019, a bill to establish the Whistle Blower Protection and Vigilance Commission ('the Commission') to the National Assembly. In particular, the bill aims to facilitate whistle blowers in providing information relating to corruption to the Commission and provides protection and redress for any disadvantageous measures that whistle blowers may face, including dismissal from employment, blacklisting and intimidation. In addition, the bill empowers the Commission to make regulations, provides the Commission with all the powers of a Civil Court under the Code of Civil Procedure, 1908 (Act No. V of 1908) when assessing whistle blowing complaints and states that every proceeding before the Commission will be deemed a judicial proceeding.

Furthermore, the bill incentivizes whistle blowers to submit information to the Commission with a financial reward, while providing that false whistle blowing claims may result in imprisonment for up to two years, a fine of PKR 500,000 (approx. €3,000), or both.

State Bank of Pakistan's Stance on Whistle Blowing

Annexure – 1 of SBP BPRD Circular No. 03 dated February 20, 2014 relating to "Fraud Risk Management and Reporting" has highlighted that banks should formulate and implement 'whistle blowing program', duly approved by their respective Boards, in order to enable bank's staff and outside parties such as shareholders, vendors, customers etc., to report their concerns against irregularities, financial malpractices, frauds & forgeries, personnel harassment, improper conduct or wrongdoing without any fear of reprisal or adverse consequences. In this regard, whistle blowing unit may be formed under supervision of Audit Committee of the Board for receiving, handling and monitoring allegations and concerns raised by the whistle blower. The whistle blower program should contain, at minimum the following:

- Scope of the program
- Independence of whistle blowing unit
- Procedures for lodging complaints
- Communication channels for lodging complaints
- Complaints handling procedure
- Confidentiality
- Protection & reward for complainants
- Disciplinary actions against deliberate false complaints
- Reporting requirements
- Review & updation of policy

> "The Code of Corporate Governance (the Code) issued by the State Bank of Pakistan (SBP), has highlighted that banks should formulate and implement 'whistle blowing program', duly approved by their respective Boards, in order to enable bank's staff and outside parties such as shareholders, vendors, customers etc., to report their concerns against irregularities, financial malpractices, frauds & forgeries, personnel harassment, improper conduct or wrongdoing without any fear of reprisal or adverse consequences."

Adopting the Whistle Blowing Policy by Banks

While almost all the banks are complying with the SBP's policy instructions on whistle blowing, guidelines issued by a commercial bank are being reproduced below:

The purpose of these whistle blowing guidelines is to provide a mechanism to bank's stakeholders (employees, customers, vendors, etc.) to report any activity which in their opinion may cause financial and/or reputational loss to the bank. The major objectives of whistle blowing policy can be classified as:

- To provide an environment whereby stakeholders feel confident to blow the whistle without any fear of reprisal, subsequent discrimination and of being disadvantaged in any way;
- To develop a culture of accountability and integrity;
- To create awareness amongst stakeholders regarding the whistle blowing function; and
- To be a source of early warning signal.

Scope

The scope of these guidelines includes, without limitation, disclosure of all types of unlawful acts/orders, fraud, corruption, misconduct, collusive practices or any other activity which undermines bank's operations, financial position, reputation and mission.

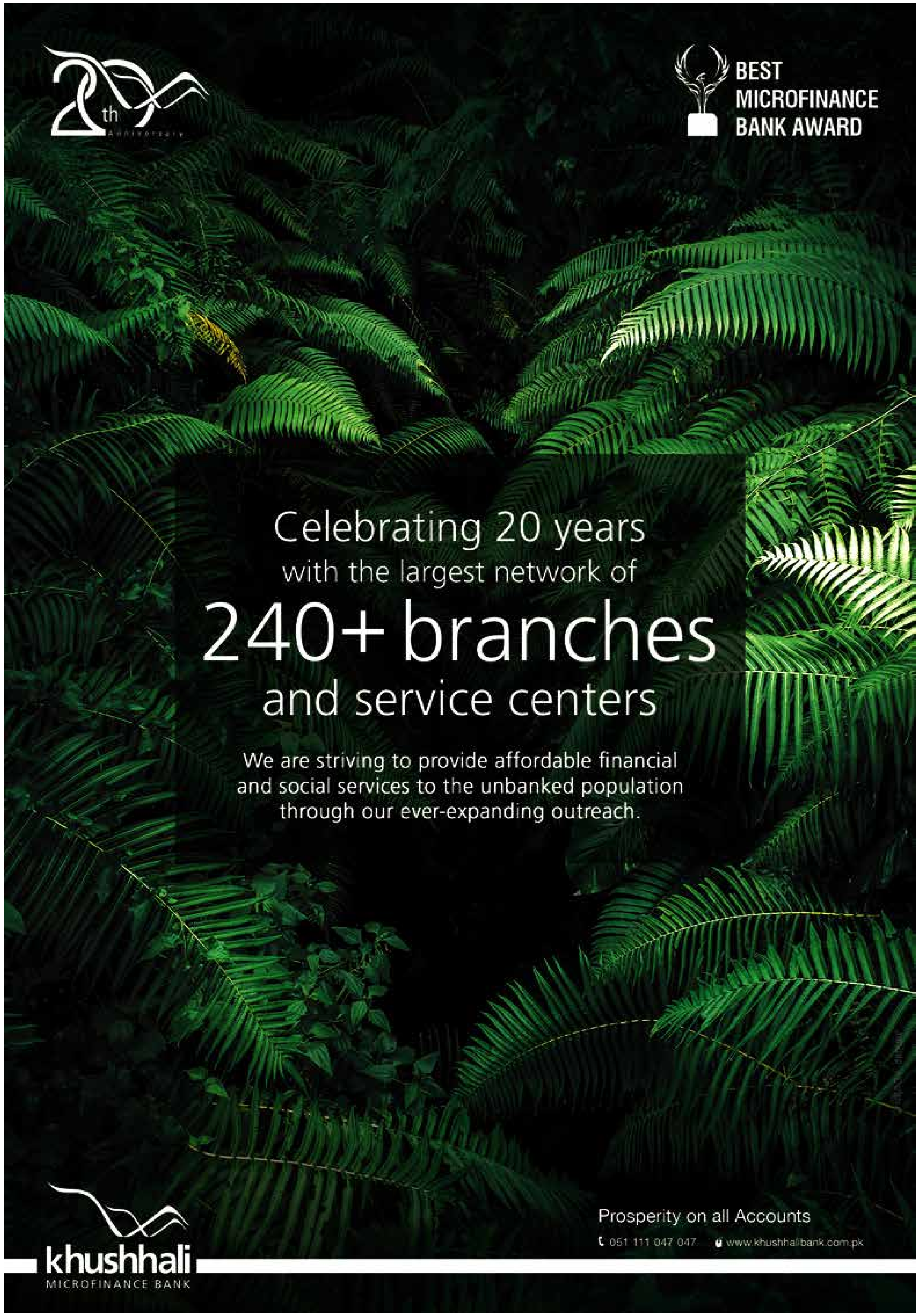
Who Must Blow the Whistle and How?

It is the responsibility of each and every stakeholder of the bank, instead of limiting it to a particular department or senior management only, that if any stakeholder observes any suspicious, fraudulent or unethical activity, transaction or act that may cause a potential threat to the bank or could be against the interest of the bank, he/she must immediately report this to Whistle Blowing Unit through various modes including but not limited to MBL website, e-mail, fax, mobile and landline.

Confidentiality & Protection of Whistle Blowers

The whistle blowing mechanism has been designed to ensure complete confidentiality of the entire process and also enables the bank to take immediate corrective measures. Identification of the whistle blower is kept completely confidential except as required by law or who have legitimate right to know. The bank stands committed to protect whistle blowers for whistle blowing and any subsequent harassment or victimization of the whistle blower is not tolerated.

The whistle blowing policy is just as important today, if not more, than it was in the past. With the innovative working mechanisms in organizations, particularly on the digital fore, the policy not only needs to be implemented but revisited to ensure that its purpose is not defeated. ■



COVID-19 & Credit Risk Management

Challenges and Preparedness

By: Pervez Kamal

The ongoing COVID-19 pandemic has profoundly impacted the world, altering the way we live, work, interact, travel, conduct trade, commerce, businesses and arrange finances. The government's initial combative measures of lockdowns and confinement at home halted all commercial, productive and economic activity, triggered widespread unemployment and loss of earnings, the effects of which have been severe and continue to evolve and unfold day by day. A drain on health care systems globally, the pandemic has broader unprecedented adverse impacts on the economy, infrastructure and society; it significantly affected the financial services sector in a way that arguably surpasses the 1929 stock market-crash and 2007-9 financial sector crises. Credit Risk Management during the age of COVID-19 pandemic is an absolute challenge. Marred with multiple credit risk deteriorating developments – sudden steep unemployment, ascending bankruptcies and all-time high level of debts warrants managers to be extra vigilant in handling unprecedented situation. The banks and financial institutions face severe and increasing credit risks in varying degrees across almost all asset classes with enormous challenges, thrusted into it with several unknown factors and a rapidly unfolding environment.

Miscreants try to take advantage of a crises-like situation and attempt to creep in the newly introduced incentive schemes and compensation packages which inherently contain the element of empathy.

This crisis possesses a myriad of risk management issues to deal with: downwards credit quality, soaring distressed assets, increasing probability of default manifesting itself into higher loan loss provisioning, capital adequacy and regulatory compliances, underwriting, monitoring and collection strategies. Moreover, the risk factor increases for money laundering and terrorist financing.

Governments' and Central Banks' Responses to Pandemic Crisis

In response to pandemic led crisis, regulators in respective countries globally, including Federal Reserve, EU, Office of the Superintendent of Financial Institutions (OSFI) and others introduced various relief measures to counter and support the economy and the financial sector by cutting interest rates, payments to citizens in support of large scale job losses, injecting liquidity into the market, credit extensions and deferrals, capital easing and temporary relaxation of regulations.

Specifically, in Pakistan's case the State Bank of Pakistan (SBP) acted promptly, providing comprehensive relief through cumulative easing in policy interest rates by 625 basis points and announcement of different measures to be adopted by the banks to address the economic and health challenges posed by the spread of COVID-19. Consequently the banks by 2nd week of December, 2020 deferred loans of Rs. 657 billion and restructured Rs. 215 billion, extended employment support loans for wages Rs. 238 billion, and loans of Rs. 7.8 billion and Rs. 86.2 billion for hospitals and investment purposes, respectively. Besides, an array of other relief measures providing support and relief including: reduced banks' capital conservation buffer, increased loan limits for housing microfinance, extended credit limits for lending to SME's, relaxed rescheduling and rescheduling periods, reduction in margin calls and extended time frames to exporters for exporter-finance repayments, and F.C. settlements all contributed to easing the situation.

> "The State Bank of Pakistan (SBP) acted promptly, providing comprehensive relief through cumulative easing in policy interest rates by 625 basis points and announcement of different measures to be adopted by the banks to address the economic and health challenges posed by the spread of COVID-19."

To create awareness and mitigate COVID-19 related credit risks, SBP is keeping a close vigilance on the emerging scenarios and continuously updating the banks and financial institutions on impending threats and helping them in finding their solutions. Risks pertaining to money laundering, financing for terrorism and proliferation financing which are feared to be attempted through non-conventional channels are collectively being mitigated in the lead of Government of Pakistan (GOP). Under the existing arrangements, SBP Issues notifications/guidelines to banks and financial institutions to follow the GOP Statutory Regulatory Orders (SROs) issued for implementation of United Nations Security Council (UNSC) resolutions on Anti Money Laundering (AML), Combating the Financing of Terrorism (CFT) and Proliferation Financing Activities (PFA).

Measures to Enhance Cyber Resilience Amid COVID-19 Threat

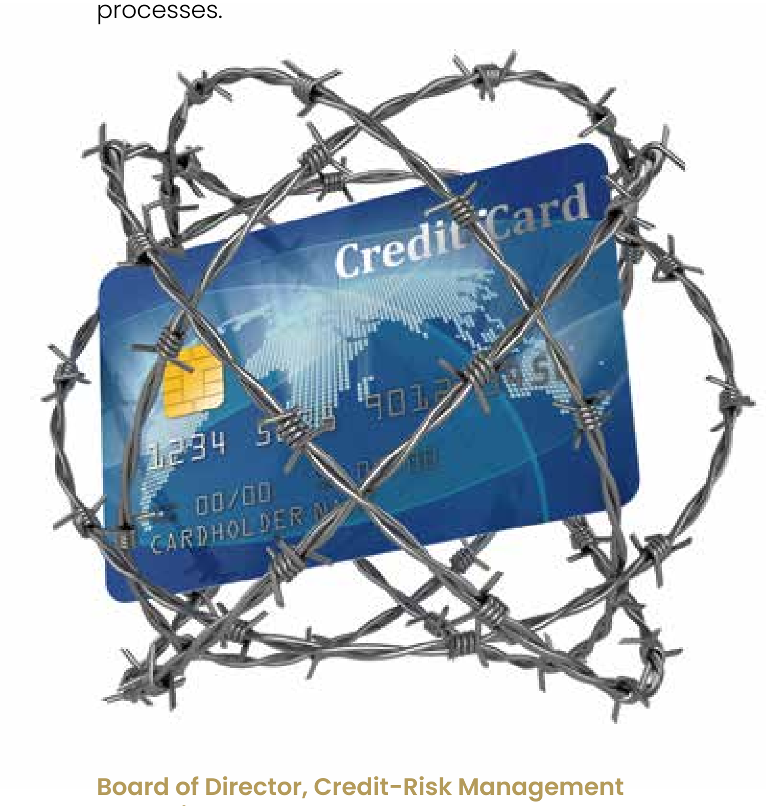
Payment System Department, State Bank of Pakistan has, at the very outset, issued instructions to the banks to enhance cyber resilience amid COVID-19 threat by advising the banks that the pandemic is forcing organizations to adapt to innovative ways of working and financial institutions are no exception. Accessing the organization's IT systems and business applications from outside the trusted business network through remote access, (teleworking/work-from-home) introduces new business challenges as well as increases the level of cyber threats. To ensure continuity of business operations, financial institutions shall exercise due diligence and implement stronger and robust cyber security measures to counter cyber risks associated with remote access functionality.

In this regard, Banks/MFBs and PSOs have been advised to strictly adhere to the cyber/information security requirements laid down in BPRD Circular No. 05 of 2017, PSD Circular No. 09 of 2018 and other relevant instructions issued from time to time. In addition, Banks/MFBs and PSOs are advised to implement following measures on urgent basis. Details may be seen at https://www.sbp.org.pk/psd/2020/C3.htm

Response /Actions Needed by the Financial Institutions to Control/Mitigate Risks

That brings us to the question: what must the institutions do to address immediate and long-term arising credit risk issues? The answer lies in what has been learnt from previous crises, the best practices, back to basics and modified analytics which at the bare minimum should have: the mantra of identifying, measuring, monitoring and controlling risks, applying various tools learned since the last crisis – Value at Risk (VAR), Risk Weighted Assets (RWA), Probability of Default (POD) and a brisk understanding of credit risk impact should be guiding principles.

Any strategic approach should begin with the realization that warrants a reality test-based, pro-active effective approach to minimize and mitigate risks: the need to go back to basics i.e. independent loans and credit reviews, amend modelling inputs to quantify the probability of default and loan loss reserves, redefine-review risk appetite and credit policy to reflect existing-future needs, reinforce credit risk monitoring teams and underwriting processes and revamp follow up/settlements/recovery teams and processes.



Board of Director, Credit-Risk Management Committee and CRO's Role:

Board members, CRM Committees, CROs need to act in tandem and quickly to review and realistically re-set institutional risk-appetite as compulsion arising out of COVID-19 crisis's effects and a continuously changing business landscape to provide guidance on the following lines:

***Re-Set, Define and Guide Risk Appetite and Credit Policy/Procedures Guidelines*:**

- This is essential as it is the prism upon which institutions base their business objectives, bottom line targets, credit decisions, risk limits and capital allocations.

- Unlike periodic annual reviews of credit policy, it is imperative that senior management and board of directors act on priority to shift in response, review and adjust risk appetite, credit policy, procedures and processes enabling CRM management and Credit Reviews/Risk Rating/Line Management teams to get into action.

- The institutions may devise an interim policy defining risk-appetite thresholds aligned with regulatory responses to re-calibrate portfolio risk, enabling realistic loan risk ratings.

- Equally important will be to define guidelines for reassessing risk-ratings and initiate a cohesive reassessment approach as default probability increases from quantitative and qualitative factors.

- It will be vital to explain how credit risk review works and who is assigned for it and ensure its institution-wide understanding across all teams' origination through to CRM.

- Another crucial factor will be to ensure independence of risk-ratings and to be able to challenge to first line-of-defense risk review.

- How soon and clearly it is defined and guided will be critical for its implementation, effectiveness and success.

> "SBP is keeping a close vigilance on the emerging scenarios and continuously updating the banks and financial institutions on impending threats and helping them in finding their solutions."

Credit Assessments, Loan Reviews and Risk Ratings for Maintaining Credit Quality

Credit reviews and risk rating teams must be mobilized, adequately guided and briefed on the revised policy procedures to be able to play a key role in performing an in-depth analysis of loans portfolios in line with the new review guidelines issued by regulators to adeptly carry out, through a modification program for borrowers with similar profiles in large groups step-wise:

- Begin overview of institutional portfolio by classification of credits into different groups industry-wise most effected by the pandemic considering loan type, payment history, risk concentration and existing risk ratings.

- Simultaneously, follow-up with an analysis sector and segment break-ups by geography, complexity, exposure size and loan's security collaterals held for shortfall-gap analysis.

- In the light of Interim policy guidelines, operational issues concerning how to deal with heightened levels of impending loss should be discussed and working groups be formed as added risk support to CRM Group.

- Risk Rating team should be activated to rate credits, capturing all performance factors that influence credit quality that could be leveraged for analysis.

- No exercise on troubled loans will be complete without a uniform customer outreach to the borrowers for a detailed discussion on their business situations, encouraging them to come forward with plans on how and when they plan to service their debts.

- No less important will it be to maintain a complete record of all credit reviews performed, revised ratings, shortfalls, action programs while ensuring regulatory compliances with prompt reports to the senior management, BOD and the regulators.

***Establishing a Robust Troubled Loans Re-structuring/ Recovery/Liquidation Processes and Advisory & Executing Teams*:**

An area of critical importance that must gain traction of BOD and Senior management is to provide clear guidelines, form teams whose consultative accessibility and responsibilities can be expressly defined to the senior management without hurdles. Banks and FIs should also carry an exercise to assess the adequacy of credit, review, risk-rating, analytics and settlement professional skills, and add/hire specialized human resources to ensure desired outcomes.

Risk Appetite and Rating Metrics and Challenges from COVID-19 Uncertainties

The rapidity and magnitude with which banks and financial institution's find themselves thrusted in a conundrum on how to quantify risks and which risk-models to follow to absorb huge global pandemic impact: from highest unemployment levels of over 25 percent in North America and Europe, soaring bankruptcies in US and Europe that American Bankruptcy Institute expects to increase to an all-time high of 8,600 in USA in 2020 and economic contractions -32.9 percent GDP decline in US. Elsewhere, 188 countries across the globe face similar challenges to a varying degree, depending on the severity of the pandemic attack, lockdown responses and respective economies.

Over the last 15 years, the development of the risk quantitative framework to meet successive Basel Accord regulatory requirements and an impetus arising out of global financial sector crises of 2007-9, financial institutions have provided a solid base of analytical measures to start with. However, it may not be sufficient to quantify the risk-appetite in the given scenario using these tools without fine tuning and adjustments to determine probable scenarios regularly and frequently.

Some Arising Issues and Suggestions for a More Robust Risk Analytics*:

- Risk appetite must realistically assess all stress outcomes and identify the acceptable bounds of capital losses and earnings that an organization can afford in pursuance of its strategic and tactical goals.

- Since the current risk-model measures volatility around expected baseline projections, it ignores fat-tail of risk distribution. Stress-testing with a few scenarios would not consider full distribution of the potential outcomes to estimate true uncertainty.

- Standard regression models predicted unrealistic credit losses during COVID-19, mainly driven by unemployment rate that rose almost four times in one moth. The employment and GDP factors earlier lagging became dominant factors in this crisis.

"The mantra of identifying, measuring, monitoring and controlling risks, applying various tools learned since the last crisis - Value at Risk (VAR), Risk Weighted Assets (RWA), Probability of Default (POD) and a brisk understanding of credit risk impact should be guiding principles."

- Historically limited to continuation of established trends, the models failed with restricted predictive power that are based on continuation of established trends.

- Possible effective approaches could be:

  - o Try to find new explanatory variables to re-train regression models though new variables may not work in situations that are unprecedented.

  - o Machine-learning techniques such as data-driven prediction with regularized regression provides robust forecasting and gives higher level of confidence, predicting better precision.

  - o Generating multiple future scenarios with multiple known and unknown shocks with several probability and severity combinations may possibly be the best approach.

The revised risk appetite framework would serve three most critical purposes: firstly, it serves as a defensive framework; secondly, improves banks risk awareness, enabling stated risk policy to remain on course and pursue profitability; and thirdly, the ability to maintain optimal buffer for its credit loss allowance.

Banks may be better off striking a balance between the qualitative evaluations and quantitative analytics to derive the best possible outcome. While the nature of COVID-19's onslaught has led the financial services sector into an unchartered territory, best practices, senior credit officers and executives with the right skill-sets, experience and vision combinations will be critical to carry institutions out of the woods. ■

*Source: GARP.org Risk-intelligence Market Metrics," What is the right COVID-19 Diet for Risk Appetite?"

LEADERSHIP
FROM A DIFFERENT TANGENT
A CRITICAL ANALYSIS

By: Sohailuddin Alavi

Leadership, especially in the organizational set-up, has been focus of interest of both academicians and practicing managers for a long time. Conventionally, leadership is a personality driven concept. Leaders are considered instrumental in bringing the difference in the lives of other people and organizations. The emerging concept of leadership, however, is that it is a culture of managing modern businesses; be it a commercial enterprise, public service institution or not-for-profit entity.

Furthermore, leadership has since long been considered a sub-system of management that deals with people in the workplace. This was perhaps because of the fact that the concept of leadership was originally derived from the field of politics. Consequently, it was defined as a variant of managing or supervising subordinates per se and it became more of a status symbol to reflect position of individuals along the organizational echelons. Consequently, subjectivity and personification of the leaders became the focus of attention for most of the researchers as well as organizational managers.

Ironically, all this led to coining of a new title for managers and supervisors as leaders but resulted in no synergy in the work place, for they remained narrowly confined to managing (controlling, to be exact) people and their actions, respectively, which although led to specific actions but the organizational impact was still missing. This was because of the fact that people and their actions were managed as an end in itself. For instance, the emerging performance culture in many organizations has only been effective in creating the façade. Real and sustainable benefits for the organization remain distant goals. Sub-prime mortgage tsunami in the US was a prominent example of such a scenario. Similarly, the change initiatives in Pakistani financial sector were no exception, as still the service standards are far from the expected. Like-wise, the yawning non-performing financial assets of banks in general are clear evidence to this fact. Many similar scenarios abound globally.

Leadership in Perspective

Personified leadership refers to dependence on a single person as the savior for all. This type of leadership can have many manifestations in the world of work in particular and in the society in general. Most interesting one is charismatic leadership. These persons are considered to command strong followership mainly because of their personality charisma: extraordinary [inspirational] physical personality, humility, attire, etc. Amongst other extraordinary achievers who enjoy leadership status, these also include philanthropists, social workers, celebrities, public figures, etc. Stature-based leaders also avail of the status of leaders by default such as feudal lords and their descendants, political icons and their close aides. The stature-based leaders in particular are the ones who are known as born leaders, for they need not to do much for becoming leaders. Another very significant type of personified leadership is of fabricated leaders. These are the individuals identified as potential leaders by an outsider group, which then promotes them as leaders and thereby leverages their leader-ship for accomplishing their personal agenda. Quite a few political leaders fall under this category. It is a common practice of established political parties around the world to continually fabricate new leaders, for this provides them perpetuity while conforming to the needs and expectations of change by the general public. Ironically, sometimes these fabricated leaders are installed by an external group as their instruments to intervene in the policies and decision-making processes of another nation or organization, for gaining extraordinary advantage.

Another conventional view of leadership is that it is an alternate to managing [manager]. Some, however, consider leading and managing as complementary to each other, meaning that all managers are essentially leaders in one way or the other for they lead people and manage their performances. As we look at leadership in this context it includes all sorts of personified leaderships, such as social entrepreneurs, political icons, public administrators, business executives and teachers, etc., we find one commonality amongst all of them: they all lead people in a particular direction. This follows that leadership is about organizing, coaching and motivating people in almost every walk of life.

In nutshell, a typical personified leader is generally a single person (probably the most favored follower of his or her predecessor-leader) above the rest. It is more of a status usually associated with one's position within the organizational echelons. Ironically, the personified leader either has a self-proclaimed status or the one perceived by its followers. Moreover, the personified leader has more of a people mobilization role. Theoretically, the personified leader influences followers for optimal productivity. But in most of the situations, followers control the strings of the leader.

> "Leadership in the emerging context is all about synergizing work groups [people], organizations, systems and the immediate environment, etc. It is about changing for the better; implementing the change, and acknowledging [celebrating] the accomplishments."

Transformational leadership is rather an emerging concept. Here the leadership is referred to as an organizational culture. It essentially focuses on organi-zational transformation. It follows that leadership in the emerging context is all about synergizing work groups [people], organizations, systems and the immediate environment, etc. To put it differently, leader-ship is about changing for the better; implementing the change, and acknowledging [celebrating] the accomplishments. Thus, in comparison to the conventional perspectives, it is relatively more holistic in its scope and pragmatic in its implications. It considers leadership not as a position or personality but as an organizational culture that every individual must live by within his or her permeable domains and its implications are organization-wide: strategic, operational and interpersonal.

Leadership Concept Revisited

Against this backdrop, the need was felt to revisit leadership from a holistic perspective. This led to the initial point of departure from leaders as a personified concept to leadership as a process concept. Having said this, it was further established that for leadership, focus should shift from singular people management to overall organizational management, which shall include strategic orientation, operational orientation and people orientation. In other words, the leadership concept should encompass strategic, operational and people management as a means to continually reforming organizations. Secondly, it is imperative that the leadership process must replace conventional management processes at all levels, which provides basis for introducing leadership as a superior work culture, where every individual demonstrates requisite leadership orientation irrespective of his or her location and status in the work organization. Thus, in a nutshell it advocates replacement of personified leaders with a widespread leadership culture across the work organization.

Myths and Realities

- Leadership is no magic – it is a reality of modern management system geared to accomplishing in dynamic environments.
- Leadership is not mundane people management – it is about continually reforming the enterprise performance and people achievements to newer heights.
- Leadership is no more a status – it is a process that exists at all levels in a successful enterprise.
- Leadership is not a choice – it is the key to sustaining the present and securing the future.
- Leadership effectiveness is no more person or position dependent – it is a complex function of competencies, roles, focus and interactions across the organization.

Having said so, transformational leadership is a culture per se – set of shared values, habits and behaviors of employees across the organization. This leadership culture helps the organizations and the people to be creative in finding innovative solutions that help reduce response time to the changing patterns of business requirements of today; and, continually improve process efficiencies and people achievements paradigmatically. Thus, we can say in modern times 'leadership culture' enhances the organizational ability to transform itself (and the performance of people) to newer heights. Hence, it is critical for success and sustainability in today's fast improving world.

The Framework

Transformational-leadership-framework provides a realistic basis in the organizational setting for a systematic analysis of leadership as a process. To begin with, this framework proposes a conceptual paradigm shift from personified-leader to the leadership-culture. Hence, it envisages a much broader implication. Precisely, it is about leading the organization in entirety. Teaming up and interacting with people, however, is but one dimension to it. Strategic and operating dimensions are equally significant too. Transformational leadership promotes a culture of do-it-right. As one can observe, it acknowledges the significance of leadership competencies as the basis. But it rejects the concept of personified leader as advocated by the conventional theorists. In simple words, leadership is more of a way of working in an organization that every individual member should essentially subscribe to instead of searching for the right person who would come and lead [turn around] the organization.

> "Transformational leadership promotes a culture of do-it-right. As one can observe, it acknowledges the significance of leadership competencies as the basis, yet rejects the concept of personified leader as advocated by the conventional theorists".

Universal Leadership Skills

The **power-to-lead** is the foremost skill. It has a focus on individuals' readiness to conduct him or herself in a leadership role and prepares the individual to face strategic and day-to-day challenges with courage and hope. It has several dimensions, such as conviction, motivation and moral integrity.

Empowerment is the second competence in sequence. It also has focus on the individuals' self-management ability. Its dimensions are: discipline, responsibility and emotional power.

Horizon is the next critical leadership competence. It has a focus on the individuals' ability to see opportunities and challenges beyond the present and beyond the obvious. In other words, it is an ability to understand the relationship between discrete present and cloudy future. It considers dimensions, like vision, focus and sense of direction.

Trust is another significant attribute that a leader must always strive for as it attracts unconditional support of people to execute change strategies. It all relates to adhering to 'walk-the-talk' by the leader which in turn strengthens the element of trust among people and allows the leader to emerge as an influencer during times of change.

Social competence is no less important. It has a focus on the individuals' ability to work and interact with other people. Its dimensions include: team-player, role-model, moderator.

Management competence refers to an individual's ability to control the business activity and/or process in an efficient and effective manner. It has dimensions such as attention to details, systems thinking sand managing change.

Conclusion

Personified leadership analysis was limiting the horizon of leadership development in an organizational setup, primarily because personified leadership predominantly assumes – sometimes explicitly and sometimes implicitly– that leadership is an innate characteristic [leaders are born], hence it cannot be developed institutionally. Furthermore, it considers the relationship between the leader's personality and performance as that of "cause and effect" and totally ignores the leadership competencies and the context [transient dynamics] in which employees operate, such as vision and focus, attitude, style and skills & knowledge; and, the process, teamwork [group work] and the permeable environment, respectively. The transformation leadership perspective has enabled rather pragmatic analysis of leadership scope and implications. Interestingly, personified leadership perspectives still hold reasonable grounds when considered in conjunction with other factors as well but fail to do so as a solo factor, as was considered in the initial days. Transformational leadership, in fact, does not substitute, but complements the personified leadership perspective by broadening the scope of leadership analysis. It puts leadership at the center instead of the leader [or his personality] as is the case of the former perspective. The significance of leaders' personality, however, has shifted from physical to competency orientation such as: socio-moral values, integrity & honesty, behaviors and habits, and last but not the least, cognitive characteristics. It argues that the organization's and group's effectiveness is a complex function of leadership culture and the work context. Hence, the chances of success can be positively altered through institutional interventions, such as by modifying leadership culture through training and development programs, and reshaping the organizational dynamics. ■

Banks Bounce Back for Customers

Faced with unprecedented disruption, how has the banking sector reacted to the COVID-19 pandemic and the initial challenges the crisis has presented?

As in almost every walk of life, the coronavirus outbreak has caused previously unimaginable levels of disruption in the banking sector. Almost overnight banks have had to confront profound issues with their day-to-day operations, trying to address increased customer demand while coping with a reduced workforce, often working remotely. Meanwhile, as banks adjusted to these new challenges, the government's hastily instituted Coronavirus Business Interruption Loan Scheme (CBILS) added significantly to workloads.

Coping with Increased Demand

Having dealt with basic initial actions such as establishing centralized task forces, curtailing travel and suspending large-scale meetings, banks were quickly confronted with a scenario unlike any in living memory.

The first challenge was an explosion in customer demand caused by the financial fallout from COVID-19. With both personal and business customers facing a sudden and unexpected drop in income, demand for payment holidays on mortgages, loans and credit cards rose sharply, as well as the cancellation of direct debits for non-essential expenditure.

Eric Leenders, Managing Director, Personal Finance at industry body UK Finance, feels the speed and scope of support banks made available to customers was impressive.

"The industry put in place a series of measures to help borrowers in financial difficulty including a mortgage payment holiday of up to three months, a moratorium on repossessions, discounted overdrafts and a repayment holiday for credit cards and personal loans," he points out.

Operational Challenges

Dealing with the additional administrative workload would have been challenging at the best of times but was made doubly difficult by the fact that banks also found themselves suddenly under-resourced.

Mike Gamble, Director of Analysis and Design, TSB, says: "Having disaster recovery plans and being prepared for any eventuality is a key element of any bank's strategy, as I'm sure it is for many other organizations. I think what was different about this one was we had a high volume of partners actually not in branch, telephony, or operational centers because they themselves were in 14-day quarantine, unwell or were vulnerable."

Dealing with these issues head on meant confronting a further challenge common to many businesses across sectors as the lockdown came into force: that of adapting to a level of remote working that would have been unthinkable only a few weeks earlier.

> **For the first time in my 30 years in retail banking, we're in a position now where we have a really dynamic workforce."**
> Mike Gamble, Director of Analysis and Design at TSB

Leenders adds: "For staff, the transition to mass working-from-home has been possible thanks to robust remote-working capabilities and the quick roll-out of supporting infrastructure such as screens and high-spec computers."

However, speaking during a Chartered Banker Institute webinar in late April, Alex Fraser, Senior Executive, London Institute of Business & Finance, suggested that while banks have invested heavily in the digital customer experience in recent years, in most cases less resource has been invested in back-office systems. He cited Jes Staley's comments in an article in the Evening Standard, in which the Barclays Chief Executive partially blamed staff fearing to turn up to work at call centers and compliance issues with working from home for the delay in processing applications. Fraser suggested that the real problem was a failure to tackle the difficult issue of antiquated back-office IT, which created huge challenges in adapting to a new operating environment.

"You could argue that should have been done a long time ago because for as long as I've been around, we've been talking about banks needing to sort out legacy systems," continued Fraser. "But I think most of the problem is driven by the fact that this is not digitized."

According to Gamble, having previously bitten the bullet and migrated onto a modern, flexible core system made TSB better placed than many to use technology to adapt their operations quickly. He says the bank rapidly leveraged existing partnerships with both IBM and LivePerson, a tech company specializing in 'conversational commerce' (i.e. chatbots). Having already completed some background work on digital and automated communication, Gamble and his team were quickly called on to deliver an AI-assisted solution to the demand-resource issue. Moving at speed, they adapted technology that had been planned to be integrated into the bank's mobile app later in the year and repurposed it for their public website. The result, christened TSB Smart Agent, was operationally live and being used with customers a week later.

Gamble admits there was an unexpected benefit in normal business being impacted and a whole range of staff being forced to work from home.

"As well as staff in telephony being on lockdown I also had people from Risk and Finance and Compliance and Legal all in the same position," says Gamble. "So, it actually made it quite easy to get those guys involved in working on something that had the common goal to help our customers."

Despite the difficulties, Leenders emphasizes the scale of UK banks' achievement in adapting almost overnight to an entirely new operational model while delivering support to as many as 30 million customers across personal and commercial finance.

"It's been astonishing to see the pace and agility of the industry, relocating to home-working and standing up new payment holiday products and support loans in days and weeks," he adds.

Showing Good Form

With most branches closed and demand for telephony causing long waiting times, another key element of the solution for many banks was through providing electronic forms via their websites.

Here again, TSB's existing partnerships meant the bank was able to react quickly and efficiently, according to Gamble.

"We already use Adobe within our digital world, but we were exploring the possibility of partnering with them for Adobe Forms, which is an intelligent form system, so you can do government ID checks, you can do digital signatures, for example."

The bank already had a test and learn under way, so they decided to exploit the relationship and create what Gamble describes as a 'factory' to produce new forms in reaction to specific customer demand very quickly. Through this approach his team was able to create forms for requests including payment holidays and overdraft applications and amendments, as well as for CBILS applications and the Bounce Back Loan Scheme (BBLS) introduced later.

This freed up bandwidth within branch and telephony channels, which were better able to deal with those customers who were either unwilling or unable to use other solutions, including making outbound calls to thousands of vulnerable customers.

"We've had over 140,000 customers complete forms since the start of COVID-19," says Gamble. Every one of those would have been a visit to branch or a call to telephony."

Virtually a Call Center

The third challenge for most banks was the fact that many call center staff, though able and willing to work, were not in a position to attend their usual place of employment. This meant also implementing systems of remote working for telephony where possible.

In partnership with BT, TSB was able to set up members of staff working from home to act on calls as well as on TSB Smart Agent, while internal systems, including a full suite of Microsoft products, were used to provide them with support.

TSB Smart Agent enables partners to virtually 'put their hand up' for help, while an active Yammer group (Microsoft's enterprise social networking app) provides expert answers to questions that can then be passed on to the customer.

"On any one day we have up to 150 partners supporting on LivePerson, talking to customers in real time," says Gamble.

Unexpected Advantages

Gamble points out that while tech solutions and vulnerable audiences are often seen as incompatible, a system like TSB Smart Agent can play well to the needs of customers made temporarily vulnerable by the current crisis.

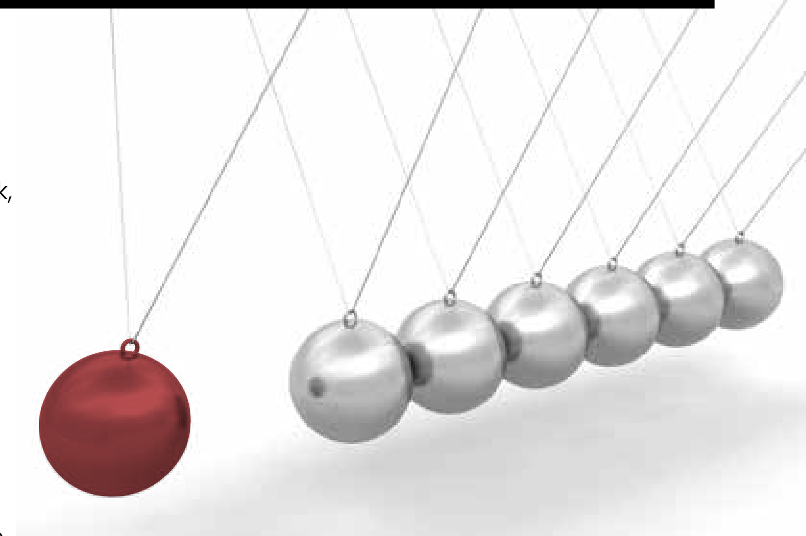
"It enables customers to talk about things that are sensitive, rather than ringing or going into branch and having that awkward conversation about struggling financially," he explains.

For high street banks with a varied customer base, many of whom will shy away from fully digital banking, chatbots and AI-assisted customer service can be an effective halfway house: it offers the efficiency of digital without the need to download apps or sign up to a self-service model, while more traditionally minded customers are happier knowing there is a human on hand if they need them.

Positive Side Effects

While the huge negative social and economic impact of the COVID-19 pandemic is undeniable, there is some evidence of positive side effects in the banking sector.

The first publication in early May of a 'pulse' survey by Boston Consulting Group, which collated data from 5,000 responses in 15 markets, found that a mere 5 percent of respondents were critical of their banks' reaction to the crisis, while 25 percent had actively recommended their bank to others. This can only be good news for an industry that has spent more than a decade struggling to recover from negative perceptions created by the 2008 financial crisis. Meanwhile, the same survey highlighted changing customer behavior that could drive rapid digital transformation in retail banking, with 44 percent of participants in the millennial and Gen-Z cohort (ages 18-34) enrolling in mobile or online banking for the first time during the crisis.



> **The ability of an industry of this size to mobilize so effectively has paved the way for very different working practices in future."**
> Eric Leenders, UK Finance

At the same time, the operational demands created by the crisis have thrown into sharp relief the need for digital transformation in the back end of banks' systems. For many banks, including TSB, the effect of the pandemic has been to accelerate the transition to a far more agile way of working. This will be a driver of digital transformation and has the potential to permanently alter their operating model.

Gamble continues: "For the first time in my 30 years in retail banking, we're in a position now where we have a really dynamic workforce. Regardless of where you are, we can either get partners on the phone supporting customers, on chat supporting customers or doing back-office tasks."

Leenders sees the same spirit of innovation across the sector and thinks many of the changes initiated in response to the crisis are here to stay.

"The ability of an industry of this size to mobilize so effectively has paved the way for very different working practices in future," he says.

In an increasingly complex and unpredictable world, that kind of flexibility can only be a good thing, both for customers and for the banks themselves. ■

Since the time of writing, the Financial Conduct Authority has announced a further extension to mortgage holidays, as well as new unsecured debt proposals.

This Article originally appeared in the Summer 2020 issue of Chartered Banker Magazine and is reproduced by kind permission of the Chartered Banker Institute.

CONSUMER CONFIDENCE SURVEY

Reviewing Results of Surveys Conducted by SBP

By: Muhammad Mazherul Haq

Drawing inferences from any information becomes more insightful and valuable, firstly if the data contains reflection of actual conditions and secondly if a consistent time series is also available. Interestingly, both of these characteristics seem to be met in data published by State Bank of Pakistan (SBP) carrying outcomes of various surveys. Taking advantage of this situation, an attempt is made to review the emerging trends from Consumer Confidence Survey (CCS), one of the surveys conducted regularly by SBP.

Like many other central banks, State Bank of Pakistan (SBP) conducts various surveys, including Consumer Confidence Survey (CCS) and Business Confidence Survey (BCS). The objective of these surveys is to find out the public's and firms' perceptions about prevailing and expected economic condition and to see the impact of monetary policy measures taken by SBP in the wake of securing monetary stability and fuller utilization of the country's productive resources.

The State Bank also undertakes the Bank Lending Survey (BLS) and Systemic Risk Survey (SRS). BLS is an online web based survey of lenders to obtain current and expected credit conditions and the major factors affecting those conditions. SRS is an email based survey of market participants and exerts about various existing and emerging/potential risks and their confidence in the stability of the financial system.

Some of the other surveys conducted by SBP include Wage and Price Setting Behavior Surveys, Currency Demand Survey, Agriculture Productivity and Credit Field Experiment in Sindh and Punjab, etc. The findings from these contributed significantly to the policy-making process.

In addition to providing insights to SBP about the effectiveness of monetary policy, results of these surveys are eagerly awaited by policy makers on fiscal side of the economy as well as by the researchers working at investment/brokerage houses, banks and the students. These stakeholders make use of this information for taking decisions in their respective fields.

Consumer Confidence Survey (CCS)

Consumer confidence and expectations is one of the leading indicators of economic activity having significant impact on business and economic conditions of an economy. These expectations are based on consumers' perceptions about the current economic conditions. Expectations regarding inflation, interest rate and employment are important for forward looking policy formulation which explains why many countries are using consumer surveys for policy making and research purposes.

The State Bank of Pakistan in partnership with the Institute of Business Administration conducts the Consumer Confidence Survey on a national scale. The information collected is used to construct current, expected and overall confidence indices which are useful in monetary policy formulation and short-term forecasting.

This survey provides permanent direct channel to households which are major stakeholders in the economy and hence an important source of primary data. This survey has being conducted since 2012 via telephone in the first week of every odd numbered month.

The CCS is a stratified random telephone survey of households across Pakistan conducted bi-monthly by the Institute of Business Administration (IBA) Karachi and the State Bank of Pakistan. With sample size varying between 1550 to 1650, it provides the information on "what people are thinking" about the economy. The perceptions of consumers are presented through four composite indices carrying their reflection upon:

i) Current Economic Conditions (CEC) index, which is the average of diffusion indices of the following three questions:
   a) How do you assess present financial position of your family compared to the last six months?
   b) How do you assess present general economic condition of the country compared to the last six months?
   c) In your opinion, compared to the last 6 months, how do you see the current time for buying durable goods such as furniture, refrigerator, television etc.?

ii) Expected Economic Conditions (EEC) index; which is the average of diffusion indices of the following three questions:
   a) How do you expect your financial position to change over the next six months from now?
   b) How do you expect general economic conditions in the country to develop over the next six months from now?
   c) What do you think about unemployment rate over the next six months from now?

iii) Consumer Confidence Index (CCI); which is the average of CEC and EEC, as above.

iv) Inflation Expectations Index (IEI); which is the diffusion index of the following question about prices:
How do you expect that prices in general will develop over the next six months from now?

The results of these surveys are disseminated for general information only. These are opinions of public, businesses and professionals and may not be considered either as SBP views or as endorsement by SBP.

Rotating Panel
The sample of the survey consists of a rotating panel with 33 percent of respondents are those households which were surveyed six months earlier, while the remaining 67 percent are fresh. The stratification scheme of the survey is implemented in rotating panel too.

Index Calculation[1]
SBP reports results of households, businesses and other perception surveys in the form of Diffusion Index (DI). The Diffusion Index shows the general tendency of respondents about a certain aspect of a particular survey. The questionnaire for this survey offers five types of options to the respondents for each question.

i) PP = Increase/improve significantly;
ii) P = Increase/improve;
iii) E = Unchanged/neutral;
iv) N = decline /deteriorate; and
v) NN = decline/deteriorate significantly.

Diffusion Index (DI) ranges from 0 to 100; interpretation of which is as follows:

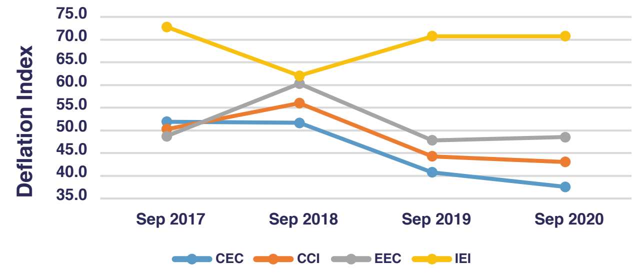
DI > 50 indicates that Positive views are more than Negative views;
DI = 50 indicates that Positive views and Negative views are equal;
DI < 50 indicates that Positive views are less than the Negative views;
DI > 50 (IEI) indicates that high inflation views are more than low inflation views.

Reviewing the Emerging Trends in Diffusion Index (DI)

A comparative review of previous survey outcomes reveal that DI of Expected Economic Condition (EEC) was seen at peak in September 2018 and reached 63.3 level indicating that Positive views were more than Negative views, i.e., at that point of time the people were expecting brighter future prospects to emerge in the shape of better employment opportunities, their improved financial condition and overall improvement in growth of the economy.

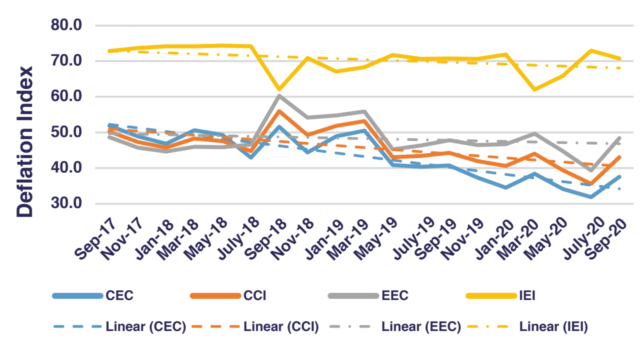
The continuation of this trend could not be witnessed thereafter and the EEC Deflation Index was seen even less than 50 indices in September 2019 (47.8) and reached as low as 39.4 in survey result of July 2020. However, it rose to 48.5 – closer to a situation (DI = 50) where Positive views and Negative views used to equal in the survey conducted in September 2020.

Figure-1: Trend in CCS - September Results



When other indices are plotted in relation to Inflation Expectation Index (IEI), it usually gives mirror image because of its definition and the fact that whenever there are low expectations about economic growth, the expectation of rise in prices are high. This inverse relationship becomes more evident when looked into the survey-wise plotting of all the results, particularly at end plotting points (September 2020) in Figure-2 below where expectations of survey respondents are high on economic growth, the expectation of high inflation declines.

Figure-2: Plotting Survey-wise CCS Results



Eventually, the actual production realized thereafter fairly support the survey outcomes of Expected Economic Conditions where the survey respondents were high on economic growth. The data released by Pakistan Bureau of Statistics (PBS) showed steady growth in the production index of large scale manufacturing in September as compared to previous as well as the corresponding month last year. The output increased by 7.7 percent during September 2020 over the corresponding month last year and 10.1 percent over August 2020.

Similarly, the actual data on increase in prices released usually one month after the survey compilation, showed acceleration in July 2020 in tandem with high value of IEI Deflation Index in that month. This relation stands true for September 2002 survey results, because the inflation decelerated from 9.3 percent in July 2020 to 9.0 percent in September 2020.

The linear trend in indices across the surveys conducted from September 2017 till September 2020, indicates widening of gap between EEC and CEC with steeper decline in CEC which means that Positive views are more on Expected Economic Conditions than that on Current Economic Conditions. It may therefore safely be assumed that good days with respect to improvement in economic conditions are at hand subject to: i) other things remain the same and that ii) the ongoing second wave of COVID-19 remains subdued. ■

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[1] *For references see: 1) OECD (2003); Business Tendency Surveys A Handbook; Statistics Directorate, OECD; https://www.oecd.org/std/leading-indicators/31837055.pdf 2) European Commission (2014); The joint harmonized EU program of business and consumer surveys: User Guide; March; http://ec.europa.eu/economy_finance/publications/*

A diffusion index is a method of summarizing the common tendency of a group of statistical series. If a greater number of the series are rising than are declining, the index will be above 50; if fewer are rising than declining, it will be below 50. In effect, a diffusion index measures the degree to which either strength or weakness pervades the economy. If, for example, most of a group of industries are increasing their production rates, the economy as a whole is probably expanding; if the proportion of industries that are growing begins to decline and falls significantly below 50 percent for a period of time, the economy is probably in a recession, or at least moving in that direction.

Q&A

This issue of the IBP Journal answers some of the most commonly asked questions about Islamic banking.

Q. 1) What is the difference between conventional banking and Islamic banking?

Ans: The following are the main differential points between conventional banking and Islamic banking.

S.No.	CONVENTIONAL BANKING	ISLAMIC BANKING
1	Money is treated as a commodity besides medium of exchange and store of value. Therefore, it can be sold at a price higher than its face value and it can also be rented out.	Money is not treated as a commodity though it is used as a medium of exchange and store of value. Therefore, it cannot be sold at a price higher than its face value or rented out.
2	Time value is the basis for charging interest on capital.	Profit on trade of goods or charging on providing service is the basis for earning profit.
3	Interest is charged even in case the organization suffers losses by using bank's funds. Therefore, it is not based on profit and loss sharing.	Islamic bank operates on the basis of profit and loss sharing. In case the businessman has suffered losses, the bank will share these losses based on the mode of finance used (Mudarabah, Musharakah).
4	While disbursing cash finance, running finance or working capital finance, no agreement for exchange of goods & services is made.	The execution of agreements for the exchange of goods & services is a must, while disbursing funds under Murabaha, Salam & Istisna contracts.
5	Conventional banks use money as a commodity which leads to inflation.	Islamic banking tends to create a link with the real sectors of the economic system by using trade related activities. Since the money is linked with the real assets, therefore it contributes directly in the economic development.

Q. 2) What are the basic principles of Islamic banking?

Ans: There are at least six basic principles which are taken into consideration while executing any Islamic banking transaction. These principles differentiate a financial transaction from a Riba/interest based transaction to an Islamic banking transaction.

1. Sanctity of contract: Before executing any Islamic banking transaction, the counter parties have to satisfy whether the transaction is halal (valid) in the eyes of Islamic Shariah. This means that Islamic bank's transaction must not be invalid or voidable. An invalid contract is a contract, which by virtue of its nature is invalid according to Shariah rulings. Whereas avoidable contract is a contract, which by nature is valid, but some invalid components are inserted in the valid contract. Unless these invalid components are eliminated from the valid contract, the contract will remain voidable.

2. Risk sharing: Islamic jurists have drawn two principles from the saying of Prophet Muhammad (SAW). These are "Alkhiraj Biddamaan21" and "Alghunun Bilghurum22". Both the principles have similar meanings that no profit can be earned from an asset or a capital unless ownership risks have been taken by the earner of that profit. Thus in every Islamic banking transaction, the Islamic financial institution and/or its deposit holder take(s) the risk of ownership of the tangible asset, real services or capital before earning any profit therefrom.

3. No Riba/interest: Islamic banks cannot involve in riba/interest related transactions. They cannot lend money to earn additional amount on it. However as stated in point No. 2 above, it earns profit by taking risk of tangible assets, real services or capital and passes on this profit/loss to its deposit holders who also take the risk of their capital.

4. Economic purpose/activity: Every Islamic banking transaction has certain economic purpose/activity. Further, Islamic banking transactions are backed by tangible asset or real service.

5. Fairness: Islamic banking inculcates fairness through its operations. Transactions based on dubious terms and conditions cannot become part of Islamic banking. All the terms and conditions embedded in the transactions are properly disclosed in the contract/agreement.

6. No invalid subject matter: While executing an Islamic banking transaction, it is ensured that no invalid subject matter or activity is financed by the Islamic financial transaction. Some subject matter or activities may be allowed by the law of the land but if the same are not allowed by Shariah, these cannot be financed by an Islamic bank.

Q. 3) What is meant by Shariah/Islamic Law?

Ans: Shariah lexically means a way or path. In Islam, Shariah refers to the divine guidance and laws given by the Holy Quran, the Hadith (sayings) of the Prophet Muhammad (Peace Be Upon Him) and supplemented by the juristic interpretations by Islamic scholars. Shariah embodies all aspects of the Islamic faith, including beliefs and practices. Islamic Shariah or the divine law of Islam is derived from the following four sources:

- The Holy Quran
- The Sunnah of the Holy Prophet (Peace Be Upon Him)
- Ijma' (consensus of the Ummah)
- Qiyas (Anology)

Q. 4) The end result of Islamic Banking and Conventional Banking is the same. Why do they appear similar?

Ans: The validity of a transaction does not depend on the end result but rather the process and activities executed and the sequence thereof in reaching the end. If a transaction is done according to the rules of Islamic Shariah it is halal even if the end result of the product may look similar to conventional banking product.

For example a normal McDonalds burger in USA and Pakistan may look similar, smell similar and taste similar but the former is haram and the latter is halal due to its compliance of Islamic guidelines of slaughtering animals.

Similarly, if a person is feeling hungry, he may steal a piece of bread and eat or alternatively buy a piece of bread to eat. The apparent end result would be same but one is permissible in Shariah and the other is not allowed.

The same is also true for Islamic and conventional banking. Therefore, it can be concluded that it is the underlying transaction that makes something "Halal" (allowed) or "Haram" (prohibited) and not the result itself. Apparently, Islamic banks may look similar to conventional banks, however the contracts and product structures used by Islamic banks are quite different from that of the conventional bank. In the verse 2:275 of the Holy Quran, Allah the Almighty has responded to the apparent similarity between trade and interest by resolutely informing that he has permitted trade and prohibited Riba (though they may look similar to someone).

Q. 5) If Islamic banks do not invest in interest based activities then how do they generate profit to pay to their customers?

Ans: The Islamic bank uses its funds in various trade, investment and service related Shariah compliant activities and earns profit thereupon. The profit earned from such activities is passed on to the depositors according to the agreed terms.

Q. 6) Are not Islamic banks just paying interest and dressing it as profit on trade and investments?

Ans: No, Islamic banks accept the deposits either on profit and loss sharing basis or on qard basis. These deposits are deployed in financing, trading or investment activities by using the Shariah compliant modes of finance. The profit so earned by the bank is passed on to the depositors according to the pre-agreed ratio which, therefore, cannot be termed as interest.

Q. 7) Islamic banks use KIBOR i.e. an interest-based benchmark to determine profit sharing ratios. In this context, how these banks can be said to be Islamic when they base conventional benchmark?

Ans: Islamic banks should ideally have their own benchmark system for determination of profit. Since, the industry is in its initial stage of development, it is using the available benchmark for the banking industry. It is expected that once it has grown to a sizable level, it would have its own benchmark. However, using interest based benchmark for determining the profit of any permissible transaction does not render the transaction as invalid or haram. It is the nature/mechanism of the transaction that determines its validity or otherwise.

For example Mr. A and Mr. B are two neighbors. Mr. A sells liquor which is totally prohibited in Islam whereas Mr. B, being a practicing Muslim dislikes the business of Mr. A and starts the business of soft drinks. Mr. A wants his business to earn as much profit as Mr. A earns through trading in liquor. Therefore, he decides that he will charge the same rate of profit from his customers as Mr. A charges over the sale of liquor. Thus he has tied up his rate of profit with the rate used by Mr. A in his prohibited business. One may say that Mr. B uses an undesirable benchmark in determining the rate of profit, but obviously no one can say that the profit charged by him is haram because he has used the rate of profit of the business of liquor only as a benchmark.

The same is true for Islamic banks, it is most desirable and preferable that Islamic banks develop their own benchmark however; in the absence of any such alternative, interest rate related benchmark can be used.

Q. 8) Is Islamic banking meant only for Muslims?

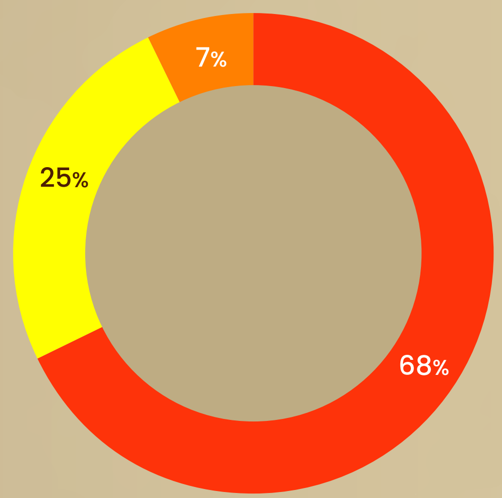
Ans: The teachings of Islam are not confined to Muslims, rather these equally address the non-Muslims due to their universal nature. The basis of Islamic banks is laid down on ethical values and socially responsible system. The values like justice, mutual help, free consent and honesty on the part of the parties to a contract, avoiding fraud, misrepresentation and misstatement of facts and negation of injustice or exploitation form the basic principles of Islamic banking. Therefore, the principles of Islamic banking lead the economic system to achieve the common good and economic prosperity. On this premise, Islamic banking becomes a viable option for everyone irrespective of their religion.

COMPOSITION OF PAK RUPEE VS. EXCHANGE RATE

This feature will allow the readers to see how the things were appearing in the past and where do they stand now. Availability of time series carrying reflection of a certain policy regime would be the main consideration for deciding the extent to which the reel could be rewound. With minimal narration, the change in scenario would be presented in figures and graphs to give the readers maximum liberty to draw their own inferences. What glories were lost and gained during the period would be a personal call.

End-June 2005

Composition of Pak Rupee

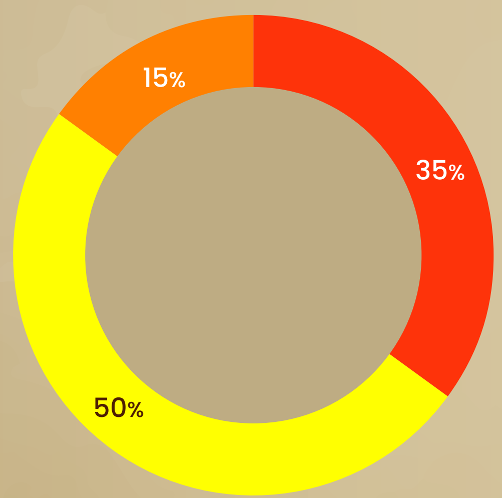


Exchange Rate
US $ Vs. PRs
1.00 = 59.67

Gold Price*
Per 10 Grams (24K)
Rs. 8,189/-

End-June 2010

Composition of Pak Rupee

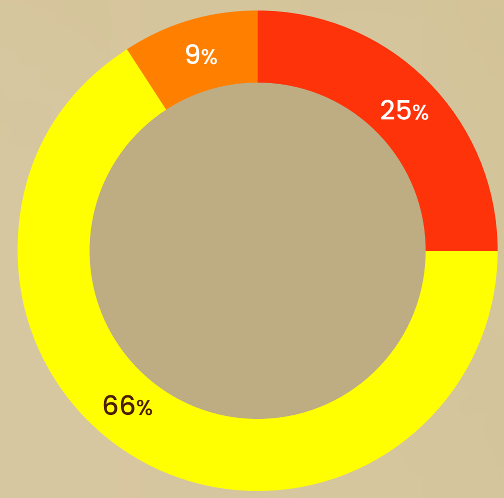


Exchange Rate
US $ Vs. PRs
1.00 = 85.28

Gold Price*
Per 10 Grams (24K)
Rs. 33,494/-

End-June 2015

Composition of Pak Rupee

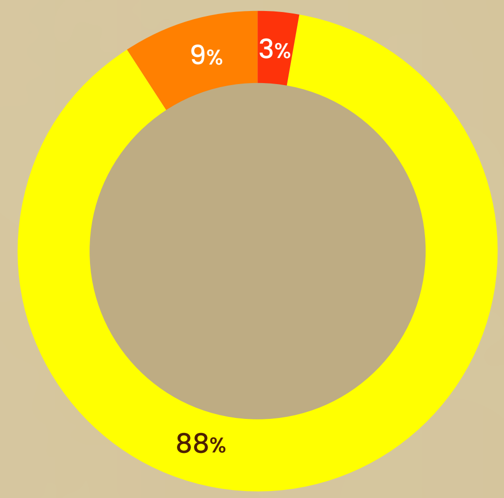


Exchange Rate
US $ Vs. PRs
1.00 = 101.77

Gold Price*
Per 10 Grams (24K)
Rs. 39,100/-

End-June 2020

Composition of Pak Rupee



Exchange Rate
US $ Vs. PRs
1.00 = 165.1

Gold Price*
Per 10 Grams (24K)
Rs. 94,462/-

* *Contains impact of PRs devaluation plus rise in Gold prices in international market. Prices are taken from goldprice.org website.*

Hints for Takeaway

- Stronger currencies are backed by higher amount of gold and foreign exchange balances because these are easily exchangeable internationally;
- Export of skilled manpower and high quality value added products could be a sustainable source for accumulation of foreign exchange reserves.

SOME USEFUL GENDER-NEUTRAL TERMS:

Gendered noun	Gender-neutral noun
man	person, individual
mankind	people, human beings, humanity
the common man	the average person
chairman	chair, chairperson, coordinator, head
mailman	mail carrier, letter carrier, postal worker
policeman	police officer
steward, stewardess	flight attendant
actor, actress	actor
fireman	firefighter
Sir (in "Dear Sir," etc.)	Dear Sir or Madam, Dear Editor, Dear Members of the Search Committee, To Whom it May Concern
salesman, saleswoman	salesperson or sales representative
waiter/waitress	server
husband/wife	spouse/partner

GENDER INCLUSIVE LANGUAGE

Language not only reflects our attitudes but shapes societal narrative. With the passage of time, society has changed with respect to its attitudes and sensibilities towards its traditionally marginalized segments, particularly women. Resonating with the demands of a world whose axis now encompasses inclusive-ness, gender neutral terms are now woven into the fabric of modern conventions of the English language.

Gender inclusive language is used to avoid bias towards a particular sex (biological) or social gender. Some common instances of gendered language include words that assume connections between jobs/roles and gender (like 'policeman') and language conventions that differ depending on the gender of the person being discussed (like using titles that indicate a person's marital status).

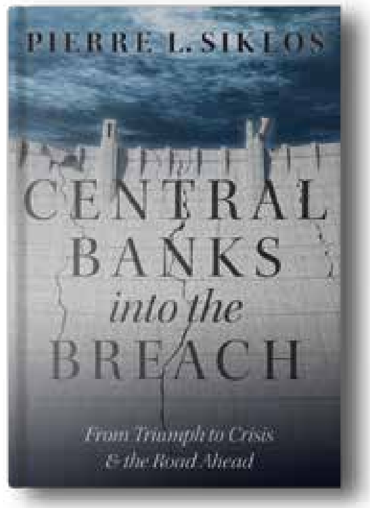
"Man" and words ending in "-man" are the most commonly used gendered nouns in English. These words are easy to spot and replace with more neutral language, to denote that anyone can perform the role regardless of their gender. For instance, the word chairman, by virtue of the word '–man', denotes a man in this position. However, women are equally capable and hold senior positons. Hence, the word chairperson is used instead, which is inclusive and disregards biological gender of the person. In the long run, the idea can be normalized that gender identity is not associated with a particular job, contrary to prevalent assumptions in society.

Another example of gendered language is the way the titles 'Mr.,' 'Miss,' and 'Mrs.' are used. 'Mr.' can refer to any man, regardless of whether he is single or married, but 'Miss' and 'Mrs.' define women by whether they are married, which until quite recently meant defining them by their relationships with men. A simple alternative when addressing or referring to a woman is 'Ms.', which does not indicate marital status. It is worth knowing that many female faculty and staff (including married women) prefer to be addressed as 'Ms.' or, if the term applies, 'Professor' or 'Dr.'

Since gender-neutral language is becoming the standard practice in professional, journalistic and academic writing, hence it is a good idea to become acquainted with frequently used gender-neutral/ inclusive terms.

CENTRAL BANKS *into the* BREACH

From Triumph to Crisis & the Road Ahead



By: Pierre L. Silkos

Synopsis

Central banks play an important role in the course of national economies and the global economy. Their leaders are regularly feted or vilified, their policy pronouncements highly anticipated and routinely scrutinized. This is all the more so since the global financial crisis. The past fifteen years in monetary policy is essentially the story of two mistakes and one triumph, argues Pierre L. Siklos in *Central Banks into the Breach.* One mistake was that central bankers underestimated the connection between finance and the real economy. The other was a failure to realize how interconnected the world's financial system had become. The triumph, in turn, was the recognition that price stability is a desirable objective. As a result of the financial crisis, central banks stepped into the breach to provide services other institutions were unwilling or unable to carry out. In doing so, the responsibilities for governing monetary policy and financial system stability became more elastic without due consideration for the appropriateness of the division of responsibilities.

Central banks no longer influence just prices, they also change financial system quantities. This leads to rising policy uncertainty. Low economic growth, an insufficiently unsubstantiated expansion of central bank responsibilities and worries over future financial instability are sources of concern that contribute to a loss of confidence in the monetary authorities around the globe. Because no coherent new framework for central bank policy has since emerged, central banking is not broken, but it is in need of repair. *Central Banks into the Breach* provides an overarching analysis of the current and vulnerable state of central banks and offers potential solutions to stabilize the uncertain future of central banking.

Reviews

"Yes, central banks did step 'into the breach' during the financial crisis and, as Pierre Siklos argues persuasively in this book, found themselves in a strange new world. Siklos' scholarship and knowledge of central banking are hard to match. Few people in the world could have written this book." **- Alan Blinder, Princeton University**

"The story of the role of central banks over the last decade is fascinating and Pierre Siklos is very well placed to tell it. His great strengths are that he understands the important links between politics and central bank operations and he gives a proper emphasis to the important development of the macro-prudential pillar of monetary policy."
- C.A.E. Goodhart, Professor in the Financial Markets Group, London School of Economics

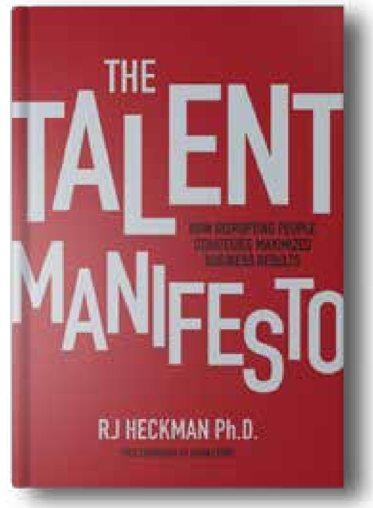
"Central banks are changing. At the peak of their prestige during the Great Moderation, their target was low inflation, with financial stability and full employment expected to follow. Those expectations were disappointed by the Great Financial Crisis and the weak growth that followed. Professor Siklos' insightful analysis is recommended to those who would understand the experiences of central banks during these difficult times and their attempts to adapt to the new intellectual and structural environment." **- John Wood, Reynolds, Professor of Economics, Wake Forest University**

About the Author

Pierre L. Siklos is Professor of Economics at Wilfrid Laurier University, Canada. He is a Senior Fellow of the Centre for International Governance Innovation (CIGI) and a Research Fellow and member of the C.D. Howe Institute's Monetary Policy Council.

THE TALENT MANIFESTO

HOW DISRUPTING PEOPLE STRATEGIES MAXIMIZES BUSINESS RESULTS



By: RJ Heckman, PhD

Synopsis

Rethink Everything You Know About Managing Talent in Today's Disruptive Landscape...

A Vice Chairman at Korn Ferry (KF), the world's largest talent advisory and executive search firm, RJ Heckman has helped many of today's most successful companies develop talent-management strategies that ensure corporate success through good times and bad. Now, he shares his breakthrough methods with the readers. *The Talent Manifesto* reveals proven talent strategies and innovative recruiting and retainment methods gleaned from nearly three decades of consulting with the world's leading organizations. Heckman identifies the most common pitfalls in HR today and delivers an actionable program for avoiding them. He shows how to generate reliable data and use it to make the best decisions. He reveals all the game-changing HR strategies at your disposal and how to use them to drive superior business performance. As organizations across industries experience faster cycles of disruptive change, one factor looms above all others as a portent of their future success: whether they can recruit, develop and retain top talent better and faster than their competitors. With *The Talent Manifesto*, you have everything you need to redesign your HR strategies, reshape perception of talent management and measurably contribute to your organization's ability to compete, now and in the future.

Reviews

"RJ Heckman's brilliant book, *The Talent Manifesto,* challenges conventional notions of talent management: It isn't having talent, but deploying the most talented people in the right roles that gives your company strategic advantage and then inspiring them to superior performance. Heckman shares his vast wisdom and experience in enabling organizations to develop their superior talent." **–Bill George, Harvard Business School Professor, former Medtronic CEO**

"RJ Heckman practices what he preaches. His talent solutions start with leadership needed to execute strategy, he brings data on people and teams to the conversation and his thoughts are practical at implementation. If you are trying to align talent with execution to get better results this is your book."
– Dr. Marc Bitzer, Chief Executive Officer at Whirlpool Corporation

"RJ presents a simple and powerful approach for what organizations really need - a coherent and unified perspective to create real value for CEOs and CHROs. An essential "compass & navigation chart" kit for all business folks who mean 'business'!"
–Satish Pradhan, former Group Head of HR of the Tata Group

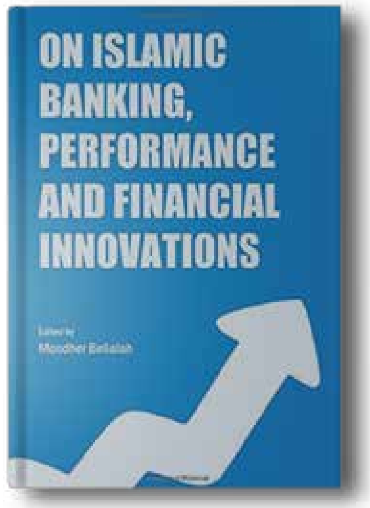
"A must read for CEOs and CHROs eager to transform with intention their talent strategy in order to optimize their business performance, while navigating through a hyper competitive global landscape."
–Chantal Veevaete, retired SVP of Human Resources, Phillips 66

About the Author

RJ Heckman, Ph.D., Vice Chairman at Korn Ferry (KF), has worked in the talent management consulting and leadership development fields for 25 years. He consults on a daily basis with many of Korn Ferry's 7,000 clients, representing many of the world's top organizations. He has worked as an internal HR leader for two Fortune 50 companies, as CEO of a global leadership advisory firm and served as a consultant to Boards, CEOs and CHROs of more than 100 Global 1000 companies.

ON ISLAMIC BANKING, PERFORMANCE AND FINANCIAL INNOVATIONS

By: Mondher Bellalah



Synopsis

Islamic banking has seen rapid growth during the last two decades. This is a result of the liberalization of financial regulation, the globalization of financial markets, technological changes, product innovation, the birth of several new Islamic States and a growing Islamic presence in the West, among other factors. New innovations have allowed economists and religious scholars to bring new products to almost all areas of banking and insurance, products which would previously have been extremely controversial. This book provides a better understanding of the Muslim community around the world of Islamic economics and its importance, especially in these days of financial crisis. The book will also serve as a reference manual for teaching the theory and practice of Islamic banking and Islamic financial innovations around the world. Islamic finance courses at universities are highly important since Islamic financial innovations remain very limited and additional efforts have to be made in this area.

About the Author

Mondher Bellalah specializes in financial economics, financial markets and risk management. He has published more than fifteen books and several articles in leading finance journals. He used to be a Professor of Finance and an international finance professional and adviser to several central banks and financial institutions. He has occupied several positions at well-known banks and universities.

Save for Pakistan
Invest in Pakistan

"We ... in general and young men 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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