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IMPACT OF DEMOCRATIC/ AUTOCRATIC PATTERN OF GOVERNANCE ON ECONOMIC GROWTH: Pakistan's Experience

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GAME ON: Roblox is Gateway to Metaverse

HOW TO OUTSTAND THE SBP'S AGRICULTURE CREDIT SCORING MODEL

IBP

editorial.

Muhammad Mazherul Haq
Editor

What You Sow, So Shall You Reap — Except for Weeds

“Success always demands a great effort”, this saying stands true for everyone regardless of their background– whether they are mediocre, born into a royal family or hold good inheritance. The difference lies in the extent of efforts exerted and in enjoying their outcomes. In achieving an objective, particularly in a situation when the course of action is undefined, it all depends upon the competing person to select from various options available. The approach he/ she adopts can be categorized as intelligent, smart or a mix of both.

‘Smart’ approach entails applying the intellect and one's ability to draw on facts. ‘Intelligent’ refers to only one's intellect and is measurable. It encompasses the ease, quickness, and ability to solve problems. Even in learning the ways for spending the unearned resources throughout one’s life signify the efforts required to become a useful member of society. Therefore, there is no escape but to make the efforts to the extent that you have no choice left but to leave in this world.

The antonym of both the above ‘smart’ and ‘intelligent’ approaches is the ‘indifferent’ approach/ attitude, where one remains unconcerned about putting more or less efforts and shows lack of inclination towards any one of the possible ways of doing things. It is anyone’s choice which one of the approaches he/ she tends to adopt for materializing the achievements. There would be no dismal situation as far as the expectations are aligned with the efforts invested, as the saying goes, “no gain without pain”.

These mismatches, however, start to appear when an individual or a group of people expect for the outcome for which they have not taken any recourse – a universal phenomenon, experienced commonly in a society, where people do little and expect more. This causes to generate uncalled for frustration among the people and they start blaming others, as well as cursing their own fate for the failures, rather than channelizing their energies in the right direction.

“First deserve then desire” brightened the prospects for reaching the preconceived expectations mainly because a person advertently or inadvertently adopts the course of actions pursuant to those desirables. It is better to work fairly and honestly to achieve the objectives because miracles do happen, but very rarely and the span of human life is not sufficient to witness those.

Faith in Islam means to believe in Allah, to affirm His truth and to submit to His commands, The Quran says, “... and that each person will only have what they endeavored towards ...” (53:39).

The proverb “As you sow, so shall you reap” seems to come from the farming sector so it could further be expanded as “As you sow so shall you reap, whether it’s a season of Rabi or Kharif”, implies that its applicability is true in all cropping seasons. Since agriculture sector is the most difficult commodity producing sector which is prone to many internal and external adversities, it requires extraordinary endeavor to get the return.

The farmers have to show patience, adherence to the recommended practices and lot of resilience, before they enjoy the harvest. In between sowing the seeds and reapinng the harvest, there come a number of challenges including irrigating the crop, putting the fertilizers and applying pesticides and weedicides; the proverb stands glaringly true with no exceptions.

Although this proverb, by all means, is very much related to the agriculture sector, its truthfulness across the board cannot be challenged because it equally applies to the outcomes related to the social, political, ethical as well as the economic sectors. It means that if we do good to others, we will be rewarded with good, and if we do bad, we will be punished with bad.

In economics we may relate to it in a way that if a company invests in research and development (R&D), it will reap the benefits of innovation and growth in the future. Similarly, if a company invests in its employees’ training and development, it will reap the benefits of increased productivity and employee satisfaction in the future. On the other hand, if a company engages in unethical practices such as bribery or corruption, it may reap the consequences of legal action or loss of reputation in the future.

What you sow so shall you reap, if you believe in this, then there seems no need to cry and weep. If someone still makes hue and cry, it would be nothing more than a new-born baby’s cry, registering protest for coming into the outer world and to start making the efforts for survival.

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THE CONTRIBUTORS

Akram Khatoon
is a prominent senior banker who was the founder and President/ CEO of First Women Bank Ltd. from 1989 to 2001. She is a prolific writer on topics of current interest such as banking, finance, financial inclusion and economy. She was formerly the Chancellor of Jinnah University for Women, and is currently advisor and member of the Board of Governors at the university.

M. Subtain Raza
is an international consultant who is engaged in drafting 'Global Organized Crime Index'. He is specialized in anti- money laundering, countering terrorist financing and transnational organized crimes. He graduated from the USA.

Owais Ahmed Qureshi
is MBA Banking and Finance from KUBS (Karachi University Business School) and has experience of more than 9 years in various Financial Institutions. He is currently serving as Compliance Officer in a Fintech EMI. He is actively engaged in writing articles related to Anti Money laundering and its regime globally.

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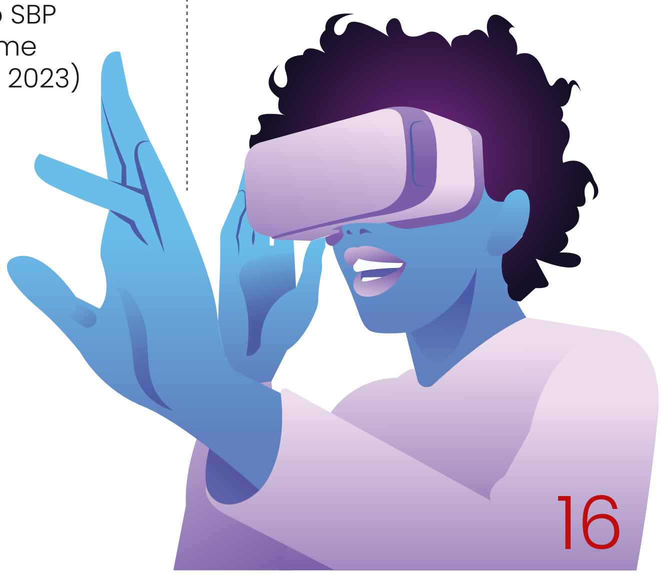

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HEAD OF PUBLICATIONS/EDITOR
Muhammad Mazherul Haq

SENIOR MANAGER PUBLICATIONS
Shahla Naqvi
92 (21) 35277 529
publications@ibp.org.pk

Advertising
Muhammad Akram
92 (21) 35277511
m.akram@ibp.org.pk

Design
M. Jahangir Ishaq | S. Haris Jamshaid

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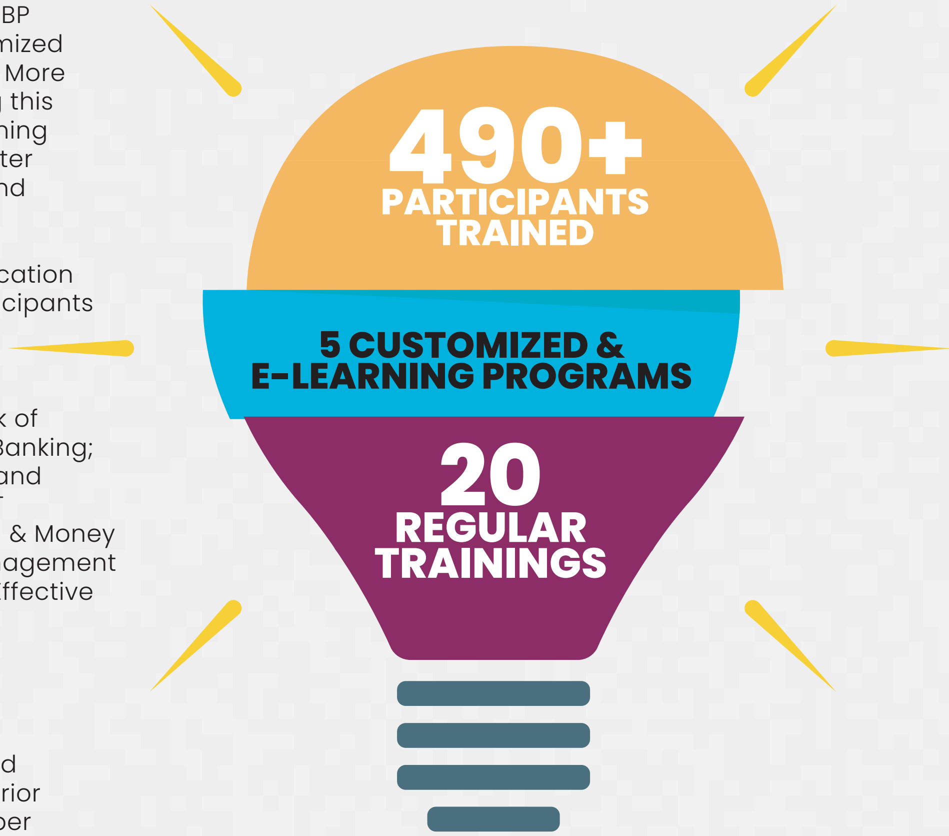
Training Roundup
April - June 2023

During the quarter April – June 2023, IBP conducted 20 Regular and 5 Customized trainings and e-Learning programs. More than 490 participants were trained during this period. NIBAF and IBP jointly launched training calendar for June 2023 as an effort to better serve the training needs of the banking and financial industries.

The Institute has also conducted Certification in Trade Based Money Laundering, 13 participants benefited by the program.

Significant topics of trainings included: FATF Sanctions and Regulatory Framework of AML/CFT; Impact of Digital Innovation on Banking; Understanding National Risk Assessment and Applying a Risk-Based Approach; AML/CFT Requirements for Financial Institutions (FI) & Money Service Business (MSB); SBP Currency Management Guidelines & Penalty Structure for Banks; Effective Audit Report Writing.



Assessments Update

During the quarter April-June 2023, IBP held the Summer 2023 Session of ISQ (IBP Superior Qualification) examinations with 3388 paper enrollments, along with two assessments & seven post-training assessments for its multiple clients. Over 1000 candidates were assessed during this quarter.

HOW TO OUTSTAND THE SBP'S AGRICULTURE CREDIT SCORING MODEL

By: Muhammad Mazherul Haq*

Providing easy access of bank credit to farmers has always been a priority area for State Bank of Pakistan (SBP) since its very inception. None other than any department, the Agriculture Credit Department had only been mentioned in the SBP Act 1956. It enacts that "the Bank shall create a special Agricultural Credit Department…", section 8 (3). Being a testimony of assigning priority to the growth and development of agriculture sector in Pakistan's economy, the SBP with the support of the federal government and the scheduled banks is always at the doorsteps of the farmers to help them for improving the productivity as well as compensating them at time of difficulties, particularly minimizing the impact of calamities.

Knowing the fact that vast potential exists both in horizontal and vertical growth of agriculture sector, SBP's top most concern has been on providing priority short and long terms quality credit to all categories of growers ranging from subsistence farms holdings to corporate farming both in farm and non-farm sectors. Customarily known as difficult area for financing, banks over the past many decades have been seen taking less than the desired interest in meeting the credit requirements of the farmers with little importance given to meet the consumption credit need of the farmers during harvests of 'Rabi' crops and harvest of 'Kharif' crops i.e., two major cropping seasons.

HISTORIC PERSPECTIVE OF AGRICULTURE CREDIT DISBURSEMENT

To make sure that sufficient funds are available to meet the financing need for production and development activities and those are efficiently used for faster growth of agriculture/ rural sector in Pakistan, SBP, over the course of time, has announced various direct and indirect policy measures. Prior to 1972, Commercial bank's lending to agriculture was nominal. Bulk of credit to this sector was being provided by the Agricultural Development Bank of Pakistan (now ZTBL). With the introduction of Banking Reforms in 1972, several institutional and policy changes were made with the objective of more equitable distribution of bank credit among various sectors and groups. Agriculture sector was also a beneficiary of these policy reforms.

In exercise of the powers vested in the State Bank of Pakistan, under Section 25 of Banking Companies Ordinance 1962, effective from December 1, 1972 an Agricultural Loans Scheme was introduced. In the absence of adequately developed specialized institutions for this sector, commercial banks, with their large network of branches, were inducted in mandatory agricultural financing under this Scheme.

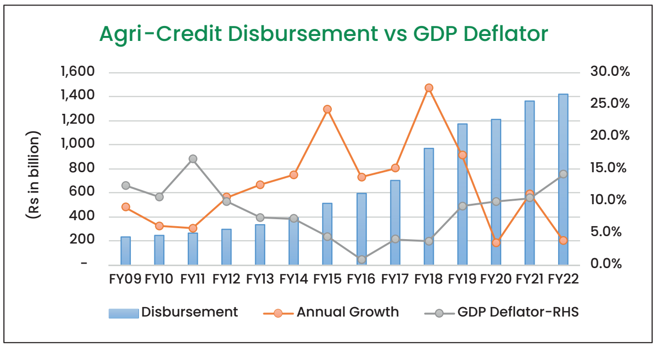
The targets allocated to commercial banks were advised on six monthly basis with the ratio of 40:60 i.e. 40% for the first half and 60% for the second half. Under Section 25(4) of Banking Company Ordinance, SBP was authorized to penalize the banks asking them for keeping special deposits with SBP for such an amount and on such terms and conditions as may be laid down by SBP in this behalf. Thus any short fall in meeting such targets had to be deposited with SBP with interest free account.

ESTABLISHMENT OF A SUPPORTIVE POLICY FRAMEWORK

Towards the late 1990s and early 2000s, SBP worked towards the establishment of a supportive policy framework for entry of the private sector into un-banked areas. Since then, SBP has also adopted the role of a facilitator of financial institutions in promoting market information and infrastructure for agriculture financing. Presently, fifty institutions including five major banks, two specialized banks (ZTBL & PPCBL), thirteen domestic private banks, eleven microfinance banks, six Islamic banks and thirteen microfinance institutions are directly providing finance to the agricultural community of the country.

Under the new paradigm of market based financial sector policies, SBP's strategy for agricultural finance rests upon five pillars that include: (a) provision of an enabling policy environment, (b) diversification of lending portfolio, (c) introduction of innovative financing techniques, (d) programs for farmers' financial literacy, and (e) capacity building of financial institutions. During past twenty years, agriculture financing overwhelmingly met the benchmarks set for financial deepening as well financial inclusion by induction of new lending institutions like micro finance banks, micro finance institutions and reaching out to the earlier unbanked areas/ borrowers.

Some of the major breakthroughs led by SBP for agriculture financing include introducing modern financing methodologies like warehouse receipt financing and value chain financing, concessional financing schemes for priority areas; credit guarantee schemes for small farmers; simplification of loan application processes; specialized guidelines and regulations for sub sectors and loan insurance schemes etc.



Through innovative policies, constant monitoring and targeted interventions in these areas, SBP has been able to expand the formal financial outreach to more farmers and has successfully achieved ambitious agriculture lending targets. As a result of the collective efforts, agricultural credit has seen a robust and sustained growth from Rs 233.0 billion in FY09 to Rs 1,418.9 billion in FY22. During FY13 to FY19, agriculture credit disbursement grew in real term as the growth during these years was far higher than the GDP deflator. This reflects the situation where the increase in lending is not only taken place due to rise in prices, but rise in demand for credit, as well. However, during FY20 and FY22 the annual percentage growth in agricultural credit disbursement remained less than the GDP deflator (see the chart above).

To regain the momentum of growth in credit disbursement to agriculture sector witnessed during FY13 to FY19, SBP has taken number of policy initiatives during last two years which include i) Agriculture Credit Scoring Model, ii) Champion Bank Model, iii) Enhanced Agriculture Credit limit, iv) Increasing the coverage of Crop Loan and Livestock Insurance Schemes and v) Credit Guarantee for Small and Marginalized Farmers. While all of the above initiatives will lead to bring desired growth in disbursement of credit to agriculture sector, the nonconventional one i.e., Agriculture Credit Scoring Model is discussed below:

> "Knowing the fact that vast potential exists both in horizontal and vertical growth of agriculture sector, SBP's top most concern has been on providing priority short and long terms quality credit to all categories of growers ranging from subsistence farms holdings to corporate farming both in farm and non-farm sectors."

AGRICULTURE CREDIT SCORING MODEL

SBP has recently introduced a comprehensive scoring model to gauge the agriculture credit performance of banks. The model was adopted by the Agricultural Credit Advisory Committee (ACAC) in its annual meeting for FY22.

The scoring model utilizes a multi-dimensional criterion to bring focus of banks towards all the areas that are key for improvement of agriculture financing in the country. There are four broad categories of indicators which are further divided into sub-indicators and used to calculate an aggregate statistic reflective of each bank's respective agriculture credit performance.

Insights for Securing Higher Scores:

Now it is the banks' turn to show that how they manage to take fuller benefits of this multi-faceted agricultural credit disbursement model which addresses the conventional as well as the contemporary issues concurrently. While it promotes higher credit disbursement to larger number of borrowers, it explicitly advocates the diversity in the disbursement of credit as well as the financial inclusion through assigning of weights to farm and non-farm credit and the geographical distribution of the loan.

Additionally, it provides level playing field to all stakeholders and challenges them to come forward and adopt smart approaches to become top performers in their respective category. While everyone would be focusing upon the same parameters given in the model to outperform, the difference would be the ways and means selected and used to achieve those given objectives. The traditional approaches, no doubt could bring improvements, but those mostly result into linear growth. The vertical growth could, however, be experienced by utilizing available IT interventions and making their out-of-the-box use for bringing innovations in customers' facilitation.

Before finalizing the future course of action, it is best suited for the banks to do the SWOT analysis for finding their strengths, weaknesses, opportunities and threats that they might need to capitalize upon while struggling for securing the top position among the competitors. This exercise will let them know where they stand in terms of i) competitive and ii) comparative advantages and how they could maximize the gains out of it. Although this needs serious efforts and availability of a dedicated team at decision making level and the mid-tier to implement it in its right perspective, the success is guaranteed in terms of unprecedented increase in the business volume, its quality and achieving the policy objectives of the SBP.

A better understanding of the market conditions coupled with the firm resolve of the banks' senior management towards capitalizing upon the competitive and comparative advantages are the core prerequisites for developing innovative financing tools and reaching the earlier unbanked i) areas, ii) activities and iii) people. The least, but not the last it brings unbelievable improvement in recovery of loans – a sigh of relief for lenders as well as borrowers and provides impetus to future growth.

COMPETITIVE ADVANTAGES

In the case of banking industry, competitive advantage refers to the bank's ability to differentiate itself over its competitors which may include:

Quality of lending products: When a bank offers customers centric lending products developed to the best satisfaction of borrowers and by taking into account the inherent constraints, it may attract higher number of the borrowers than its competing bank, sustainably. This could be done by recourse to R & D and using appropriate IT interventions.

Interest charge and repayment conditions: Low charging of interest with repayment schedule in favor of borrowers can be a competitive advantage for the banks particularly if other factors such as quality of lending product is not well-positioned to be competitive. It could be possible by reducing the cost of doing business through maintaining efficient teams.

Customer service (CS): Excellent customer service with some loyalty incentives when extended to the borrowers can lend competitive advantages to the bank over the competitor such as helping them out in early settlement of insurance claim or calamity compensation, as and when arises. Moreover, keeping the borrowers abreast of the latest developments in production and marketing techniques also fall in the customer service and helps a lot in attracting new borrowers' and their retention with the bank.

Marketing: A bank with an intelligent and effective marketing strategy can tilt new customers' minds, making them more likely to turn to their services when they are in need. In agriculture financing the selection of timings for advertisement and the slogans on print and social media, like in many other businesses, may pay good dividend to the bank, because 'a friend in need is a friend indeed'.

Branch network: Even in a situation when branchless banking has got popularity, no one can deny with the importance of branch network of a bank, particularly with recent IT developments, where the account holder of any one branch can avail all banking facilities at any other branch in his/ her easy access. Branch network can be a competitive advantage for the bank particularly when it is in proximity of the procurement centers or close to the wholesale market during the harvesting seasons.

Innovation: A bank that believes in the power of innovations can have a competitive edge over the other competing banks who give little importance to it. A bank that devotes its efforts to develop innovative new products based on new technologies can reach unexploited market segments like providing credit for rural women and financing eco-friendly projects in the agriculture sector.

COMPARATIVE ADVANTAGES

Comparative advantage refers to a business's ability to produce/ provide better and cheaper goods/ services compared with other businesses because of the natural endowments and/ or the best practices those prevail in an organization like timing and hierarchy in decision making, teamwork and leadership style, the reward and recognition mechanism and compliance to the regulator's policies in their right perspective, etc.

Banks may capitalize upon the available comparative advantages they enjoy in number of areas, including:

Geographical location: The location of head office/ office of the bank, if close to the wholesale markets of produce, and inputs help to attract more business on comparatively lower cost and efforts than the other competing banks as they can provide more value added services to their customers, like observing value chain concept in extending agriculture finance.

Serving niche market: A niche market is a very specific segment of customers who share characteristics and because of those characteristics are likely to buy a particular or service like the need for credit under Islamic modes of financing. Under this situation, the banks engaged in Islamic banking will have the comparative advantage in doing the business.

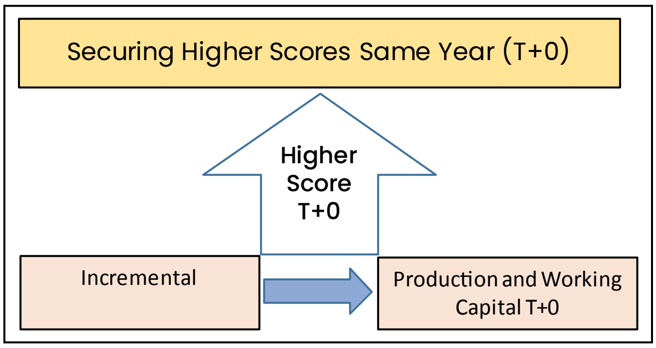
Involving niche technology: Banks can also have a comparative advantage in technology. Progressive banks are experimenting with new propositions involving niche technologies such as augmented reality, artificial intelligence and computer vision.

Customer experience (CX): Customer experience encompasses all the interactions between the providing the orientation for the bank's product which it offers to a customer on the very first day, till the successful culmination of the services. Lead in customer experience (CX) have a higher recommendation rate, a higher share of deposits, and a greater likelihood that customers will increase their portfolio of new products and services from their select bank.

> "Through innovative policies, constant monitoring and targeted interventions in these areas, SBP has been able to expand the formal financial outreach to more farmers and has successfully achieved ambitious agriculture lending targets."

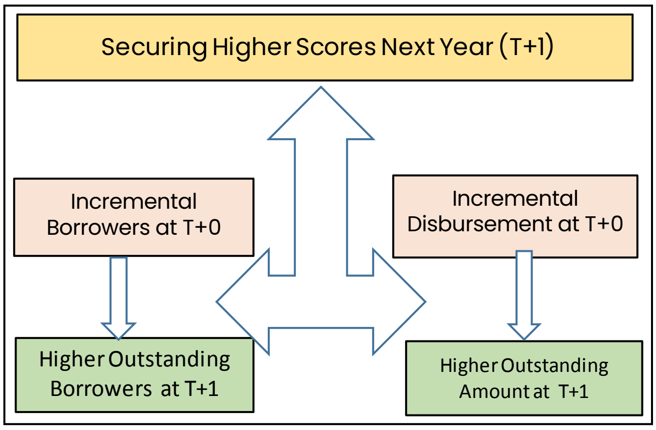
In addition to taking advantage of situation scan above, the banks can also maximize the scores smartly by considering the percentage weights assigned to different parameters by the SBP in the scoring model.

Insight-1



A bank can earn higher scores if a larger amount of incremental disbursement is accumulated on account of credit given for production and working capital as these two constitute 16 percent weight (production loans 9.6% + working capital loans 6.4%) out of total weight of 20 percent allocated to purpose of loans category.

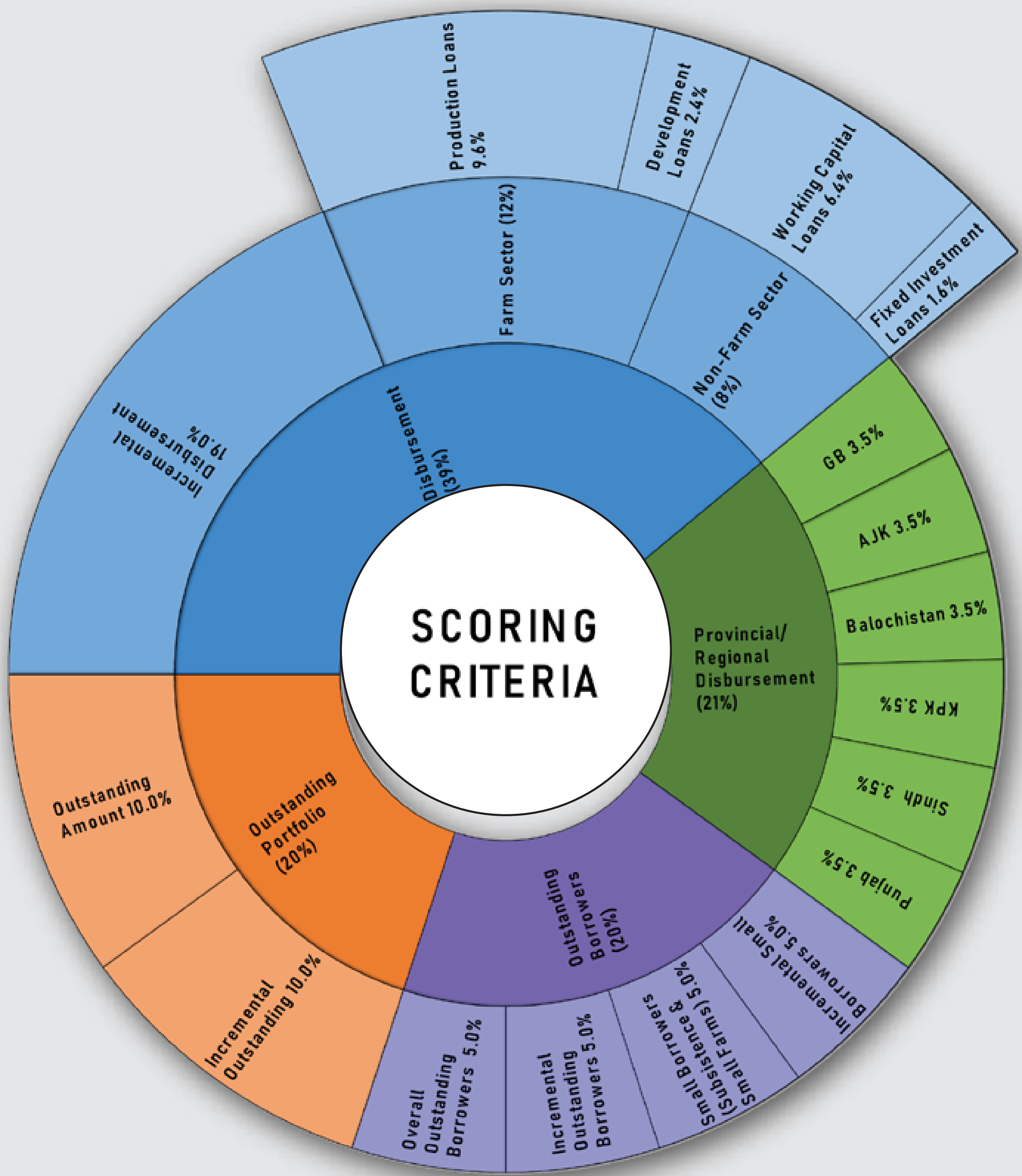
Insight-2



Putting more emphasis on taking the lead on account of incremental borrowers and incremental disbursement in the current year will lead to earn higher scores in the categories of 'outstanding borrowers' and 'outstanding amount' next year.

**Muhammad Mazherul Haq is engaged as Head of Publications & Communication Department at IBP.*

AGRICULTURE CREDIT SCORING MODEL



Source: https://www.sbp.org.pk/ACS/Index.html

IMPACT OF DEMOCRATIC/AUTOCRATIC PATTERN OF GOVERNANCE ON ECONOMIC GROWTH

Pakistan's Experience

By: Akram Khatoon

According to globally acknowledged norms of economic growth, economic reforms particularly in the area of trade liberalization, privatization and arresting the growing trend of monopolization and cartelization initiated under democratic set of rules bring about the desired results. However, experience with quite a number of developing and emerging economies with regard to their structural reforms initiatives in the abovesaid areas, while their being under autocratic rule for quite a long time, has proved contrary to this assumption. Chile, South Korea and quite a number of countries in East Asia were able to achieve economic liberalization through reforms undertaken in almost all sectors of their economies under their autocratic setup, particularly during the sixties and seventies.

Experience with Pakistan itself being under military rule for more than three decades is also more or less the same. During military backed regime of General Ayub Khan from late fifties to end of sixties Pakistan achieved tremendous growth of industrial sector, impacting all sectors of economy with a remarkable improvement shown in all macroeconomic indicators like surplus national budgets, very favorable balance of payment position, strong currency and high GDP growth rate etc.

Unfortunately, during the comparatively short span of subsequent democratic governments— despite their ambitiously designed economic reform programs— the desired objectives could not be achieved, mainly because of the inability to take unpopular decisions by the policymakers. Even the widely claimed restructuring of public sector entities, to ensure their doable privatization, experienced numerous impediments as economic managers of the country had to convince legislators both in Federal and Provincial Assemblies regarding the proposed privatization and restructuring strategy as this results in downsizing being its integral part. As such, a sizable number of unwanted or less efficient staff, mostly comprising of political appointments, is laid off. Secondly, the sale of public sector entities, wherever done, were viewed devoid of transparency. As such, intervention of the judiciary was sought by civilian society and in certain cases, sale was rendered null and void.

No doubt there are compelling reasons that a democratic government, despite its seriousness to undertake economic reforms program, may fall prey to various powerful interest groups who totally ignore the socio-economic welfare of society as a whole. Legislators themselves, being stakeholders in these organizations, foreseeing any reduction in their profits/ gains during the initial period, usually oppose the idea of bringing any change in the existing setup.

It has generally been seen that in a weak democratic setup or in a coalition-based government non development expenditures increase substantially, as is evident in case of Pakistan also. Here the ruling party has to oblige its coalition partners by increasing the size of cabinets and allowing unethical monetary concessions. As a result, such countries face heavy fiscal deficits every year and entangle themselves in heavy internal and external borrowings, thus adversely impacting the economic health of the country.

Under autocratic regimes, there is always a cap on public sector spending everywhere. Further, countries under autocratic rule have experienced substantial rise in saving rates through proper incentives and curtailing both private and public spending through strict taxation measures. Deficit financing whenever required is kept within redeemable limits.

In the case of Pakistan, which since 2007 frequently passed through long spells of autocratic military-based regimes, with no exception of Ayub Khan's era of rule (1958 –1969), the country continued encountering various economic upheavals due to war and terrorist

> Whenever an autocratic ruler with a benevolent mindset tried to uphold the masses' general well-being, he fell prey to interest groups and could not enforce the most needed taxation and agrarian reforms for bringing equity in the taxation system and getting rid of the feudal system, which is the basic cause of all socio-economic ills.

yet the macroeconomic indicators were promising. Even the frequency of natural calamities like devastating earthquakes, floods and drought conditions witnessed during 2003–2007, most probably the last lap of the autocratic era, could not worsen the economic condition as bad as being experienced now-a-days in the established democratic era. Direct foreign investments, investments from indigenous sources and GDP growth rate remained at a satisfactory level perhaps due to manipulated financial repression achieved through comparatively better monetary and fiscal policies of the then economic managers. Unfortunately, whenever an autocratic ruler with a benevolent mindset tried to uphold the masses' general well-being, he fell prey to interest groups and could not enforce the most needed taxation and agrarian reforms for bringing equity in taxation system and getting rid of the feudal system, which is the basic cause of all socio-economic ills.

Similarly, the privatization policy of the previous military regime was not transparent. The government fell captive to interest groups, thus the sale of various public sector entities brought enormous financial loss to the nation. Such erroneous performance of an autocratic government negates the reform agenda. At the same time, successive democratic governments since 2009, due to global economic recession of 2008, political turmoil and above all the onslaught of the COVID-19 pandemic, failed to manage the economy despite receiving financial support from various funding agencies and resultantly, the economy as a whole has been in shambles since 2018.

Even Latin American and East Asian countries facing authoritarian regime for quite some time faced loopholes with regard to their economic reforms' agenda. It is because of the fact that autocratic rulers' preference/ policies usually changes over time and they do not face any legal constraint for any abrupt change in their policy. Hence, they cannot commit to reform agenda as has been experienced by Pakistan also during its various dictatorial ruling setups.

In addition, curbed rights like freedom of press and rights of civil society, particularly the right to property, which are essential for sustained economic growth reform agenda, are the main factors impeding effective implementation of structural reforms particularly in low income developing countries. Hence, general norms of policies towards economic development are based on democratic setup. A study conducted by IMF Research department team in 2009 in this respect covers 150 countries over a span of 40 years and examined correlation between democracy and performance in six areas viz., domestic finance, capital account, product markets (electricity and telecommunication), agriculture trade (based on tariffs) and current account transactions.

The above study revealed that improvement in democratic institutions correlates significantly with the adoption of economic reforms and moving from an autocratic regime to completely democratic setup is linked with 25 percent increase in the index of reforms. It was also deduced from the study report that the economic liberalization does not necessarily lead to political liberalization. At the same time, quite a number of developing countries despite being under autocratic rule worked on structural reforms, leading to focus on labor intensive manufacturing units, which in turn culminated into fast growth in value added manufacturing and service sectors, being the outcome of substantial rise in per capita income and skills of their work force. China and South Korea are the appropriate economic models in this regard.

To conclude, one can say that economic reforms bring results both in benevolent autocratic regimes and also in democratic setup where there is maximum concern for good governance, accountability and transparency in all transactions.

In this regard, the following research findings on the subject are worth noticing. In their research paper on 'Economic Performance of Pakistan Under Democracy and Military Regimes', published in the Journal of Economics, Business and Management, Vol. 4, No. 12, December 2016 issue*, Muhammad Nauman Hayat, Kaneez Fatima, Uzma Mukhtar, and Safia Bano concluded, "We examined economic performance under military and democratic regimes using macroeconomic variables such as Foreign Direct Investment, Real Gross Domestic Product, Unemployment, Per Capita Income and Inflation Rate. We found that Military governments performed better in terms of Gross Domestic Product and controlling Inflation while democratic governments performed better in terms of Per Capita Income. Moreover, Foreign Direct Investment and Unemployment were almost same under military and democratic governments." ■

*Source: http://www.joebm.com/vol4/474-JB56.pdf

Game on: Roblox is Gateway to Metaverse

With the gaming industry already opening our eyes to the potential of metaverse worlds, we explore what it can offer banks - and how they can best leverage it for success. We will also dig deeper into some of the regulatory challenges and explore how lending in this space sits with today's idea of core banking principles and practices.

We are living on the precipice of a new era in technology. While the idea of the metaverse may bring with it futuristic connotations – often difficult to conceptualize, even after the unprecedented rate of digitalization we have seen over recent years - we may be closer to it than we think.

Global management consulting firm McKinsey & Company predicts metaverse worlds could generate up to $5 trillion in impact by 2030, and brands invested more than $120 billion in the metaverse in the first half of 2022. Banks may question its true potential, but given the brands that have invested in it and the technological advances promised, it may be time to analyze its viability against long-term growth goals. Embracing the metaverse could, after all, be key to helping attract and engage Gen Z, open doors to gamification, explore virtual advice and customer service; and increase virtual and in-app banking.

But where has this shift towards metaverse worlds come from – and how has it accelerated over the past few years? Well, it is not just talk, according to McKinsey, in its 2022 report *Marketing in the Metaverse: An Opportunity for Innovation and Experimentation.*

"Private capital is also rapidly pouring in," the report states. "In 2021, metaverse-related companies reportedly raised upward of $10 billion, more than twice as much as they did in the previous year. In the past 12 months, one company alone – Epic Games, maker of Fortnite – has not only raised $3 billion to fund its long-term vision for the metaverse but also announced a partnership with LEGO to build a metaverse for kids. The global value creation opportunity from the metaverse could be in the trillions."

Adding Up

The numbers, while obviously difficult to forecast, make for astonishing reading.

"In the few months since the announcement by Meta, the metaverse has witnessed its own accelerated maturation curve, with an initial upheaval of activity, heightened expectations, cynicism from certain market sections and now a flurry of companies filing trademarks and patents to protect their piece of the pie," said Sudhir Pai, Chief Technology and Innovation Officer, Capgemini, in Forbes magazine earlier this year.

"Bloomberg Intelligence expects more organizations to jump on the bandwagon, pushing the market size to $800 billion by 2024. With associated markets also evolving (NFT [non-fungible token] market cap is currently above $41 billion, $54 billion has been spent on virtual goods in 2021, etc.), the virtual world will soon become a natural habitat in the near future, necessitating enterprise investments for customer engagement.

"In fact, Gartner predicts that by 2026, 25 percent of people will spend at least one hour a day in the metaverse for work, shopping, education, social and/or entertainment."

Between late 2021 and early 2022, Pai said, the metaverse gained market traction across a number of industries, including the banking sector.

"While the metaverse bridges the physical and virtual worlds through innovations in hardware and software, it also needs an economic system to thrive. Here is where we will witness NFTs taking center stage to unlock value in the metaverse (MetaFi). As the metaverse becomes the norm to play, work and socialize, demand for a trusted mechanism to drive value exchange in the metaverse will shoot up.

"To truly understand the possibilities of the metaverse for banking, one needs to first comprehend what constitutes a metaverse, what the building blocks are that together create this digital twin of our current reality. To this end, we believe there are four distinct pieces to the puzzle: technology, platform, marketplace and commerce. Each one is powered by a unique set of ecosystem players having undergone their own unique maturation curve."

Small Steps

While we are moving ever closer to operating in an increasingly virtual world, the FS sector is still very much in the early stages of deciphering exactly what that world might look like.

"I think, from a financial services perspective, it's very much at an exploratory phase at the moment," says Julian Wells, Director and Strategy Consultant in Financial Services, Whitecap Consulting. "There's quite a lot of future-gazing around financial services and the metaverse and outlining of things that might happen in the future, but the reality right now is that most of the activity you'd probably categories as PR-and-brand- related rather than being pure financial services activity.

> **Banks should take great care when thinking about loans and mortgages linked to the metaverse, and reflect on the canons of lending that have served us well for many years."**
>
> Simon Thompson,
> Chief Executive, Chartered Banker Institute

"The area where developments are really interesting is around virtual currencies and crypto, because there is actual value exchange taking place in the metaverse already. That's a parallel world to the regulated financial services ecosystem that we all live within the real world."

Wells believes that the more the numbers of people engaging in virtual worlds continue to grow – whether through gaming or elsewhere – the more pressure there will be on banks to focus on what's happening in the metaverse, and factor it into their future offering.

Next-Gen Banking?

Among the growing list of reasons that banks and other FS organizations must prepare themselves for, the metaverse is the chance to attract and connect with new generations of customers.

"The metaverse concept is gaining particularly strong traction among Gen Z – the generation born from the late 1990s to early 2010s, which now represents almost a third of the global population," said Anjali Bastianpillai, Senior Client Portfolio Manager, Pictet Asset Management, in an article headlined *Perspectives – The Metaverse: A mega opportunity,* published on the company website.

"As true digital natives, this age group is already at home with virtual environments through remote learning, streaming and social media platforms, including Instagram and Snapchat, as well as through video games, like Fortnite and Roblox, where players can imagine and create their own avatars. The metaverse is definitely not a 'one winner takes all' model and no one can build it on their own. Many of the Big Tech companies are also exploring how to enhance their product offering."

Wells agrees, and says that the ways our children are now gaming online shows that the younger generations are at the forefront of the shift to virtual.

"People are beginning to see value in things that they're doing in the metaverse," he says. "On a lot of these platforms they have currencies to buy things and those things have a very clear value. My kids are nuts about the game Roblox. They get their pocket money every week into their Revolut accounts, so never get any physical currency but my daughter can check her Revolut account. Buying sweets or toys is great, but my children spend a lot of time playing Roblox with their friends and so they see the value there and can learn about trading Roblox money – or Robux - for things in the game.

> **"There's an increasing awareness that financial services can learn from the gaming sector."**
>
> **Julian Wells,**
> Director and Strategy Consultant, Whitecap Consulting

"These types of gaming platforms are teaching kids a lot about what things are worth and how you can save money and what types of things you might choose to invest in through the metaverse. It was quite a pivotal moment for me when I realized that. I'm often going to events and hearing about the metaverse and thinking that this is just PR hype. But actually, when I get home, my kids are in there already, they're already learning about life in the metaverse. They're already much more immersed in it than my generation."

Possibilities and Potential

With the gaming sector already proving the pull of virtual worlds, there is much to be gained for banks by looking at their progress.

"I think there's an increasing awareness that financial services can learn from the gaming sector," says Wells. "The most interesting discussions I've had at events around the metaverse have been with people from the gaming industry. The gaming perspective is very much about user experience and in engaging in what you really want to do. When you get a lawyer talking about the metaverse, you often hear the reasons why it's hard and the challenges there. When you listen to the gaming community, I think it opens your eyes a lot more to the possibilities and the potential."

A Shift in Infrastructure

For many organizations looking to delve deeper into the metaverse, the challenges lie in the implementation of systems – and a wider infrastructure – that enable the smooth transition between virtual worlds and reality.

"The metaverse is giving rise to new types of non-tangible products that only have value in the digital world," said Bastianpillai in her article. "The most popular are non-fungible tokens (NFTs) – digital assets that can include art, real estate, sports memorabilia or clothing. Blockchains and cryptocurrencies will play a key role in the metaverse. All layers will impact digital assets, financial technology and services through a number of innovations including the technology that is used to build Web 3.0 – which includes blockchain based cryptocurrencies and NFTs."

For all this to really take off, Bastianpillai says that improved digital infrastructure is crucial.

"The biggest challenge will be interoperability to be able to jump seamlessly from one world to another and keep the same virtual identity no matter which world we're in. Cross-platform play between consoles and PCs already works and exists as proof of concept like iOS and Android for smartphones, or the Mac Operating System (OS) and Windows for PCs."

Another major challenge in operating in the metaverse is the question of banking regulation, with financial products and services requiring a particularly careful approach in the virtual world.

"While the metaverse potentially provides banks with a new channel to reach customers, whether it will replace rather than complement existing digital channels is moot," says Simon Thompson, Chief Executive, Chartered Banker Institute.

"For me, the metaverse is perhaps more suited to physical products that can be di splayed or interacted with in virtual reality, more than intangible products and services such as banking. Banks and bankers should take great care when thinking about 'virtual' loans and mortgages linked to the metaverse, and reflect on the canons of lending that have served us well for many years and are equally relevant to the virtual reality world too. It's still real money at the end of the day.

"The metaverse could play an increasingly important role in education and training too – including training for bankers, with elements such as virtual branches being used to deliver more realistic, role-play-style training."

Managing the Risk

In a virtual world – where anonymity is often valued – the FS sector has its work cut out in ensuring appropriate verifications are in place while also streamlining the user experience.

"There's a fundamental question around identity and verification," says Wells. "Protecting customers from fraud is also going to be a huge challenge, because fraudsters are always one step ahead. There's got to be a massive focus in regulatory terms, but I don't think it's going to be easy for the regulators to figure out how to regulate financial services in the metaverse.

"Until that's clear, that will really hold back the activities of major FIs in this space, because they're so risk averse. They have to be – they have to protect themselves and protect their customers. All the regulation in financial services is built around protecting customers but also businesses as well. Until we have a clearer picture, that will limit the progress of financial services in the metaverse and I think everything will be more conceptual."

While traditional banks try to navigate the tricky regulatory landscape of the metaverse, without being left behind by more tech-forward, agile providers, there can be no question that the virtual world is creating huge opportunities for the sector. Connecting with new customers, streamlining operations, developing new products, and improving user experience are just some of the ways in which the virtual world can drive us into a new and exciting phase in banking.

As Michael Abbott, Senior Managing Director & Global Banking Lead, Accenture, put it in *Forbes* magazine's piece headlined *The Metaverse has got banks thinking about a radically different future*, "Personally, I think the metaverse could be the most important tech trend to hit banking since the internet. Make no mistake, we are still in the early days but that doesn't mean banks should sit tight." ■

WHAT IS THE METAVERSE?

"The metaverse encompasses immersive environments, often using virtual or augmented reality technology," explains venture capitalist Matthew Ball in McKinsey's report *Marketing in the Metaverse: An opportunity for innovation and experimentation.*

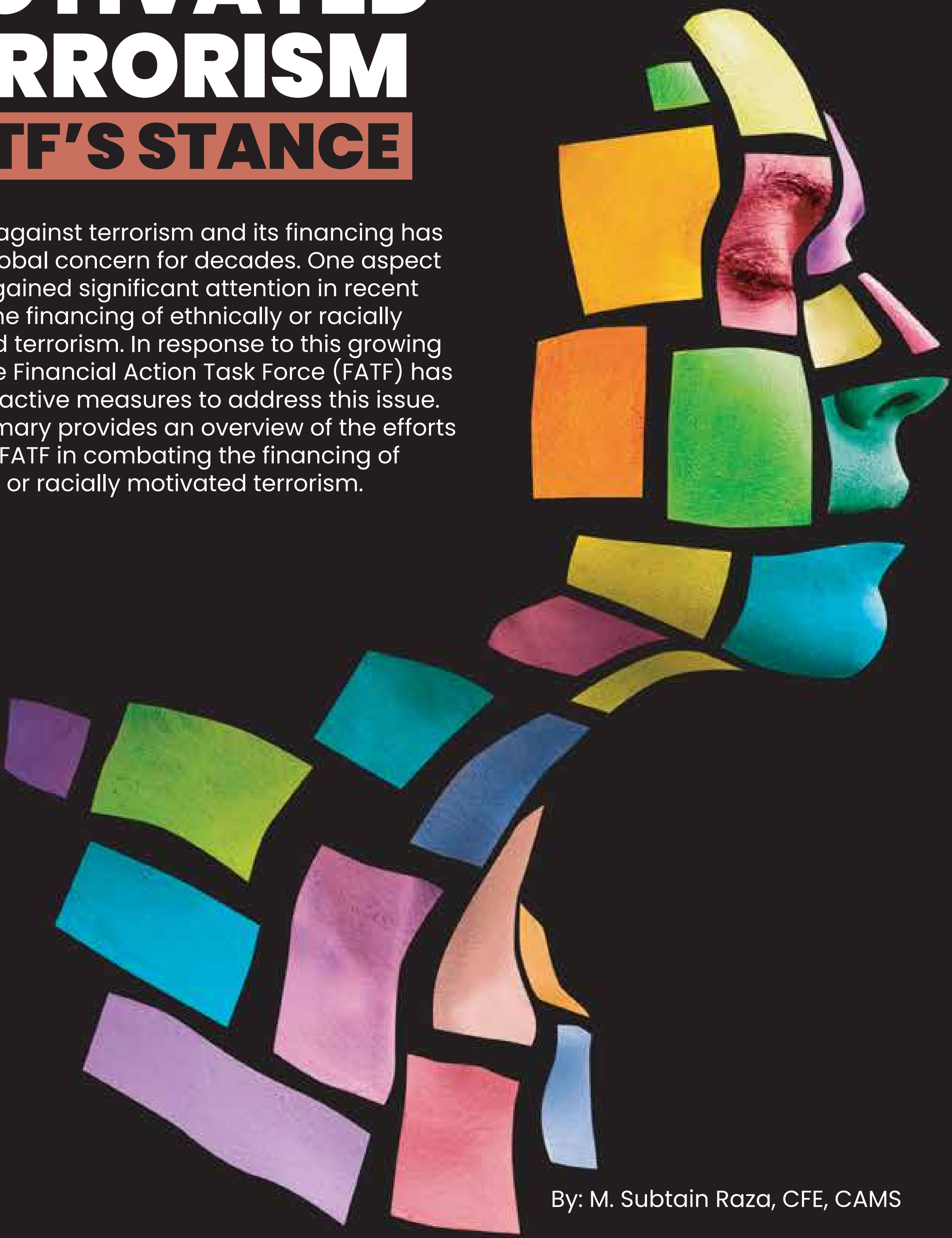
"These environments span physical and virtual worlds. The metaverse is powered by a fully functioning virtually economy, are 'always on' and exist in real time. Users of the metaverse have virtual 'identities', presence and the ability to interact with peers, conduct transactions (often using cryptocurrency) and create content."

This article originally appeared in the Winter 2023 issue of Chartered Banker magazine and is reproduced by kind permission of the Chartered Banker Institute.

FINANCING OF ETHNICALLY OR RACIALLY MOTIVATED TERRORISM

FATF'S STANCE

The fight against terrorism and its financing has been a global concern for decades. One aspect that has gained significant attention in recent years is the financing of ethnically or racially motivated terrorism. In response to this growing threat, the Financial Action Task Force (FATF) has taken proactive measures to address this issue. This summary provides an overview of the efforts made by FATF in combating the financing of ethnically or racially motivated terrorism.



By: M. Subtain Raza, CFE, CAMS

Definition and Scope

The FATF, an intergovernmental organization established in 1989, has played a crucial role in setting global standards for combating money laundering and terrorist financing. Recognizing the evolving nature of terrorism, the FATF expanded its focus to include the financing of terrorism driven by ethnic or racial motivations. Ethnically or racially motivated terrorism refers to acts of violence carried out to promote a particular ethnic or racial ideology, targeting individuals or groups based on their ethnicity or race.

Key Objectives of FATF

The FATF's primary objective is to disrupt the financing of terrorism by targeting its sources and channels. To address the specific issue of ethnically or racially motivated terrorism financing, FATF has set forth the following key objectives:

- Enhancing Legal Frameworks

FATF encourages member countries to adopt comprehensive legal frameworks that explicitly criminalize the financing of ethnically or racially motivated terrorism. This includes ensuring that legislation covers a broad range of offenses, such as fundraising, money laundering, and the provision of financial assistance.

- International Cooperation

FATF emphasizes the importance of international cooperation in combating the financing of ethnically or racially motivated terrorism. It encourages countries to share information, intelligence, and best practices to identify and disrupt financing networks. FATF also works closely with other international bodies, such as the United Nations and INTERPOL, to strengthen collaboration in this area.

- Risk Assessment and Mitigation

FATF urges member countries to conduct regular risk assessments to identify vulnerabilities in their financial systems that could be exploited for terrorism financing purposes. This includes analyzing potential links between extremist organizations, hate groups, and financial institutions. Based on these assessments, countries are expected to implement appropriate risk mitigation measures.

- Financial Intelligence

FATF supports the development of robust financial intelligence capabilities to detect and track financial transactions associated with ethnically or racially motivated terrorism. This includes improving the exchange of financial intelligence domestically and internationally, leveraging technology for data analysis, and enhancing the training of financial intelligence units.

"While FATF has made significant progress in addressing the financing of ethnically or racially motivated terrorism, several challenges remain... the evolving nature of terrorist financing methods, the need for consistent implementation of FATF recommendations across member countries, and the difficulty of distinguishing between legitimate political activities and terrorist financing."

Challenges and Future Directions

While FATF has made significant progress in addressing the financing of ethnically or racially motivated terrorism, several challenges remain. These challenges include the evolving nature of terrorist financing methods, the need for consistent implementation of FATF recommendations across member countries, and the difficulty of distinguishing between legitimate political activities and terrorist financing.

To address these challenges, FATF continues to adapt its guidelines and recommendations to stay ahead of emerging trends. It also emphasizes the importance of capacity building and technical assistance to support member countries in implementing effective counter-terrorism financing measures.

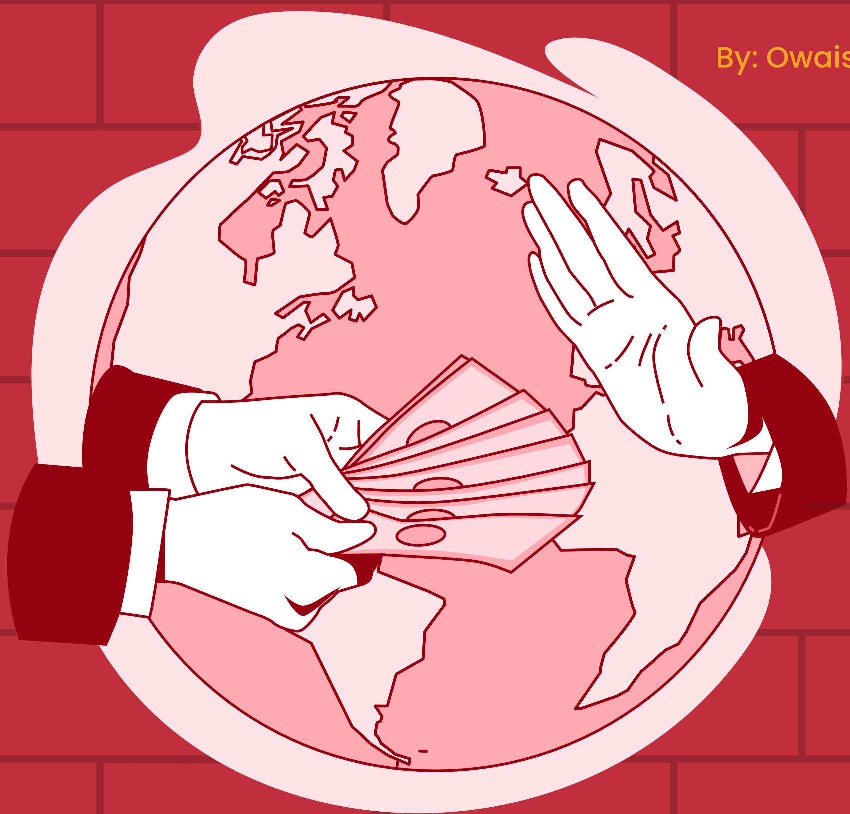
Conclusion

The financing of ethnically or racially motivated terrorism poses a serious threat to global security. The FATF, through its comprehensive framework, has played a critical role in addressing this issue. By encouraging international cooperation, enhancing legal frameworks, conducting risk assessments, and promoting financial intelligence, FATF has taken significant steps to disrupt the financing of ethnically or racially motivated terrorism. However, ongoing efforts, including adapting to new challenges and providing capacity building support, are crucial to ensure the effectiveness of these measures in the face of evolving threats. ■

TOP 10 AML COMPLIANCE CHALLENGES FOR BUSINESSES IN 2023

This article focuses on the top 10 AML compliance challenges that businesses are likely to encounter in 2023. By understanding these challenges and implementing effective strategies to address them, businesses can enhance their AML compliance programs, mitigate risks, and maintain the trust of regulators, customers, and stakeholders.

By: Owais Ahmed Qureshi



Since we are in midst of 2023, the landscape of Anti-Money Laundering (AML) compliance is continuously evolving, driven by a multitude of factors. The increasing sophistication of financial crimes, the emergence of new technologies, and the evolving regulatory environment have heightened the challenges faced by businesses in maintaining effective AML practices. In this dynamic environment, it is crucial for businesses to stay abreast of the latest AML compliance challenges to protect themselves from regulatory penalties, reputational damage, and financial losses.

AML compliance serves as a critical line of defense against illicit activities such as money laundering, terrorist financing, and fraud. It encompasses a range of measures and procedures aimed at detecting and preventing financial crimes, ensuring the integrity of the global financial system, and safeguarding businesses and their customers from the risks associated with illicit financial activities.

In 2023, businesses operating in various sectors face a host of AML compliance challenges that require their attention and proactive approach. These challenges arise from the interplay of evolving regulatory frameworks, advancements in technology, the changing nature of financial crimes, and the complexity of global financial transactions.

Let us delve into the specific challenges that businesses face in the ever-evolving AML compliance landscape of 2023...

1 EVOLVING REGULATORY LANDSCAPE: INCREASING COMPLEXITY AND STRICTER AML REGULATIONS

The AML regulatory landscape is constantly evolving, posing significant challenges for businesses. In 2023, the complexity of AML regulations continues to rise, requiring organizations to navigate a web of laws and regulations across multiple jurisdictions. Regulatory bodies, such as the Fourth and Fifth EU AML Directives and the Financial Action Task Force (FATF), have intensified their efforts to combat money laundering and terrorist financing. Businesses must proactively monitor and adapt to these regulatory changes, ensuring compliance with new requirements and incorporating them into their AML programs. Failure to do so can result in severe penalties, legal consequences, and reputational damage.

2 ENHANCED CUSTOMER DUE DILIGENCE (CDD): RIGOROUS MEASURES TO VERIFY IDENTITIES AND IDENTIFY BENEFICIAL OWNERS

Customer Due Diligence (CDD) is a critical component of effective AML compliance. In 2023, regulators are placing increased emphasis on the implementation of robust CDD processes. This entails thorough verification of customer identities and the identification of beneficial owners, particularly in the case of corporate clients. Enhanced CDD measures require businesses to go beyond basic information gathering and employ advanced techniques to assess the legitimacy and integrity of their customers. These measures may include identity verification through multiple reliable sources, screening against global sanction lists and politically exposed persons (PEPs) databases, and conducting enhanced due diligence for higher-risk customers. By implementing comprehensive CDD procedures, businesses can strengthen their ability to identify and prevent money laundering activities, safeguard their reputation, and maintain regulatory compliance.

3 RISK-BASED APPROACH (RBA): TAILORING AML MEASURES TO MITIGATE SPECIFIC RISKS

The Risk-Based Approach (RBA) is a fundamental principle in effective AML compliance. In 2023, businesses face the challenge of implementing a comprehensive and dynamic risk-based framework to identify, assess, and mitigate money laundering risks. This approach involves evaluating the specific risks associated with the business, its customers, products, and geographic locations. By conducting thorough risk assessments, organizations can allocate resources and apply appropriate AML measures where the risks are most significant. This includes implementing robust transaction monitoring systems, conducting enhanced due diligence for high-risk customers, and enhancing know-your-customer (KYC) procedures. The RBA also requires ongoing monitoring and periodic reviews to adapt to evolving risks and regulatory changes. By adopting a risk-based approach, businesses can focus their efforts on mitigating the most significant AML risks, ensuring compliance, and protecting themselves from financial and reputational harm.

4 TECHNOLOGICAL ADVANCEMENTS: HARNESSING INNOVATIONS WHILE ADDRESSING ASSOCIATED AML CHALLENGES

In 2023, technological advancements present both opportunities and challenges in the realm of AML compliance. Businesses need to embrace and leverage innovative technologies to enhance their AML programs, but they must also address the unique risks and challenges these advancements bring. Here are some key considerations:

- **Artificial Intelligence (AI) and Machine Learning (ML):** AI and ML offer powerful tools for analyzing vast amounts of data and detecting patterns indicative of money laundering activities. However, businesses must address challenges such as data privacy and security, algorithm transparency and bias, and the need for skilled personnel to effectively interpret and act on the insights generated by AI and ML systems.

- **Data Analytics:** Advanced data analytics can significantly enhance AML efforts by providing real-time insights into transactional patterns and anomalies. Businesses can leverage data analytics to detect suspicious activities, identify emerging risks, and enhance their risk assessment and mitigation strategies. However, organizations must ensure the accuracy, reliability, and integrity of the data used for analysis while adhering to data protection regulations.

- **Digital Identity Verification:** Technological advancements have paved the way for more efficient and secure digital identity verification processes. Biometric authentication, digital document verification, and block chain-based solutions offer enhanced reliability and convenience. Nonetheless, businesses must carefully consider the privacy and security implications of collecting and storing sensitive customer data and implement robust measures to safeguard against identity theft and data breaches.

- **Cryptocurrencies and Virtual Assets:** The rise of cryptocurrencies and virtual assets introduces new challenges in AML compliance. These digital currencies can facilitate illicit financial activities due to their pseudonymous nature and cross-border accessibility. Businesses need to understand the regulatory requirements surrounding virtual assets, implement effective controls to detect and mitigate associated risks, and ensure compliance with evolving regulations in this rapidly evolving space.

- **Transaction Monitoring Systems:** Advanced transaction monitoring systems powered by technology can help identify suspicious activities and unusual transaction patterns. However, businesses must ensure that their systems are capable of handling the volume and velocity of transactions while minimizing false positives. Regular system testing, fine-tuning, and updates are necessary to maintain the effectiveness of these tools.

- **Cybersecurity:** With increased reliance on digital systems and data, businesses must prioritize robust cybersecurity measures to protect against data breaches, hacking attempts, and unauthorized access. Cybersecurity risks can have severe consequences, including compromised customer information, financial losses, and reputational damage.

While technological advancements provide significant opportunities for improving AML compliance, businesses must navigate the associated challenges. By carefully implementing and managing these technologies, organizations can enhance their AML programs while ensuring data privacy, addressing algorithm biases, staying compliant with regulations, and maintaining robust cybersecurity practices.

5 CRYPTOCURRENCIES AND VIRTUAL ASSETS: ADDRESSING AML CHALLENGES IN THE DIGITAL FINANCIAL LANDSCAPE

Cryptocurrencies and virtual assets pose unique challenges for AML compliance in the digital financial landscape of 2023. These digital currencies, such as Bitcoin and Ethereum, have gained prominence and present both opportunities and risks. One of the main challenges is the pseudonymous nature of cryptocurrencies, which makes it difficult to trace the origin and movement of funds. This anonymity can be exploited by money launderers and criminals engaged in illicit activities. Another challenge is the cross-border accessibility of cryptocurrencies, which enables transactions to occur across jurisdictions without the need for traditional financial intermediaries. This makes it crucial for businesses to implement robust controls and measures to detect and mitigate potential money laundering and terrorist financing activities in the cryptocurrency space.

Additionally, the regulatory landscape surrounding cryptocurrencies and virtual assets is rapidly evolving. Governments and regulatory bodies worldwide are grappling with how to effectively regulate these digital currencies to prevent abuse while fostering innovation. Businesses need to stay updated on the regulatory requirements in the jurisdictions where they operate and ensure compliance with AML regulations specific to cryptocurrencies and virtual assets. This may involve registration, licensing, and reporting obligations for cryptocurrency exchanges, custodial wallet providers, and other entities dealing with virtual assets.

Moreover, privacy-enhancing features and privacy coins in the cryptocurrency ecosystem introduce additional AML challenges. While privacy coins prioritize transaction privacy and obfuscate the details of sender and receiver, they can also be misused for illicit purposes. Businesses must understand the risks associated with privacy-enhancing features and implement appropriate measures, such as enhanced due diligence for transactions involving privacy coins, to ensure compliance with AML regulations.

The rise of decentralized exchanges (DEXs) and peer-to-peer (P2P) platforms further complicates AML efforts in the cryptocurrency space. These platforms enable direct transactions between users without intermediaries, making it challenging to implement traditional AML measures. Businesses must explore innovative approaches, such as block chain analytics tools and transaction monitoring solutions tailored to decentralized environments, to detect and prevent illicit activities on these platforms.

6 CROSS-BORDER TRANSACTIONS: NAVIGATING AML CHALLENGES IN GLOBAL FINANCIAL FLOWS

Cross-border transactions present significant challenges for AML compliance in 2023. The complexity of global transactions, where funds move swiftly across borders, makes it difficult to trace the origin and movement of funds. Sophisticated money laundering networks take advantage of this complexity, requiring businesses to enhance their transaction monitoring capabilities. Correspondent banking relationships, while facilitating cross-border transactions, also pose AML challenges. Robust due diligence processes are necessary to ensure compliance and prevent exposure to illicit financial activities. Varying AML regulations across jurisdictions add complexity, necessitating businesses to navigate these variations and ensure compliance with the relevant requirements. Collaboration and information sharing among international counterparts are essential in combating cross-border money laundering. Currency exchange and remittances are vulnerable to money laundering and terrorist financing, requiring businesses to implement robust measures to monitor and mitigate risks. Comprehensive and consistent Know Your Customer (KYC) procedures are necessary for customers involved in cross-border transactions.

Dealing with foreign Politically Exposed Persons (PEPs) introduces additional challenges, requiring enhanced due diligence.

Overall, businesses need to enhance transaction monitoring, establish strong correspondent banking relationships, navigate jurisdictional variations, foster international collaboration, address currency exchange and remittance risks, implement comprehensive KYC procedures, and conduct enhanced due diligence to mitigate the risks associated with cross-border transactions and contribute to a more secure global financial system.

7 COLLABORATION AND INFORMATION SHARING

Collaboration and information sharing are crucial aspects of AML compliance when it comes to combating cross-border money laundering. In the globalized financial landscape of 2023, businesses need to work together with regulatory authorities and law enforcement agencies across jurisdictions to effectively address this challenge. Establishing effective public-private partnerships is essential for sharing insights, best practices, and emerging trends in AML. By engaging in international AML forums and initiatives, businesses can stay ahead of evolving threats and contribute to a collective effort against global financial crimes.

Collaboration enables the exchange of valuable information among stakeholders. Sharing information related to suspicious activities, money laundering typologies, and emerging risks can enhance the collective knowledge and understanding of illicit financial activities across borders. This collaboration also facilitates the identification of broader patterns and trends that may not be evident within a single organization or jurisdiction. By pooling resources and expertise, businesses and regulatory bodies can develop a more comprehensive and proactive approach to combating cross-border money laundering.

Effective collaboration and information sharing also extend to international information-sharing initiatives and platforms. These platforms enable the timely and secure exchange of AML-related information, such as suspicious transaction reports (STRs) and beneficial ownership information, among participating entities. By leveraging such platforms, businesses can access a broader network of information, increasing their ability to detect and prevent illicit financial activities associated with cross-border transactions.

Collaboration and information sharing efforts also strengthen international cooperation between regulatory bodies and law enforcement agencies. Sharing relevant AML intelligence and investigative findings across jurisdictions allows for a more coordinated response to cross-border money laundering cases. This cooperation enhances the ability to trace illicit funds, identify key individuals involved, and disrupt criminal networks that operate across multiple countries. Additionally, it helps to streamline legal and administrative processes related to international investigations and prosecutions.

8 SMURFING AND STRUCTURING TECHNIQUES

Money launderers often employ smurfing and structuring techniques to evade detection. Smurfing involves breaking down large transactions into smaller ones to avoid scrutiny, while structuring refers to manipulating transactions to make them appear legitimate. Businesses must stay vigilant and employ sophisticated transaction monitoring systems capable of detecting patterns indicative of these techniques.

9 EMERGING TECHNOLOGIES AND NEW THREATS: ADAPTING AML COMPLIANCE TO EVOLVING RISKS

Emerging technologies are transforming the AML landscape in 2023, bringing with them new opportunities and challenges. One such technology is Artificial Intelligence (AI) and Machine Learning (ML), which has the potential to revolutionize AML compliance efforts. AI and ML algorithms can automate processes, analyze vast amounts of data, and detect patterns that humans may overlook. This can significantly enhance the effectiveness and efficiency of AML monitoring and transaction analysis, enabling businesses to detect suspicious activities more accurately and in real-time.

However, the adoption of AI and ML also introduces new risks and challenges. One concern is the potential for algorithmic bias, where the automated systems may inadvertently discriminate against certain individuals or groups. It is crucial for businesses to ensure that their AI and ML models are developed and trained using diverse and representative datasets to mitigate such biases. Ongoing monitoring and regular audits of these systems are essential to maintain fairness and transparency in AML compliance processes.

Another challenge is the constantly evolving nature of financial crime. Criminals are quick to adapt and find ways to circumvent detection systems. Businesses must continually update and fine-tune their AI and ML models to keep up with emerging money laundering techniques and evolving regulatory requirements. This requires a proactive approach to monitor emerging trends and collaborate with industry peers and regulatory authorities to share insights and best practices.

Additionally, the integration of big data analytics into AML compliance efforts is another emerging technology trend. The availability of vast amounts of structured and unstructured data presents both opportunities and challenges. On one hand, leveraging big data can provide valuable insights into customer behavior, transaction patterns, and potential risks. On the other hand, effectively managing and analyzing this data requires advanced technologies and robust data governance practices to ensure data privacy and protection.

The rise of open banking and application programming interfaces (APIs) also brings new risks to AML compliance. Open banking allows third-party providers to access customer financial data with their consent, enabling innovative financial services. However, it also increases the complexity of monitoring transactions and detecting potential money laundering activities. Businesses must establish robust controls and due diligence processes to mitigate the risks associated with open banking, including conducting thorough assessments of third-party providers and ensuring secure data sharing practices.

10 PROLIFERATION OF DIGITAL IDENTITIES AND BIOMETRIC AUTHENTICATION METHODS

Lastly, the proliferation of digital identities and biometric authentication methods introduces both opportunities and challenges in AML compliance. While digital identities can streamline customer onboarding and improve the accuracy of identity verification, they also raise concerns about identity theft and synthetic identities. Businesses must implement robust identity verification processes that leverage biometrics and other advanced technologies while remaining vigilant to potential fraudulent activities.

CONCLUSION

In 2023, businesses face a multitude of AML compliance challenges. By proactively addressing these challenges and continually improving their AML programs, organizations can mitigate the risk of financial and reputational harm. Staying abreast of regulatory changes, leveraging technology, embracing collaboration, and maintaining a risk-based approach are key to meeting the evolving AML landscape's demands and protecting businesses from money laundering and terrorist financing risks.

Q&A

Prime Minister's Youth Business & Agriculture Loan Scheme (PMYB&ALS)

With reference to IH&SMEFD Circular No. 08 of 2019 dated July 11, 2019 and subsequent instructions issued from time to time regarding Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme (PMKJ-YES), the Government of Pakistan has approved revisions in the key features of PMKJ-YES with a view to make it more purposeful and beneficial for small businesses and agriculture. The new components of interest free microloans and agriculture loans have been added in the scheme.

Moreover, the scheme has been renamed as Prime Minister's Youth Business & Agriculture Loan Scheme (PMYB&ALS).

The key features of PMYB&ALS approved by the Government of Pakistan are available on the link: https://www.sbp.org.pk/smefd/circulars/2022/C12.htm.

We are presenting some FAQs on PMYB&ALS for the benefit of our readers.

Q1. As per PMYB&ALS, a customer may avail maximum two loans. It may please be confirmed if two loans can be availed at one point in time, or the first loan has to be repaid before availing the second loan as was the case under PMKJ-YES.

ANS: As per IH&SMEFD Circular No. 12 of 2022 (Sr. No. 10 of key features of PMYB&ALS), a customer may avail two loans (one short term and one long term) simultaneously within the overall financing limit of PKR 7.5 million. Thus, two loans may be availed at the same time.

Q2. Under the scheme, an individual can avail two loans (ceiling PKR 7.5 million) i.e., short term and long term simultaneously. In a scenario where short-term loan is for PKR 1.5 million and long term is for PKR 6.0 million, will the markup charged to customer be 7% on the whole amount or 5% and 7% on both loans, respectively?

ANS: The mark-up will be charged separately on both short term and long-term loans as per respective loan tier.

Q3. Who will report loan wise subsidy claims to Development Finance Support Department (DFSD), SBP BSC i.e., wholesale lenders or Microfinance Provider (MFPs) i.e., MFBs/MFIs?

ANS: Wholesale lenders will submit their own as well as their MFPs subsidy claims to DFSD, SBP BSC. DFSD will make payment of subsidy claims including the number of MFPs to wholesale lenders after release of subsidy by the Finance Division. Thereafter, wholesale lenders will make subsidy payment to MFPs.

Q4. Under PMYB&ALS, we understand that there seems to be no restriction on repayment cycle (could be monthly, quarterly, lump sum repayment etc.), however, subsidy will be calculated on outstanding balance at month end.

ANS: As per the IH&SMEFD Circular No. 12 of 2022, (Sr. No. 10 of key features of PMYB&ALS), tenor of T1 loans will be up to 3 years and repayment will be in equal monthly installments. However, in case of crop loans, tenor will be up to 1 year and repayment will be lump sum on or before maturity, tied-up with the crop cycle. Regarding T2 & T3 loans, there is no such restriction regarding loan repayment. Further, markup subsidy on all loans will be calculated on outstanding balance at respective month end.

Q5. How will a wholesale lender give credit to MFPs under Tier 1?

ANS: Wholesale lenders and MFPs will sign agreements containing detailed terms and conditions regarding the provision of wholesale funding. MFPs will finalize the list of approved applications and request wholesale lenders to release the funds for making disbursement to borrowers. MFPs will make funding request to wholesale lenders after approving applications amounting to Rs 50 million or higher as per their agreement. Wholesale lenders will release funds to MFPs on next working day after receiving funding request. MFPs are allowed a grace period of 7 days from the date of receiving funds from the wholesale lenders for disbursement to the approved applicants. In case, MFPs are unable to disburse wholesale funds to the approved applicants within 7 days, the wholesale lenders may recover their cost of funds as per their agreement with MFPs.

Q6. What would be the way forward if a borrower of MFP misses an installment? Would it affect wholesale lender's recovery for that month as well?

ANS: The repayment schedule of wholesale funding will be agreed between MFPs and the wholesale lenders. However, for funding costs and cash flow management, a grace period of up to 7 days is allowed between repayments from clients to MFPs.

Q7. What are the criteria for categorization of loan status under PMYB&ALS?

ANS: The loans will be categorized as Regular, (Other Assets Especially Mentioned) OAEM, Substandard, Doubtful and Loss as per relevant SBP's Prudential Regulations in case of financing by Executing Agencies (EAs) i.e. banks and MFBs regulated by SBP. Similarly, in case of SECP regulated EAs i.e., MFIs, Non-Banking Finance Companies & Notified Entities Regulations, 2008 of SECP shall apply.

If the status of loan is classified as "Loss", then EAs will stop claiming "service charges subsidy" onwards for that particular borrower.

- EAs will claim credit loss subsidy against loans classified as "Loss". However, EAs can claim service charges subsidy in subsequent months, if the status of "Loss" classified loans is subsequently revised to "Regular". However, in such cases, where EAs have received subsidy claims against Loss cases, subsidy claimed will be returned to DFSD, SBP BSC or the same will be adjusted by EAs by netting it off from the next quarter loss claim/service charges subsidy claim.

- Government will bear credit losses (principal portion only) on the disbursed portfolio of the EAs up to 50% on T1 loans which includes 40% for wholesale lenders on pari-passu basis and 10% for MFBs/MFIs on first loss basis, 25% on T2 loans and 10% on T3 loans. EAs will calculate loss ratio by dividing total amount in loss category by total disbursed portfolio under the scheme.

Q8. What is the grace period for loans under PMYB&ALS? Is it mandatory to extend grace period?

ANS: As per approved features of the PMYB&ALS, grace period of up to one year is allowed under T2 and T3 loans. However, there is no such mandatory grace period requirement for T1 loans, hence, the matter of grace period under T1 may be mutually agreed by the EAs and the borrowers.

Q9. What does EMI stand for?

ANS: EMI stands for Equal Monthly Installment. EMI arrangement allows the borrowers to repay the same amount every month.

Q10. How many applications can an applicant upload through a single CNIC/SNIC? Is there any limitation?

ANS: One applicant can upload maximum two applications against his/her CNIC/SNIC.

Q11. Can an Executing Agency assist its customers to apply for the loan?

ANS: EAs are allowed to assist applicants in applying for the loan under PMYB&ALS.

Q12. The PMYB&ALS is a government scheme. Please clarify whether SBP Prudential Regulations (PRs) for Agri. Finance and SME Finance are applicable on financing to MSMEs and Agriculture borrowers under PMYB&ALS. Further, in case of any conflict between approved features of PMYB&ALS and SBP PRs, which will prevail?

ANS: Relevant Regulations of SBP/SECP will be applicable as per type of loan i.e., Micro/SE/ME or Agriculture. However, in case of any difference, instructions mentioned in the PMYB&ALS circular/circular letters will prevail.

Q13. Is the debt swap of outstanding credit facilities of an existing customer of EA to PMYB&ALS permissible?

ANS: Debt swap under the scheme will defeat the objective. The main aim of PMYB&ALS is socioeconomic uplift of MSME & agriculture sectors, generation of economic activity and additional employment opportunities. Thus, debt swap of outstanding credit facilities of existing customers is not permissible under PMYB&ALS.

Q14. Maximum age of applicant is 45 years. If the age of applicant at the time of application is 44 years, can we allow credit facility for more than one year (i.e. beyond 45 years threshold)?

ANS: Age criteria is for the eligibility of applicant at the time of submission of application only. The scheme does not impose any limitation on loan tenor with respect to age of the applicant afterwards.

Q15. Are EAs allowed to extend non-funded facilities under PMYB&ALS?

ANS: The scheme provides funded loan facilities only; hence, non-funded facilities do not fall under the purview of PMYB&ALS.

Q16. Can an executing agency finance locally manufactured e-bikes/motorcycles/rickshaw/cars for business purpose under the scheme?

ANS: Yes, any vehicle which can be used for business purposes may be financed under the scheme.

Q17. Can Government employees avail financing under the scheme?

ANS: No.

Q18. The features of scheme are silent regarding making payment to a borrower or a supplier, therefore, can we disburse directly to the borrower?

ANS: Disbursements can be made to the borrower or to the supplier as per the agreement between the bank and the borrower.

Q19. Can a person being guarantor of another person's loan under PMYB&ALS apply for the loan himself under the scheme or not?

ANS: A person being guarantor for loans to other person under PMYB&ALS cannot apply for the loan under the scheme.

Q20. Can the loan be disbursed in tranches? If yes, in how many tranches can it be disbursed?

ANS: The loan under PMYB&ALS can be disbursed in tranches up to the amount approved by the bank and there is no restriction on the number of tranches that can be disbursed.

Q21. Is there a minimum amount of loan under Tier 1 which can be financed?

ANS: There is no minimum amount of loan under Tier 1 and financing is allowed up to maximum limit of PKR 0.5 million as per business needs of customer.

Q22. In case of vehicle Ijarah, Islamic banking institutions usually start recovering payment from borrower after the delivery of vehicle, rather than from date of facility disbursement. Accordingly, date of expiry will also be calculated after the car has been delivered. Whether the same principle can be applied on disbursements through Islamic mode under the scheme for calculation of facility expiry date or not?

ANS: Islamic banking institutions can use date of delivery of vehicle as date of disbursement of facility for subsidy claims.

DISCLAIMER: Every effort has been made to ensure that the explanations given in FAQs of PMYB&ALS are fully aligned with scheme instructions issued by State Bank of Pakistan from time to time through Circulars/ Circular Letters or any other means. However, in case, any inconsistency is found later on, the instructions issued through Circulars/ Circular Letters will take precedence over the PMYB&ALS FAQs.

Source:
https://www.sbp.org.pk/Incen-others/pdf/FAQs-PMYBALS.pdf

Add-ons to SBP POLICY REGIME

April-June 2023

The primary objective of this feature is to highlight changes, or 'add-ons' to the SBP policies, on a quarterly basis to provide the readers better comprehension and analysis of the central bank's policy regime, as well as being an easily accessible time-lined reference guide.

All circulars are easily accessible in the PDF of the Journal, available on the following link on the IBP website: https://ibp.org.pk/quarterly-journal/

S#	Circular No / Issued on	Subject Matter
1	BSD-3 Circular Letter No. 01 of 2023/ May 08, 2023	Assuming Charge as Executive Director, Banking Supervision Group, State Bank of Pakistan https://www.sbp.org.pk/bsd-3/2023/CL1.htm
2.	BPRD Circular No. 04 of 2023/ April 14, 2023	Measures to Enhance Security of Digital Banking Products and Services https://www.sbp.org.pk/bprd/2023/C4.htm
3.	BPRD Circular Letter No. 07 of 2023/ April 13, 2023	Implementation of International Financial Reporting Standard 9 (IFRS 9) and Financial Reporting Formats https://www.sbp.org.pk/bprd/2023/CL7.htm
4.	BPRD Circular Letter No. 08 of 2023/ April 14, 2023	Public Holidays https://www.sbp.org.pk/bprd/2023/CL8.htm

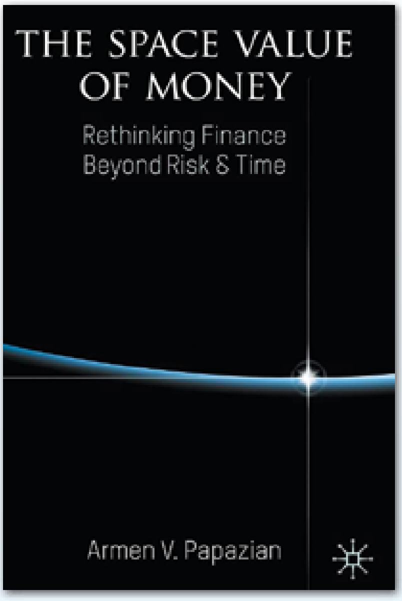
5.	BPRD Circular Letter No. 09 of 2023/ April 26, 2023	Public Holiday https://www.sbp.org.pk/bprd/2023/CL9.htm
6.	BPRD Circular Letter No. 10 of 2023/ May 08, 2023	Assuming Charge as Executive Director, Banking Policy & Regulations Group, State Bank of Pakistan https://www.sbp.org.pk/bprd/2023/CL10.htm
7.	BPRD Circular Letter No. 11 of 2023/ June 20, 2023	Public Holidays https://www.sbp.org.pk/bprd/2023/CL11.htm
8.	BPRD Circular Letter No. 12 of 2023/ June 23, 2023	Public Holidays https://www.sbp.org.pk/bprd/2023/CL12.htm
9.	BPRD Circular Letter No. 13 of 2023/ June 23, 2023	Bank Holiday https://www.sbp.org.pk/bprd/2023/CL13.htm
10.	DMMD Circular No. 05 of 2023/ April 03, 2023	Rate of Remuneration on Special Cash Reserve Account Maintained with SBP Against Deposits Raised Under Fe-Circular 25 of 1998 https://www.sbp.org.pk/dmmd/2023/C5.htm
11.	DMMD Circular No. 06 of 2023/ April 04, 2023	SBP's Policy Rate and Overnight Repo / Reverse-Repo Facilities https://www.sbp.org.pk/dmmd/2023/C6.htm
12.	DMMD Circular No. 07 of 2023/ April 28, 2023	Rate of Remuneration on Special Cash Reserve Account Maintained with SBP Against Deposits Raised Under Fe-Circular 25 of 1998 https://www.sbp.org.pk/dmmd/2023/C7.htm
13.	DMMD Circular No. 08 of 2023/ May 31, 2023	Rate of Remuneration on Special Cash Reserve Account Maintained with SBP Against Deposits Raised Under Fe-Circular 25 of 1998 https://www.sbp.org.pk/dmmd/2023/C8.htm
14.	DMMD Circular No. 09 of 2023/ June 19, 2023	Government of Pakistan Ijara Sukuk https://www.sbp.org.pk/dmmd/2023/C9.htm
15.	DMMD Circular No. 10 of 2023/ June 26, 2023	SBP's Policy Rate and Overnight Repo / Reverse-Repo Facilities https://www.sbp.org.pk/dmmd/2023/C10.htm
16.	DMMD Circular Letter No. 02 of 2023/ May 12, 2023	Inviting Applications for Selection of Primary Dealers/ Preliminary Primary Dealers/Special Purpose Primary Dealers for Fiscal Year 2023-24 https://www.sbp.org.pk/dmmd/2023/CL2.htm
17.	EPD Circular Letter No. 08 of 2023/ April 11, 2023	Retention Period of Export Proceeds with Authorized Dealers upon Realization https://www.sbp.org.pk/epd/2023/FECL8.htm
18.	EPD Circular Letter No. 09 of 2023/ June 06, 2023	Exports of Software, Information Technology (IT) and IT Enabled Services (ITeS) https://www.sbp.org.pk/epd/2023/FECL9.htm
19.	EPD Circular Letter No. 10 of 2023/ June 23, 2023	Import of Goods https://www.sbp.org.pk/epd/2023/FECL10.htm
20.	FD Circular Letter No. 03 of 2023/ April 20, 2023	Transfer of Export Development Surcharge (EDS) through RTGS and reporting thereof through DAP https://www.sbp.org.pk/acc/2023/CL3.htm

21.	SH&SFD Circular Letter No. 01 of 2023/ May 18, 2023	Prime Minister's Youth Business & Agriculture Loan Scheme (PMYB&ALS) https://www.sbp.org.pk/smefd/circulars/2023/CL1.htm
22.	PSPOD Circular No. 02 of 2023/ June 21, 2023	Digital Payment Services to Unauthorized Digital Lending Apps https://www.sbp.org.pk/psd/2023/C2.htm
23.	PSPOD Circular No. 03 of 2023/ June 21, 2023	Regulations for Electronic Money Institutions https://www.sbp.org.pk/psd/2023/C3.htm
24.	DCS.ITS.Gen/002973/2023 April 12, 2023	Reporting of 'Foreign Exchange Returns' through Core Banking System https://www.sbp.org.pk/stats/2023/C2.htm
25.	TOD Circular No. 01 of 2023/ June 20, 2023	Submission of FCY Cross Border Payments / Transfer Cases through SBP Nostros using DAP https://www.sbp.org.pk/tod/2023/C1.htm

THE SPACE VALUE OF MONEY

Rethinking Finance Beyond Risks and Time

By: Armen V. Papazian



Synopsis

The Space Value of Money introduces a fresh and innovative perspective on sustainability and finance. It expands our financial value framework, heretofore built around risk and time, by factoring in space, as an analytical dimension and our physical context. The proposed principle and metrics entrench our responsibility for space impact into our value equations, making finance inherently sustainable and acting as a theoretical bridge between core finance theory and the growing field of sustainable finance or ESG integration.

The book offers a novel approach to value design, measurement, and creation, discussing the theoretical, mathematical, institutional, technological and data elements of the transformation. *The Space Value of Money* principle and metrics offer us the opportunity to adjust our financial value framework and transform human productivity in line with our sustainability targets. They also enable the design and engineering of the financial instruments that can help us address our evolutionary challenges/ investment, like the transition to Net Zero.

Reviews

“Every once in a while, a book comes along that makes a fundamental contribution that is both profound and practical. A book that every member of the National Space Council, including the NASA Administrator and the Space Force chief of space operations should read. *The Space Value of Money* will be of interest to ESG and impact investors, government regulators, financial theorists, and outer space enthusiasts.”
— Lt Col Peter Garretson, Senior Fellow in Defense Studies at the American Foreign Policy Council

“No doubt, the pressing environmental challenges we face make the concept of the space impact of investments even more compelling.”
— Dr Pascal Blanqué, Chairman of Amundi Institute, Former Group CIO of Amundi Asset Management

“The Space Value of Money brings much needed conceptual rigor, whilst further advocating the case for a new paradigm shift in financial valuation. This work gives us the lasting frameworks that aggregate impact across all spatial dimensions. Dr Papazian culminates over ten years of research in this rich book, providing the springboard for further innovation and system implementation in this area.”
— Domenico Del Re, Director, Sustainability and Climate Change, PwC

“Enthralling and captivating. Papazian offers a clear, thorough, and comprehensive discussion. *The Space Value of Money* gives us an opportunity to reframe our thinking and to explore what is possible. A great read!”
— Daud Vicary, Founding Trustee of the Responsible Finance and Investment Foundation

“Armen has developed a novel way to create financial models that are better suited to dealing with the many parameters required if we are to properly consider environmental factors and sustainability in economics and finance. I have found this engaging and look forward to seeing its future use.”
— Dr Keith Carne, First Bursar, King’s College, Cambridge University

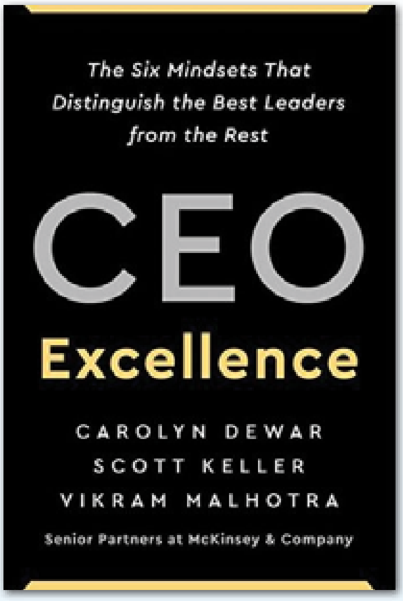
About the Author

Armen V. Papazian is a financial economist, a visionary thinker and innovator. He is a former stock exchange executive, investment banker, lecturer in finance, consultant, and researcher. He is the author of numerous articles and thought leadership contributions across professional and academic publications and global media. He earned his PhD at the University of Cambridge, Judge Business School, King’s College Cambridge.

CEO Excellence

The Six Mindsets that Distinguish the Best Leaders from the Rest

By: Carolyn Dewar, Scott Keller & Vikram Malhotra



Synopsis

From the world's most influential management consulting firm, McKinsey & Company, this is an insight-packed, revelatory look at how the best CEOs do their jobs based on extensive interviews with today's most successful corporate leaders—including chiefs at Netflix, JPMorgan Chase, General Motors, and Sony.

Being a CEO at any of the world's largest companies is among the most challenging roles in business. Billions, and even trillions, are at stake—and the fates of tens of thousands of employees often hang in the balance. Yet, even when "can't miss" high-achievers win the top job, very few excel. Thirty percent of Fortune 500 CEOs last fewer than three years, and two out of five new CEOs are perceived to be failing within eighteen months.

For those who shoulder the burden of being the one on whom everyone counts, a manual for excellence is sorely needed.

To identify the 21st century's best CEOs, the authors of CEO Excellence started with a pool of over 2400 public company CEOs. Extensive screening distilled that group into an elite corps, sixty-seven of whom agreed to in-depth, multi-hour interviews. Among those sharing their views: Jamie Dimon (JPMorgan Chase), Satya Nadella (Microsoft), Reed Hastings (Netflix), Kazuo Hirai (Sony), Ken Chenault (American Express), Mary Barra (GM), and Peter Brabeck-Letmathe (Nestlé).

What came out of those frank, no-holds-barred conversations is a rich array of mindsets and actions that deliver outsized performance. Compelling, practical, and unprecedented in scope, *CEO Excellence* is a treasure trove of wisdom from today's most elite business leaders.

Reviews

"Breaks it all down...a master class in leadership...knowing the six mindsets of the most visionary businesses could mean the difference between sinking and swimming for business leaders."
— Business Insider

"Impressive...an important new book."
— Barron's

"Interviews CEOs (refreshingly, not just the usual suspects), finds out what makes them tick, and formulates a set of maxims and observations...A satisfying handbook for future moguls."
— Kirkus Reviews

"Remarkable...Any smart CEO looking to not just survive but thrive would do well to read and heed this book's insights."
— David Rubenstein, co-founder and co-executive chairman of The Carlyle Group and New York Times bestselling author of How to Lead

"Pulls back the curtain on how some of the world's greatest business leaders have achieved success...Valuable lessons."
— Stephen A. Schwarzman, Chairman, CEO, and cofounder of Blackstone

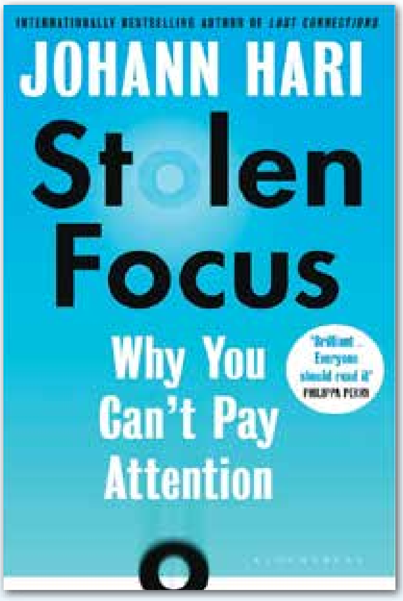
About the Authors

Carolyn Dewar is a Senior Partner at McKinsey & Company. She has published over thirty articles in the *Harvard Business Review* and the *McKinsey Quarterly* and is a frequent keynote speaker.

Scott Keller is a Senior Partner at McKinsey & Company. He is the author of six books, including *Beyond Performance : How Great Organizations Create Ultimate Competitive Advantage.*

Vikram (Vik) Malhotra is a Senior Partner at McKinsey & Company where he has worked since 1986. He has served on McKinsey's Board of Directors and as McKinsey's Managing Partner of the Americas.

Stolen Focus
Why You Can't Pay Attention



By: Johann Hari

Synopsis

In the United States, teenagers can focus on one task for only sixty-five seconds at a time, and office workers average only three minutes. Like so many of us, Johann Hari was finding that constantly switching from device to device and tab to tab was a diminishing and depressing way to live. He tried all sorts of self-help solutions—even abandoning his phone for three months—but nothing seemed to work. So Hari went on an epic journey across the world to interview the leading experts on human attention—and he discovered that everything we think we know about this crisis is wrong.

We think our inability to focus is a personal failure to exert enough willpower over our devices. The truth is even more disturbing: our focus has been stolen by powerful external forces that have left us uniquely vulnerable to corporations determined to raid our attention for profit. Hari found that there are twelve deep causes of this crisis, from the decline of mind-wandering to rising pollution, all of which have robbed some of our attention. In *Stolen Focus,* he introduces readers to Silicon Valley dissidents who learned to hack human attention, and veterinarians who diagnose dogs with ADHD. He explores a favela in Rio de Janeiro where everyone lost their attention in a particularly surreal way, and an office in New Zealand that discovered a remarkable technique to restore workers' productivity.

Crucially, Hari learned how we can reclaim our focus—as individuals, and as a society—if we are determined to fight for it. *Stolen Focus* will transform the debate about attention and finally show us how to get it back.

Reviews

"[A] fresh take on focus and attention . . . You'll learn a lot from this book, and its well-researched data is presented in a highly readable style laced with stories and personal anecdotes. Which is to say, against all odds, it will hold your attention."
— The Wall Street Journal

"A gripping analysis of why we've lost the capacity to concentrate, and how we might find it again. Stolen Focus . . . will keep you thinking and rethinking long after you've finished it."
— Adam Grant, American organizational psychologist, popular science author, and professor at the Wharton School of the University of Pennsylvania

"In his unique voice, Johann Hari tackles the profound dangers facing humanity from information technology and rings the alarm bell for what all of us must do to protect ourselves, our children, and our democracies."
— Hillary Clinton, American politician and diplomat, former United States Secretary of State

"Johann Hari writes like a dream. He's both a lyricist and a storyteller—but also an indefatigable investigator of one of the world's greatest problems: the systematic destruction of our attention. Read this book to save your mind."
— Susan Cain, American writer and lecturer. Author of Quiet: *The Power of Introverts in a World That Can't Stop Talking*

"Superb . . . *Stolen Focus* is a beautifully researched and argued exploration of the breakdown of human-kind's ability to pay attention, told with the pace, sparkle, and energy of the best kind of thriller."
— Stephen Fry, English actor, broadcaster, comedian, director and writer

About the Author

Johann Hari is the New York Times best-selling author of *Chasing The Scream*: *The First and Last Days of the War on Drugs,* and one of the top-rated TED talkers of all time.

NIBAF-IBP TRAINING CALENDAR

JULY 2023

JULY 2023 NIBAF-IBP TRAINING CALENDAR

No.	Course	Date	Time	Facilitator	Fee	Mode
01 NQ	Statistical Techniques for Market Risk Measurement	5-6 JULY 2023	10:00am - 05:00pm	FACILITATOR: Expert from Panel of Trainer from NIBAF	PKR 20,000 *Plus Tax*	Online
02 IBPFK	Government of Pakistan Ijara Sukuk	07 JULY 2023	9:30am - 1:30pm	FACILITATOR: Jawad Tahsin	PKR 10,000 *Plus Tax*	Online
03 NKZ	Legal & Regulatory Requirements for Account Opening	07 JULY 2023	09:00am - 01:00pm	FACILITATOR: Iqbal Zaidi	PKR 12,000 *Plus Tax*	F2F, KHI
04 NIW	Hedging the Foreign Component of Project Finance	07 JULY 2023	9:30am - 5:00pm	FACILITATOR: Panel of Experts from Bank Treasury, Govt. Debt Office and market	PKR 12,000 *Plus Tax* *Invitation only*	F2F, ISB
05 NLS	Sanctions and Proliferation Financing Regime	10 JULY 2023	10:00am - 5:00pm	FACILITATOR: Nasir Mehmood Awan	PKR 12,000 *Plus Tax*	F2F, LHE
06 NIW	Branch Managers Certification Program (BMCP-4)	10-14 JULY 2023	9:30am - 5:00pm	FACILITATOR: Panel of Trainer from NIBAF, SBP and SBP-BSC	PKR 60,000 *Plus Tax*	F2F, Multan
07 NIM	Islamic Finance Professionals Program (IFPP-1)	10-21 JULY 2023	9:30am - 5:00pm	FACILITATOR: Expert Panel	PKR 144,000 *Plus Tax* *Invitation only*	F2F, ISB
08 IBPFK	Prudential Regulations for SME	12 JULY 2023	9:30am - 1:30pm	FACILITATOR: Fatima Javaid	PKR 10,000 *Plus Tax*	Online

JULY 2023 NIBAF-IBP TRAINING CALENDAR

09 IBPFK	Green Finance & Climate Smart Agriculture Practices	12 JULY 2023 2:00pm - 6:00pm	FACILITATOR: Dr Syed Asim Bukhari	PKR 10,000 *Plus Tax*	Online
10 IBPFK	Detection of Credit Card Frauds using Data Analytics	13 JULY 2023 9:30am - 1:30pm	FACILITATOR: Syed Shahab Hussain	PKR 10,000 *Plus Tax*	Online
11 NKZ	Data Crunching Using Pivot Tables	13 JULY 2023 9:30am - 5:00pm	FACILITATOR: Sohaib Jamal	PKR 12,000 *Plus Tax*	F2F, KHI
12 NLA	Fully Compliant Digital Bank Accounts	13 JULY 2023 10:00am - 5:00pm	FACILITATOR: Saima Hameed, EPD	PKR 10,000 *Plus Tax*	Online
13 NIA	RAAST/ Micropayment Gateway	13 JULY 2023 9:30am - 5:00pm	FACILITATOR: Syed Muhammad Taha, JD, Digital Innovation and Settlements Department, SBP	PKR 10,000 *Plus Tax*	Online
14 IBPFK	ESG (Environmental, Social & Governance) Framework	14 JULY 2023 9:30am - 1:30pm	FACILITATOR: Faisal Anwar	PKR 10,000 *Plus Tax*	Online
15 IBPFK	Trade Risk Profiling	14 JULY 2023 2:00pm - 6:00pm	FACILITATOR: Salim Thobani	PKR 10,000 *Plus Tax*	Online
16 NIS	Mastering Business Forecasting with Excel: Turning Numbers into Actionable Insights	14 JULY 2023 9:30am - 5:00pm	FACILITATOR: Sumaira Ghouri	PKR 10,000 *Plus Tax*	Online

No.	Program	Date	Time	Facilitator	Fee	Mode
17 IBPFK	GoAML Reporting of STRs & FMU Guidelines	15 JULY 2023	10:00am - 2:00pm	FACILITATOR: Assad Farman	PKR 10,000 *Plus Tax*	Online
18 IBPFK	Certification Course for Verification Officer in Microfinance Banks	15-16 | 22-23 29-30 JULY 2023	10:00am - 2:00pm	FACILITATOR: Multiple Trainers	PKR 20,000 *Plus Tax*	Online
19 NLA	Branch manager Ops-Certificate Program-BOP	17 JULY 2023	10:00am - 5:00pm	FACILITATOR: Shahid Iqbal/ External/SBP	PKR 60,000 *Plus Tax*	F2F, LHE
20 NIS	Presenting with Power: Enhance Your Skills with Tableau's Story Points	17 JULY 2023	9:30am - 5:00pm	FACILITATOR: Sumaira Ghouri	PKR 10,000 *Plus Tax*	Online
21 NIQ	Python for Executives: Revolutionize Data Analytics	17-21 JULY 2023	9:30am - 5:00pm	FACILITATOR: Expert Panel	PKR 60,000 *Plus Tax*	F2F, ISB
22 NIM	Islamic Banking Overview Program	17-22 JULY 2023	9:30am - 5:00pm	FACILITATOR: Expert Panel	PKR 72,000 *Plus Tax* *Invitation only*	F2F, LHE
23 NIM	IBCC-55 (Module-III)	17-22 JULY 2023	9:30am - 5:00pm	FACILITATOR: Expert Panel	PKR 72,000 *Plus Tax* *Invitation only*	F2F, KHI
24 IBPFK	International Banking and Foreign Exchange	18 JULY 2023	9:30am - 1:30pm	FACILITATOR: Ejaz Ahmed Qadri	PKR 10,000 *Plus Tax*	Online

JULY 2023 NIBAF-IBP TRAINING CALENDAR

No.	Course	Date	Time	Facilitator	Fee	Mode/Venue
25 NKZ	IFRS 16 And IFRS 10	18 JULY 2023	9:30am - 5:00pm	FACILITATOR: Muhammad Rehan	PKR 12,000 *Plus Tax*	F2F, KHI
26 NQ	SBP Guidelines on Macro Stress-Testing/Scenario Analysis	19 JULY 2023	10:00am - 5:00pm	FACILITATOR: Dr Jameel Ahmad, Senior Joint Director, Financial Stability Department, SBP	PKR 10,000 *Plus Tax*	Online
27 IBPFK	Bank Credit - Problem Recognition and Remedial Management	20 JULY 2023	2:00pm - 6:00pm	FACILITATOR: Imran Soomro	PKR 10,000 *Plus Tax*	Online
28 NIA	Climate Change and Key Risks for Financial Institutions	20 JULY 2023	10:00am - 5:00pm	FACILITATOR: Azhar Ali Sahani	PKR 10,000 *Plus Tax*	Online
29 IBPFK	Prevention of e-Banking Frauds through Implementation of Internal Control and Compliance	20 JULY 2023	9:00am - 5:00pm	FACILITATOR: Zeeshan Nadeem	PKR 12,000 *Plus Tax*	F2F, RWP
30 IBPFK	Account Opening Regulatory Requirements	24 JULY 2023	9:00am - 5:00pm	FACILITATOR: Muhammad Salman	PKR 12,000 *Plus Tax*	F2F, HYD
31 NIJ	Financial Inclusion & Women's Access to Finance	24 JULY 2023	9:00am - 5:00pm	FACILITATOR: Zahid Shabbir, Joint Director NIBAF	PKR 18,000 *Plus Tax*	F2F, ISB
32 NIA	Opening and Maintenance of Special Foreign Currency Accounts for IT Based Exporters: Latest Developements	24 JULY 2023	9:30am - 5:00pm	FACILITATOR: Iftikhar A. Sayeed	PKR 12,000 *Plus Tax*	F2F, KHI

33 IBPFK	SBP Currency Management Guidelines & Penalty Structure for Banks	25 JULY 2023 9:00am - 5:00pm	FACILITATOR: TBA	PKR 12,000 *Plus Tax*	F2F, Multan
34 IBPFK	Legal & Regulatory Compliance Requirements for Branch Management	25 JULY 2023 9:30am - 1:30pm	FACILITATOR: Shamwail Sohail	PKR 10,000 *Plus Tax*	Online
35 NLA	SBP Digital Drive on FX Front	25 JULY 2023 10:00am - 5:00pm	FACILITATOR: Saima Hameed, EPD	PKR 10,000 *Plus Tax*	Online
36 NKZ	Interactive Dashboard Reporting by Using MS Excel	25 JULY 2023 9:30am - 5:00pm	FACILITATOR: Sumaira Ghauri	PKR 10,000 *Plus Tax*	Online
37 NIW	Gender Diversity at Workplace	26 JULY 2023 9:30am - 5:00pm	FACILITATOR: Expert from NIBAF Panel	PKR 12,000 *Plus Tax* *Invitation only*	F2F, ISB
38 NQ	Regulatory Framework on Bancassurance- Compliance of Corporate Insurance Agents Regulations, 2020	26 JULY 2023 11:00am - 1:00pm	FACILITATOR: Sabahat Ul Ain, Deputy Director, SECP	PKR 10,000 *Plus Tax*	Online
39 NKZ	Leading Analysis with AI	26 JULY 2023 10:00am - 1:00pm	FACILITATOR: Imran A. Shaikh	PKR 10,000 *Plus Tax*	Online
40 NIA	Time & Stress Management	26 JULY 2023 9:30am - 5:00pm	FACILITATOR: Asad Awan, Executive & CEO ConsultUs	PKR 10,000 *Plus Tax*	Online

JULY 2023 NIBAF-IBP TRAINING CALENDAR

41 NIS	Latest Legal & Regulatory Requirements in AML/CFT Regime	26 JULY 2023, 9:30am - 5:00pm	FACILITATOR: Shahid Iqbal, Subject Specialist NIBAF	PKR 12,000 *Plus Tax*	F2F, Mardan
42 IBPFK	Creating Dashboard Using Microsoft Power BI	27 JULY 2023, 9:00am - 5:00pm	FACILITATOR: Rahim Zulfiqar	PKR 12,000 *Plus Tax*	F2F, KHI
43 IBPFK	Creating Dashboard Using Microsoft Power BI	27 JULY 2023, 9:00am - 5:00pm	FACILITATOR: Khurram Khan	PKR 12,000 *Plus Tax*	F2F, LHE
44 NLA	Evolution of FTC and Way Forward	27 JULY 2023, 10:00am - 5:00pm	FACILITATOR: Sundus Saleem	PKR 10,000 *Plus Tax*	Online
45 NIA	Demystifying IT and Cyber Security Audit in light of Regulatory Requirements	27-28 JULY 2023, 9:30am - 5:00pm	FACILITATOR: Ajab Ali	PKR 12,000 *Plus Tax*	F2F, KHI
46 NKZ	Data Analysis using MS Power Query	31 JULY 2023, 9:30am - 5:00pm	FACILITATOR: Sohaib Jamal	PKR 12,000 *Plus Tax*	F2F, KHI

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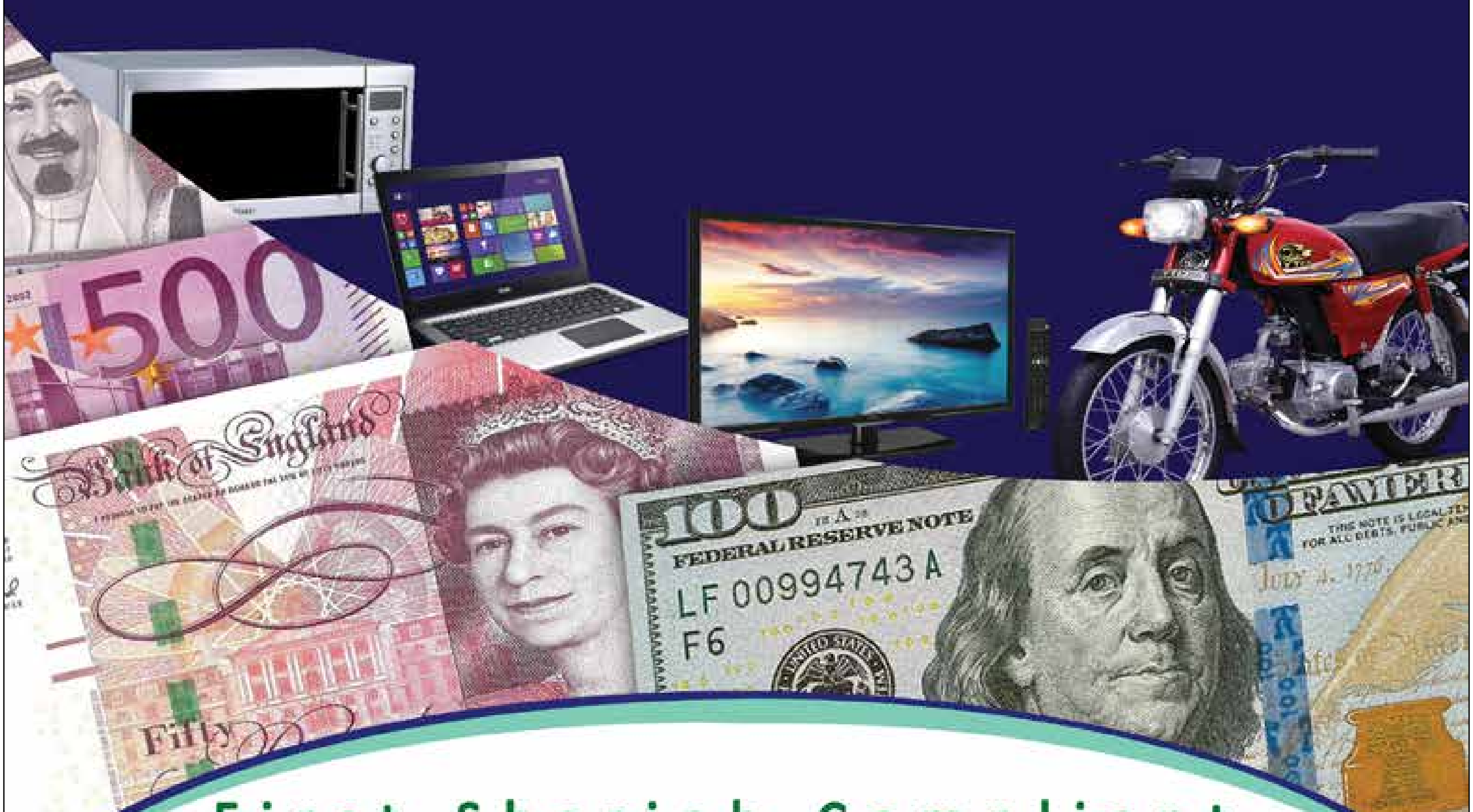

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