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Accessibility of Quality Education to Women, Children and Disadvantaged Segments of the Society

How to Outperform in AML/ CFT Regulatory Compliance: Lessons from FATF Grey List Countries

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# editorial.

**Muhammad Mazherul Haq**
Editor

## Welcome to 'Welfare', Otherwise Bid 'Farewell': A Landing to Last Resort

'Welcome' and 'farewell' are commonly used words which are very well understood and celebrated when 'party' is added to these as suffix, particularly much popular among students and office fellows. Depending upon the nature of the occasions, a lot is said and illustrated. Grand and bold claims are made to attract the attention of the audience and make the event a colorful and memorable one. By the time the party ends, the newcomer is adequately inspired to join the team, while the person saying good-bye leaves with honor, dignity and grace, along with a heavy heart loaded with unforgettable memories.

These parties carry beautiful memories that may last a lifetime and even thereafter, especially when the pictures are hung on the walls of their ancestral villa at some prominent place, to be witnessed by future generations. In broader perspective, when the word 'welfare' is attached with an organization, it becomes a welfare organization which helps needy people in times of distress. When it is prefixed to the 'state', it becomes a welfare state, a country where every inhabitant enjoys equal rights and opportunities to enjoy life as per one's own preferences within the given framework, including the birds, animals and other creatures.

When these creatures receive friendly treatment, where their independence is not compromised, they love us and often choose to stay close to us and accept and respond positively through generations. Although they are endowed with different kinds of senses and instincts that may not align with our own, our caring attitude and compassionate approach encourages them to be our friend, even among those who are classified as wild beasts.

Not limited to animals only, this is also one of our basic instincts to show faithfulness and follow the rules of law willingly, particularly where there is a prevalence of supremacy of merit and justice - a prerequisite to become a welfare state. This in turn brings peace and tranquility, which ultimately leads to bring sustainable stability and prosperity which could vividly be witnessed from the glowing faces of the people living in such an ideal situation. Extending welfare to all living beings enriches our lives and fosters a harmonious coexistence.

In fact, when there is a government to run the affairs effectively and it enjoys the writ as well, it could fairly be assumed that it will manage to establish a welfare state. This includes providing an enabling environment that allows all segments of society to contribute their best, while ensuring a smooth business climate and widespread peace and security across the board.

The welfare state is a way of governing in which the state or an established group of social institutions provide basic economic security for its citizens. In a welfare state, the government is responsible for social welfare of its citizens both in normal and difficult situations, irrespective of age and gender. Most modern countries have programs that are reflective of a welfare state, such as unemployment insurance and welfare payments, over and above meeting the basic needs for housing, education and health. A trust relation is developed between the state and citizens, where both meet their predetermined obligations with due diligence and mutual respect. In case of any breach or dispute, the matter is referred to the judiciary for arbitration. The Courts take the decision on merit, if their powers are not compromised, and matters are resolved amicably.

It is the beauty of the democratic system that it graciously allows the elected government to run the country's affairs for a certain period or till they meet their declared obligations and the expectations of their voters that they built during their electoral campaign. Any deviation from their agenda may deprive them from coming into power in the upcoming elections.

As very well said by renowned Urdu poet and scholar Sheikh Muhammad Ibrahim Zauq (1790-1854), also known as Zauq,

*Baja Kahe Jise Aalam Use Baja Samjo,*
*Zaban e Khalq ko Naqara e Khuda Samjho,*
بجا کہے جسے عالم اسے بجا سمجھو زبانِ خلق کو نقارۂ خدا سمجھو

which clearly endorses upon the very basis of the democratic system where the decision makers i.e., members of parliament are elected by the general public through casting their votes in General Elections.

In a democratic system, people exercise their basic right of electing the members of parliaments who could help them by providing the basic amenities of life in a peaceful manner. In a country where the policymakers repeatedly and gravely fail to deliver the globally known basic amenities, the people are left with no choice but to leave the country as a last resort, willingly or un-willingly.

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Currently, Sarah works with a Canadian not-for-profit focused on refugee resettlement. She is passionate about sustainable community development, particularly environmental and economic empowerment. Her essay, featured in this issue, was awarded Second Prize in the IBP Essay Competition 2022 for the topic 'Role to be Played by Banks in Achieving the Objectives of Go-Green'.

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## NIBAF Pakistan and WWF Workshop/Panel Discussion on Islamic Finance for Climate Action

NIBAF Pakistan in collaboration with WWF Pakistan organized a workshop/panel discussion on 'Harnessing Islamic Finance: Unlocking New Avenues for Climate Action' at NIBAF Pakistan, Islamabad on September 11, 2024. Participants from Financial Institutions, NGOs, private sector and Ministries attended this workshop. The objective was to create awareness among the participants on Climate Finance and Climate Action.

## NIBAF Pakistan in Partnership with Huawei, Completes Training for SBP Officers

Huawei Technologies Pakistan and National Institute of Banking and Finance Pakistan, based on the MoU signed in September 2024, successfully completed the first batch of training on Datacom Associate Program for State Bank of Pakistan (SBP) employees from October 14-18, 2024 at NIBAF Pakistan, Karachi Campus.

The five-day 'Datacom Associate Program' provided an intensive and well-rounded foundation in data communication, network principles, and essential configurations, benefiting professionals eager to strengthen their technical skill sets. Mr Muhammad Zubair, expert from Huawei Technologies Pakistan delivered the contents of the program. During program, the trainer effectively empowered participants with the skills and knowledge required to confidently navigate complex networking environments, setting a strong foundation for their continued growth in the field of data communication and network management.

On the last day, certificate distribution ceremony was arranged by NIBAF Pakistan and was attended by Mr Asim Iqbal, Chief Technology Officer, State Bank and Mr Ahmed Bilal Masud, Deputy CEO, Huawei Technologies Pakistan. The participants received their certificates and engaged in a broader discussion on strategies to enable and empower the banking governance sector of Pakistan.

Mr Riaz Nazarali Chunara, CEO of NIBAF Pakistan, and Mr Ahmed Bilal Masud, Deputy CEO of Huawei Technologies Pakistan, entered into a strategic partnership by signing an MoU earlier in September this year. The MoU aims to digitally empower the human resources of the State Bank and its subsidiaries in Pakistan.

This partnership between Huawei and NIBAF Pakistan is expected to provide technical-technology based trainings such as Datacom, Cloud, Big Data, Cyber Security and Artificial Intelligence spanning over the next three years, focusing on capacity building of SBP workforce in these areas.

NIBAF Pakistan in collaboration with WWF Pakistan, organized a workshop and panel discussion.

NIBAF Pakistan and Huawei MoU Signing Ceremony

Certificate Distribution Ceremony of Datacom conducted by Huawei Technologies Pakistan Associate Program

# HIGHLIGHTS OF MARKETING & SALES ACTIVITIES

## July - September 2024

### Remote Cities' Trainings

The Marketing and Sales team of NIBAF Pakistan arranged a classroom training on 'Essentials of Leadership' on July 9, 2024, under the pre-book model in Lahore, to cater for the training requirement of this city where 14 participants participated in this day-long session. This training was conducted in addition to the monthly regular trainings.

There was another training on 'Team Building and Leadership Grid' held on August 19 and 20, 2024, under the pre-book model in Lahore. 16 participants participated in this 02 days classroom training, which was conducted in addition to the monthly regular trainings.

The Marketing and Sales team arranged a classroom training in September under the pre-book model in Lahore to cater for the training requirement of this city, where 22 participants participated in this one-day classroom training. This training was in addition to the monthly regular trainings. The training topic was 'IFRS 9' and was scheduled on September 25, 2024.

### Customized Trainings

The Marketing and Sales team arranged customized training services for MCB Bank in July 2024. During the month, 03 customized trainings were arranged for MCB Bank. The first customized training was arranged on 'SBP Currency & Prize Bond Management Guidelines & Penalty Structure for Banks' which was held in Lahore on July 5, 2024, where 25 participants joined. The second customized training was arranged on 'SBP Currency & Prize Bond Management Guidelines & Penalty Structure for Banks' which was held in Karachi on July 8, where 25 participants joined the session. The third customized training was arranged on 'Prize Bond Handling & Prize Bond Management Guidelines & Penalty Structure for Banks' which was held in Islamabad on July 10, where 25 participants joined the session.

The Marketing and Sales team arranged the 5th Batch of 'Certified Cash Officers' (CCO) and 'Certified General Banking Officers' (CGBO) program in Lahore and Islamabad. In Lahore, 'Certified Cash Officer' held from August 2-3 2024 was arranged where 42 Sindh Bank employees were trained. The second session in Lahore was arranged for 'Certified General Banking Officer' from August 5-9, 2024 where 34 Sindh Bank employees were trained. MCB Bank was another bank that got the Customized training services arranged by the Marketing and Sales team. During the month, 02 customized trainings were arranged for MCB Bank. The first customized training was arranged on 'Enterprise Security Risk Management' which was held in Lahore on August 12, where 26 participants joined. Second customized training was arranged on 'SBP Currency Management' which was also held in Lahore on August 16, where 22 participants joined the session. During August, the Marketing and Sales team also arranged certification programs for Faysal Islamic Bank. The first program was 'SME Certification' which was a 3 days' program held in Lahore from August 2-4, where 37 participants participated in this certification program. The second program was also 'SME Certification', which was a 3 days' program held in Karachi from August 16-18, where 16 participants participated in this certification program. The third program was 'Trade Finance Certification for RMs and SRMs' arranged in Lahore from August 23-25, where 26 participants participated in this certification program.

In Islamabad, Certified Cash Officer training was conducted from September 13-14, 2024 where 46 Sindh Bank Limited employees were trained. The second session in Islamabad was arranged for Certified General Banking Officer from September 16-20, 2024 where 45 Sindh Bank employees were trained. MCB Bank was another bank who got the customized training services arranged by the Marketing and Sales team. During the month, 03 Customized trainings were arranged for MCB Bank. The first

customized training was arranged on 'Environmental Social Risk Management' which was held in Karachi on September 10, where 24 participants joined. Second Customized training was arranged on 'Enterprise Tech. Governance & Risk Management Framework for FIs', which was held in Lahore on September 14, where 11 participants joined the session. Third customized training was arranged on 'E-CIB V2 Fundamental' which was also held in Lahore on September 20, where 34 participants joined the session.

The Marketing and Sales team also arranged the Branch Operation Manager Certification Program for the employees of Bank of Azad Jammu and Kashmir (BAJK). This was a five days' certification program from September 9-13, 2024, held in Islamabad for their 24 employees.

### Testing Services

The Marketing and Sales team arranged the promotion test for National Bank of Pakistan's (NBP) Employees on July 07, 2024. There were 216 employees who appeared for promotion test in Hyderabad, Karachi, Islamabad, Lahore, Multan and Quetta. There was a recruitment drive from Bank of Punjab where 1870 candidates appeared for the test from different cities of Pakistan. There was an assessment test arranged for Operation Manager Certification Program of Bank AL Habib employees. It was conducted on July 23, 2024 in Karachi, Lahore, Multan and Islamabad where 49 employees participated.

An assessment test was held on August 22, 2024 for the students of Hamdard University for the certification program Principles of Islamic Banking & Finance. The course outline was taught by Hamdard University in their BBA (Islamic Banking and Finance) program under the course Islamic Modes of Finance. This certification assessment resulted from the MOU between both organizations, inked in February 2024. An assessment test for the employees of Bank AL Habib Limited on Foreign Trade Operations Program was conducted on September 7, 2024 in Karachi. There were 19 participants in this assessment. There was another assessment activity was held on September 22, 2024 in Karachi for 31 employees of Sindh Bank Limited. This activity was arranged for the Sindh Bank employees who could not pass the Certified Cash Officer (CCO) and Certified General Banking Officers (CGBO) assessments in their previous attempts.

The Marketing and Sales team also got the opportunity to arrange the Promotion test for the Bank of Punjab (BOP) employees on September 20 and 21, 2024. There were more than 4000 employees who were enrolled in this Computer based promotion test. Exam centers were established in Bahawalpur, DG Khan, Gujrat, Islamabad, Karachi, Lahore, Peshawar, Quetta, Rawalpindi, Sahiwal, Sialkot, Multan, Sargodha and Faisalabad. The Marketing and Sales team also arranged the Management Training Officers (MTO) Recruitment test on behalf of the Sindh Bank Limited in Karachi on September 20, 2024. The Computer based Recruitment test was arranged in NIBAF, Pakistan Karachi campus for 103 enrolled candidates.

### Launching Ceremony of Certification in Treasury Management (CTM)

National Institute of Banking and Finance Pakistan (NIBAF Pakistan) in collaboration with CFA Society, Pakistan and with the support from Financial Market Association (FMA) launched a new certificate program, Certification in Treasury Management (CTM) at NIBAF Pakistan, Karachi on July 9, 2024. The primary objective of the certification is to provide an introduction to concepts related to Treasury Management, process and analysis of investment in financial markets. This certificate is highly recommended for individuals who intend to pursue a career in corporate treasury, banking treasury, fund management, insurance and brokerage management. This certification program stands out due to unique blend of input from State Bank of Pakistan (SBP), CFA Society Pakistan, FMA and industry practitioners.

The Deputy Governor, SBP Dr Inayat Hussain graced the occasion as the chief guest.

Other distinguished guests and speakers included Mr Muhammad Shoaib, Director of CFA Society Pakistan; Mr Muhammad Ali Malik, Executive Director, FMRM State Bank of Pakistan. Mr Riaz Nazarali Chunara, CEO NIBAF Pakistan.

NIBAF Pakistan's honorable CEO Mr Riaz Nazarali Chunara highlighted the significance of the CTM program and appreciated all the speakers with a vote of thanks.

### Open Forum on Impact of Changes in Tax Regime on the Banking Sector and Pakistan's Economy

NIBAF Pakistan hosted an Open Forum on 'Impact of Changes in Tax Regime on the Banking Sector and Pakistan's Economy' on July 12, 2024 at NIBAF Pakistan, Karachi.

With the recent passage of the Finance Act 2024, significant changes in the tax regime have been introduced, which are poised to affect various sectors, particularly banking. This forum aimed to provide a platform for discussion and analysis of these changes, their implications, and potential strategies to navigate the evolving landscape.

The distinguished speakers were Mr Sirajuddin Aziz - Banking Mohtasib (Ombudsman); Mr Muhammad Saad Niazi -Co-Founder & Chief Executive Officer at Wemsol (Keenu); Mr Omar Bin Ahsan - Founder/CEO of Haball; and Mr Asif Haroon - Partner, A. F. Ferguson & Co.

The event was expertly moderated by Dr Shujaat Mubarik - Associate Professor of Logistics & Supply Chain at Edinburgh Business School, Heriot-Watt University, UK.

Assessment of Hamdard University

Bank of Azad Jammu and Kashmir (BAJK) - Branch Operation Manager Certification Program at Islamabad, September 9-13, 2024

Certified Cash Officer (CCO) Session at Lahore for Sindh Bank, August 2-3, 2024

Certified General Banking Officers (CGBO) Session at Lahore for Sindh Bank, August 5-9, 2024

Launch Ceremony of Certification in Treasury Management (CTM) at NIBAF Pakistan

MCB - 2 days Training Program on Team Building & Leadership Grid Approach

Impact of Changes in Tax Regime on the Banking Sector and Pakistan's Economy

MCB - Customized Training on eCIB V2 Fundamentals

Sindh Bank - MTO Recruitment Test

SME Certification Program - Faysal Bank August 16-18, 2024

Certified Cash Officer (CCO) Session at Islamabad for Sindh Bank, September 13-14, 2024

Certified General Banking Officers (CGBO) Session at Islamabad for Sindh Bank, September 16-20, 2024

By: Sarah Sayani

**Banks cannot afford to ostracize themselves from the regime of low-carbon markets and net-zero movement. Banks need to understand how market dynamics are changing with the climate risk mitigation measures, such as energy subsidies, emission standards, and carbon pricing and how it will impact the businesses of their clients and their own service delivery. Thus, climate risk is an opportunity for banks to segue towards a green financing solution by focusing on sustainable technologies and environmentally friendly initiatives. In this essay we will explore how banks can contribute towards net-zero emissions and contribute to achieving the go-green objectives.**

Companies around the world, specifically financial institutions are striving to meet the requirements of Sustainability — a broad term encapsulating the impacts of environmental, social and governance (ESG) guidelines. About USD17.1 trillion professionally managed funds in the U.S are invested in ESG–related funds, which are expected to grow to some USD53 trillion by 2025. As the global systems have progressed and modernized along the transition towards best practices, most of these companies have mastered the skill of 'governance' by putting in place sophisticated systems, frameworks and policies and procedures to ensure the sustainability of operations of their organizations. However, to create true value they also need to know the 'environmental' and 'social' elements of the equation equally well enough to gauge, if these institutions are truly striking the values they tout.

### GO-GREEN AWARENESS

The idea of go-green germinates from the objectives of reducing pollution, waste, and consumption of natural resources in a way that are not detrimental to the environment. It also covers the preservation of natural resources, such as forest, marine life etc. and maintain a balanced ecological system where life can survive and thrive for long. The two terminologies – 'go-green' and 'climate risk reduction' are used interchangeably in this essay and will broadly cover the measures adopted to protect the environment from activities and hazards caused by human interventions that are deteriorating the quality of our surrounding and harming life on earth.

Historically, being environmentally conscious had always been a no-win perception for enterprises. Companies believed that environment and business are two-sides of a coin, and either of which cannot be achieved without compromising the other. Noah and Whitehead (1994) call it a costly and complicated proposition for managers. However, this conventional wisdom soon started to become obsolete when the Kyoto Protocol of 1997 that took effect in 2005, the forerunner of Paris Agreement in 2016, paved its way towards climate regime change movement. Reconciling environment and economic objectives started to gain momentum and sooner than the institutions' CEOs realized, it became the catalyst for innovation, new opportunities, and overall well-being. The Paris Agreement in its founding agreement of 2016 specifically identified the role of banks towards climate-risk reduction in Article 2 (c) as "Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development." The term 'consistent' holds substantial importance here as it emphasizes on integrating climate-resilient developments in the financial institutions' vision, mission, and business philosophy.

According to the International Panel on Climate Change (IPCC) latest special report issued in 2018, the global temperature will increase to 1.5°C above the pre-industrial levels between 2030 and 2052 if businesses continue to function as usual. This is indicated by the orange line in figure 1, extracted from the Summary for Policymaker's edition issued by IPCC.

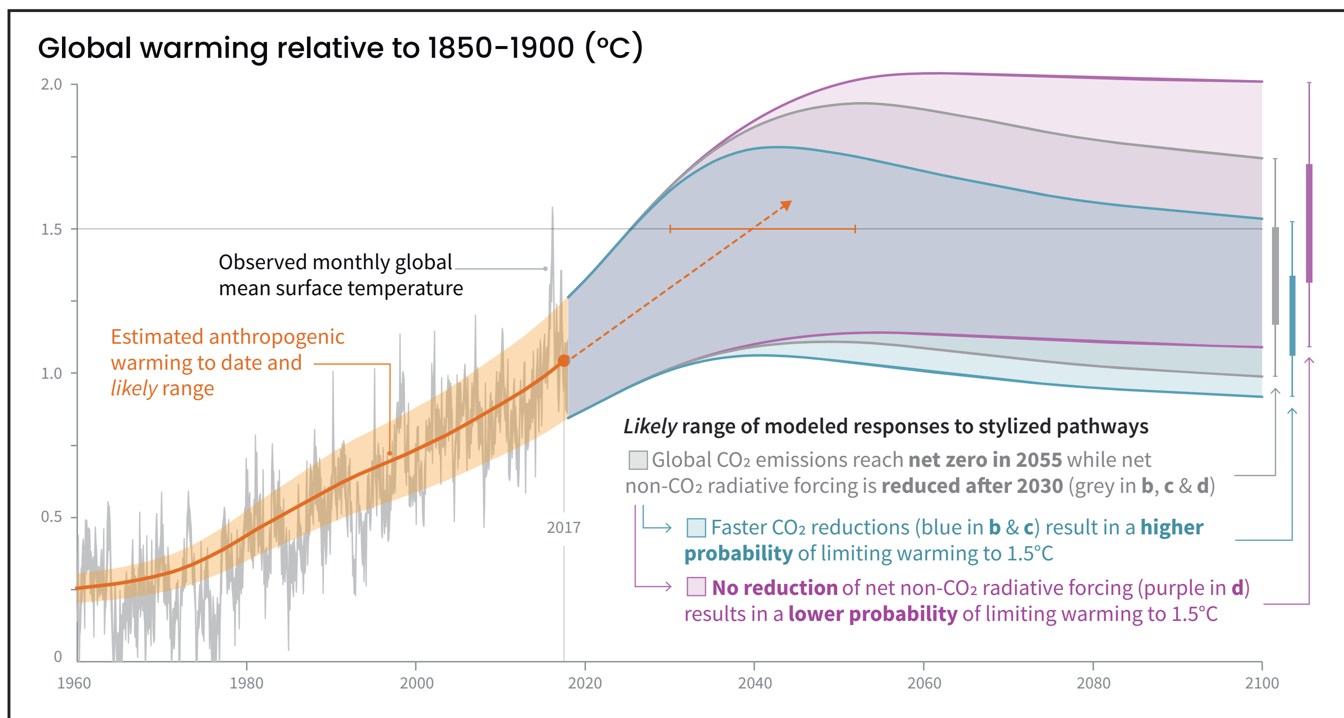
According to the Our World in Data (2022) report global emissions were 41.46 billion tonnes in 2022 and Pakistan accounts for 200.20 million tonnes which is 0.54 percent of the total emissions. The emissions trend from 1947 to 2021 for Pakistan as compared to the rest of the world is shown in figure 2. The percentage contribution may seem small but the worrying factor for Pakistan (alongside the rest) is the upward movement of the graph that shows an increasing trend with a negligible slowdown along the way.

Pakistan may appear as a small emitter of greenhouse gases as compared to the rest of the world; however, it is still among the 20 largest contributors. The IMF report (2018) have identified carbon dioxide from the energy sector and methane from the agriculture sector as main sources of Green House Gas (GHG) emissions as shown in figure 3.

The impact of these emissions may result in the melting of glaciers, impacting the downstream water availability and adversely affecting the rainfall pattern. Irrigation system in Pakistan draws majority of its water from the melting of glaciers in Himalayas which then flows down to River Indus. Global warming will accelerate the melting process, resulting in the flooding of River Indus in the short-run and water shortages in the long-run. The irregular rain pattern and unusual dry conditions will subsequently affect the soil conditions, thus impacting the agriculture on which majority of the economy is dependent. The entire process of carbonization will impact the business cycle and economic well-being of communities at large.

**"Reconciling environment and economic objectives started to gain momentum and sooner than the institutions' CEOs realized, it became the catalyst for innovation, new opportunities, and overall well-being."**

Figure 1: Cumulative emission of CO2 and future of non-emission CO2




Source: IPCC (2018) Summary for Policymakers accessed online through: https://shorturl.at/AE62A

## GO-GREEN RISK AND OPPORTUNITIES FOR BANKS

Financial institutions have far-reaching impact on all the sectors of economy, including the ones mentioned in the figure 3 above, and wide range of geographies. Thus, it is cogently believed that climate change has great impact on banks' functionality and if no actions are taken now, it may result in irreversible consequences. The Intergovernmental Panel on Climate Change IPCC (2018), United Nations body for assessing the science related to climate change, in its report also projected investment opportunities around green financing to accomplish go-green objectives. According to the report, about USD 2.4 trillion are needed on yearly basis until 2035 for clean energy establishment and USD 1.6 – 3.8 trillion investments needed until 2050 on yearly basis to substitute conventional 'brown economy' , such as coal, fossil fuel etc. with green initiatives. Because the transition towards an environmentally and socially responsible institutions is a capital-intensive process, the role of banks can be seen as providing a logical approach to increase the flow of investments towards green financing and to rejuvenate economic and financial upsides.

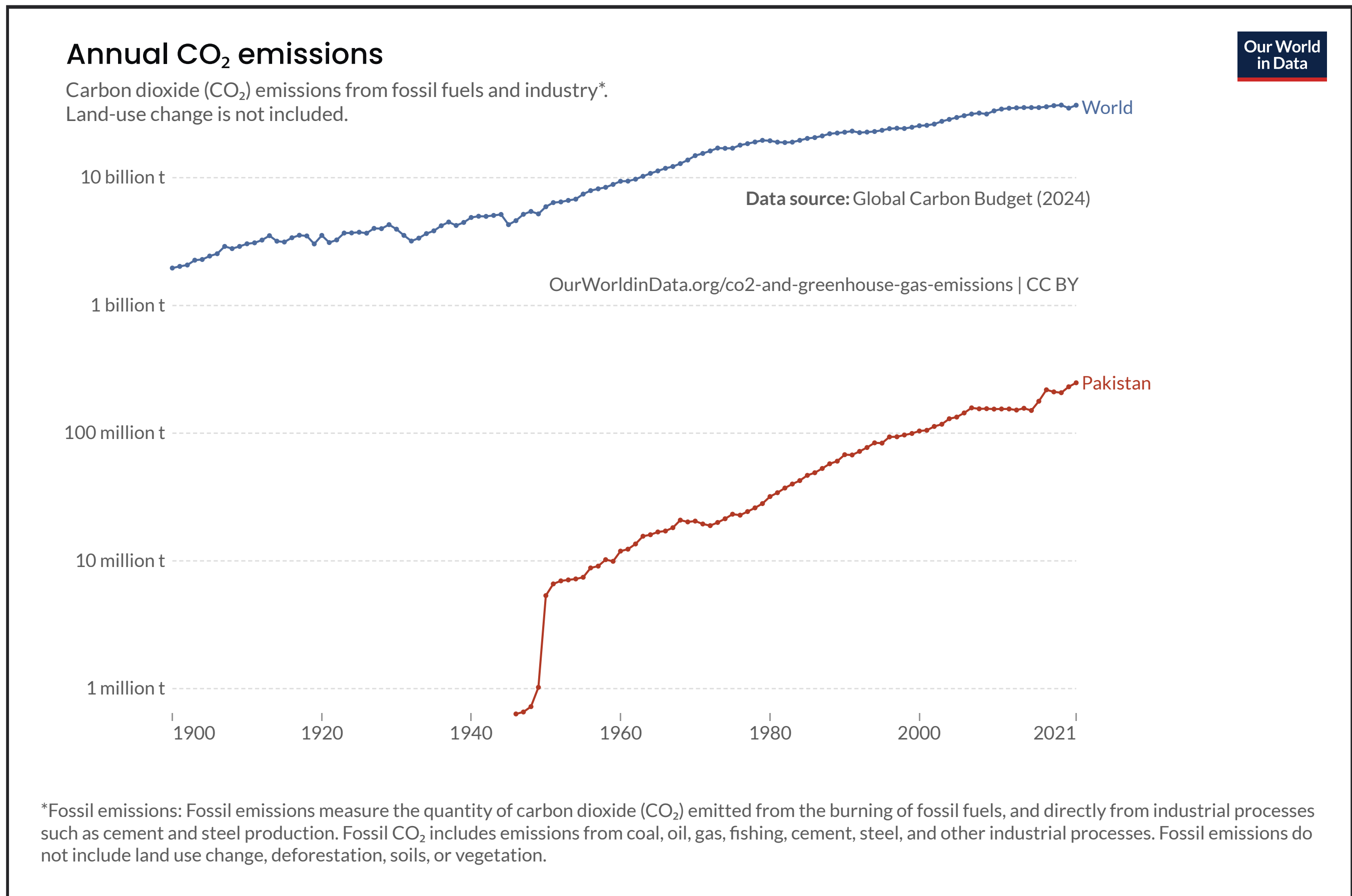
On the other hand, climate change also presents risk for financial institutions in the developed countries as well as the developing countries, irrespective of the extent of contribution each has on its adverse impacts. The three climate risk categories identified for the financial institutions, which are outlined in the G20's Financial Sustainability report are illustrated in figure 4. In view of these risk factors, it is therefore, imperative for banks to have in place a framework and mechanisms to monitor and administer the compliance of financial initiatives towards green financing.

Thus, banks may play a role of a 'change agent' by providing an inclusive green financial mechanism that not only addresses the market needs of investments but is also structured enough to systematically integrate these market dynamics into its business operations. This may require banks to adopt new technologies, policies and frameworks, and capacity development initiatives that can fulfill the gaps.

## BANKS' ROLE IN ACHIEVING THE GREEN OBJECTIVES

UN General Assembly recently have recognized "the right to clean, healthy and sustainable environment as a human right." the adoption of which will require a rigorous implementation of multilateral environmental agreements such as the Paris Agreement, commitments made under the COP 27, UN Environment Programme, and UN Framework Convention on Climate Change (UNFCCC). Pakistan is not an outlier in its commitment to climate action. The Federal Government in 2012 formulated a National Climate Change Policy (NCCP) through Ministry of Climate Change and provincial governments in line with the Federal Environment Protection Act, 1997 and are taking measures for the protection, conservation, and rehabilitation of the natural environment. State Bank of Pakistan has also introduced guiding principles for the financial sector to implement climate financing objectives and provide a framework of best practices towards this mission. European Banking Authority (EBA) also recognizes the importance of incorporating climate related assessment in its risk and asset profiling, such as introducing Green Asset Ratio (GAR), Banking Book Taxonomy Alignment Ratio (BTAR), and alignment metrics, or assets in areas exposed to climate risk. Commitments in the form of regulations, agreements and guiding principles internationally and locally

Figure 2: Pakistan's Share in Global emissions




Source: Andrew, R. M., Gregor, L., Hauck, J et.al (2022)

demonstrate the financial sector's responsibility to act and promote climate resilience.

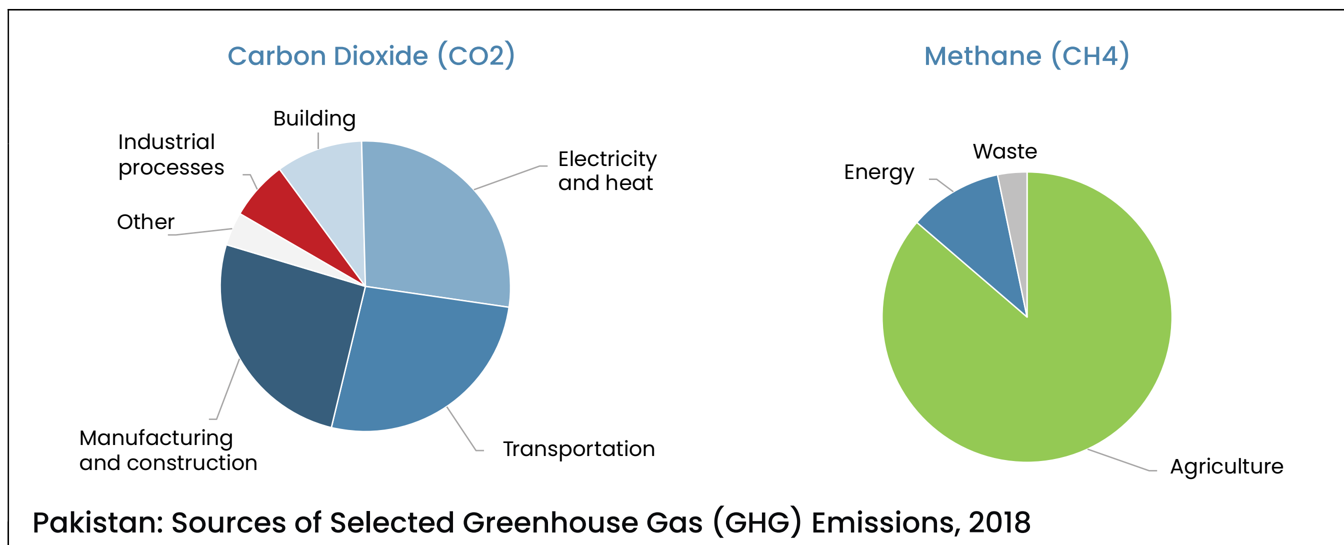
Having said that, we still live in a time where 1 percent of the population owns wealth more than what is owned by 6.9 billion people. We are living in the time where 80 million children are engaged in vulnerable occupations and as per the Internal Displacement Monitoring Center (IDMC) 2021 report, there are about 23.7 million disaster displacements, out of which 21.6 million are due to the floods and storms. These internal displacements are not only a climate shock for countries, but they also impose a huge economic burden because most of the spillover from the remote rural communities is to the crowded urban centers already grappling with limited resources. Extinction of biodiversity and acute shortages of food and water have also encouraged the internal displacement of populations.

Consequently, climate risk reduction is the top priority for international and local communities. They are more serious about resolving issues at the intersection of income inequality, access to food and clean drinking water and access to finance to support sustainable living, than ever before. It has laid a heavy responsibility on banks to take immediate action and adopt sustainable measures. One of the most desirable and influential roles a bank can play towards achieving green objectives is by incorporating principles of Human Rights-based approach to green financing.

## BANKS' HUMAN RIGHTS-BASED MODEL TO GO-GREEN OBJECTIVES

The Office of United Nations High Commissioner for Human Rights (OHCHR) describes human rights-based approach as a conceptual framework that facilitates human development and is based on international human rights standards to protect and promote human rights. Translating the rights-based approach within climate context, it seeks to analyze vulnerabilities, inequalities and eliminate discriminatory practices that can obstruct the progress towards low-carbon developments. Among all the sectors of the economy, banks in the financial sector are highly regulated bodies accountable to the central bank, monitored by the international rating agencies and closely scrutinized by the corporate sector when evaluating financial options. Hence, the stakes along risk and reputations are quite high. Banks have the privilege of influencing the market behavior with its widely distributed network of operations across vast geographies. Therefore, supporting the SBP mandate to 'foster growth in the best national interest' and to incorporate 'principles of best practices to establish a fair and competitive business environment', banks

Figure 3. Pakistan: Sources of Greenhouse Gas (GHG) Emissions in Pakistan




Source: IMF – Climate Mitigation in Pakistan online through: https://shorturl.at/GzXg8

need to establish an inclusive financial system that provide for climate risk aversion and promote strategies to mitigate climate risk. Human rights-based approach (HRBA) provides a window of opportunity for banks to play a pivotal role in achieving low-carbon footprint.

The three principles of HRBA – Non-discrimination, participation and accountability are applied in the essay to reflect on the role of banks towards go-green mission. Banks will be taking the following measures to facilitate the market transformation to environmentally sustainable operations:

1) **A commitment to inclusive, equitable and non-discriminatory green initiatives**

In pursuit of climate-resilient measures, there is a growing awareness of the world economic order shifting from the high to low carbon intensive activities. Banks are mediators in the process through which funds are channeled to various sectors of the economy. In their effort for climate-resilient financing, banks can take targeted actions to innovate the process of emissions reduction. Firstly, they can shift the lending preference from high to low carbon emission industries, and secondly, they can include small and medium sized businesses and low-income families in their financial service delivery.

**Service delivery mechanisms:**

**Loans:** In terms of banks' lending, loans or credit are the important source of promoting low emission technologies and measures. However, after the financial crisis of 2008 and strict BASEL III Accord guidelines on the lending exposure, banks' have reduced capacity to absorb lending risk, which in turn has encouraged investments in low-risk profiles and shot-term activities. Whereas most of the climate financing projects are new and require long-term financing. However, a shift towards net-zero is not only a call for urgent action but it is also an economically viable option for banks.

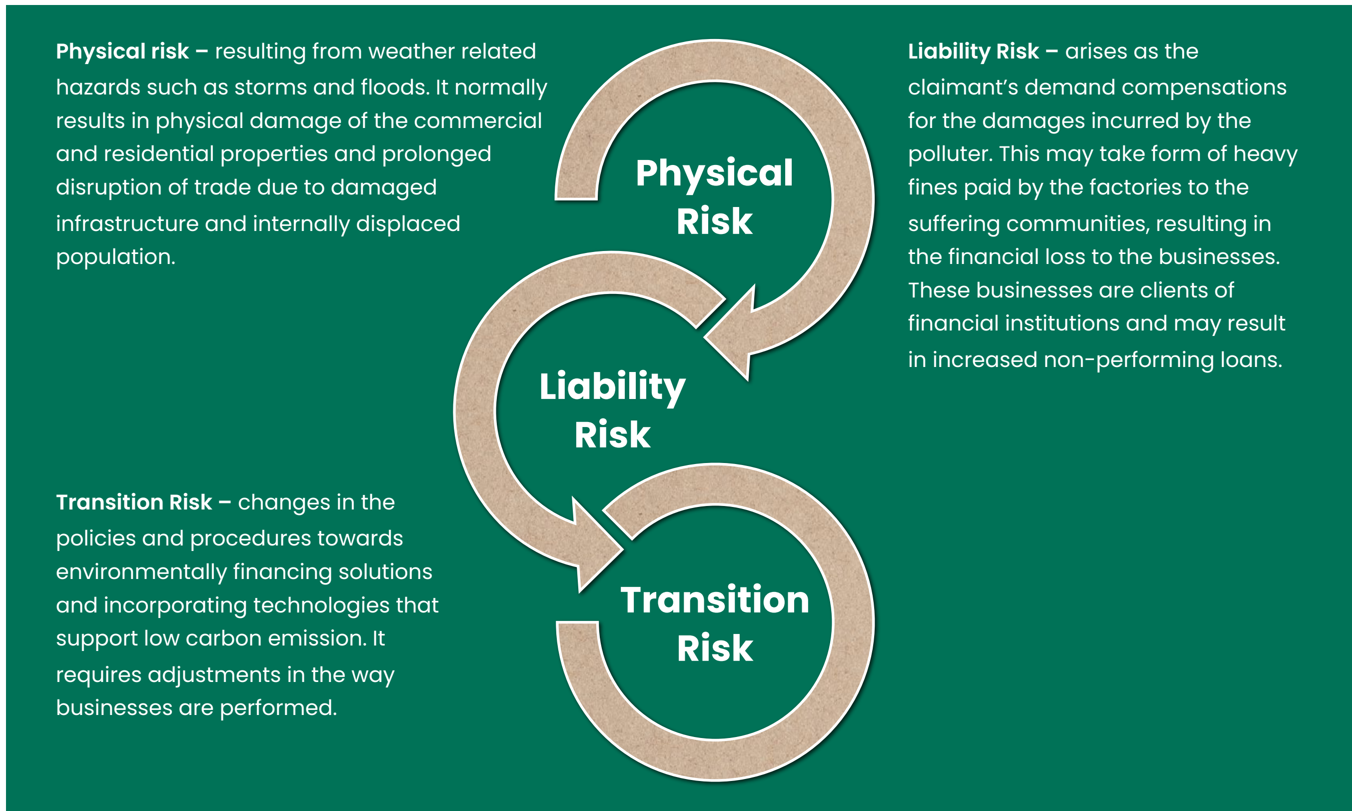
There are examples of some prominent banks overcoming all the barriers and progressing amidst these challenges in achieving their goal of lower carbon footprints.

**Global outlook from developed country** - For example, the International Banking Group (the ING Group), has reduced its investment in fossil fuels from 63 percent in 2006 to 13 percent in 2013. The bank maintains a total renewable energy loan portfolio of about USD 1.5 billion. The ING's sustainable loan portfolio success is embedded in its sustainable business philosophy that integrates its intentions of reduced emissions in its internal business processes.

**Global outlook from developing country** - Another example drawn from a developing country is the South African bank – the Standard Bank, which ranks among the top 10 global banking initiatives for renewable energy financing. The bank has provided USD 1.6 billion for the Independent Power Producer Program.  It is the largest bank in South Africa in terms of assets and its turnover, and by setting a global example of renewable energy supporter the bank has positioned itself as an industry leader in carbon emission initiatives.

**Savings:** Savings is another financial instrument through which banks can encourage low carbon projects and compensate consumers, especially vulnerable communities such as poor populations living in high climate risk areas. Banks can introduce short-term and long-term saving plans with preferential rates supporting climate action scheme. Lower income families can compensate for the catastrophic expenditures arising from poor harvest, supply chain disruption, depleting health conditions and hazards such as floods and storms arising from greenhouse gas emissions and global warming. The saving

Figure 4: Climate Risk to Banks/FIs




Source: Figure created by author

product will serve as a safety net for low-and middle-income families to support themselves even if they face disaster displacement. It can also support small and medium sized enterprises in financing working capital or operating expenditures when they are unable to fulfill their obligations from organic profits.

**Global outlook** - The example of a small-scale saving model in developing countries can be drawn from the community-based saving scheme in microfinancing, whereby, small group savings enable women entrepreneurs to start and run small businesses. The idea of special saving rates can be reflective of the special saving products offered to senior citizens, which is a financially sustainable option for them to ensure a continuous stream of income.

These success stories provide a best-case scenario to introduce climate-action saving scheme at the preferential rates and where the pooled funds can be used to finance small-scale low carbon emission initiatives.

**Digital Financial Services:** Banks towards its mission of human rights footprints to lower carbon emissions can encourage the use of technology to support the go-green objective. Digital Financial Services (DFS) have become a new norm in the promotion of alternate delivery channels. These services have proved to support climate mitigation by changing the channels of service delivery. The mobile money enabled system Pay-as-you-go (PAYG) model has supported the proliferation of solar lightening, solar agriculture financing, and other renewable sources to off-grid populations. The World Bank report (2018) estimated that the PAYG model of solar financing has avoided 28.6 million tons of GHG emissions and have also improved the health conditions of its targeted communities. The same report estimated that 130 million solar home systems have been sold and PAYG financial service is driving financial inclusion in rural areas.

**Global outlook** - A global example of DFS supporting the environment is drawn from the measures taken by Fiji and Philippines to distribute relief funds among the disaster affected communities. Mobile money payments were used to distribute social payments among affected communities of cyclones and hurricane. Using digital methods not only reduces the cost of transaction, but it also reaches a larger population, and the distribution can be done in a more transparent way.

Undoubtedly, the population contributing least towards GHG emissions are bearer of the greatest loss from the adverse impacts of climate change, particularly women and children. Banks by adopting human rights-based approach in climate finance can ensure equitable, non-discriminatory, and more inclusive approach to climate resilience.

2) Participatory decision-making for better accountability

Globally companies have pledged to help build a resilient society where banks can collaborate with other participants of the economy in accomplishing

net-zero objectives. Achieving this goal requires "an integrated decarbonization strategy, research, innovation and infrastructure changes", according to Rohit Moudgil, Head of Manufacturing Sector, HSBC UK. All the sectors of economy are under increased pressure to fully decarbonize its operations to comply with the government's commitment to net-zero emission by 2050. Manufacturing sector runs the risk that if it is not able to achieve the target it may lose its competitive position in the international market, as well as locally. Agriculture sector fears that the participants along the supply chain may not be willing to shift their focus from economically driven profit motives to environmental considerations. Banks need to play a participatory role in providing leadership to all market participants along the value chain and engage them to create an integrated approach to carbon emissions.

Collaborative approach:

Banks can form a consortium with other financial institutions, policymakers, academia, and civil society organizations to establish a Climate Action task force where they gather information, collectively evaluate the environment risk of corporations, provide them with necessary information to reduce its adverse impacts and support them with financing needs to transform business operations. For example, agriculture sector can be financially supported to install solar panels and biomass boilers. Supply chain participants can also be provided with financial support for cold storage and recyclable packaging methods.

The benefit of collaborative approach is the shared knowledge among banks, expertise and dataset collaboration and they can learn from their collective experience alongside the advantage of risk and return sharing. It will also ensure capacity building of the human capital within banks towards the new transition to go-green initiatives.

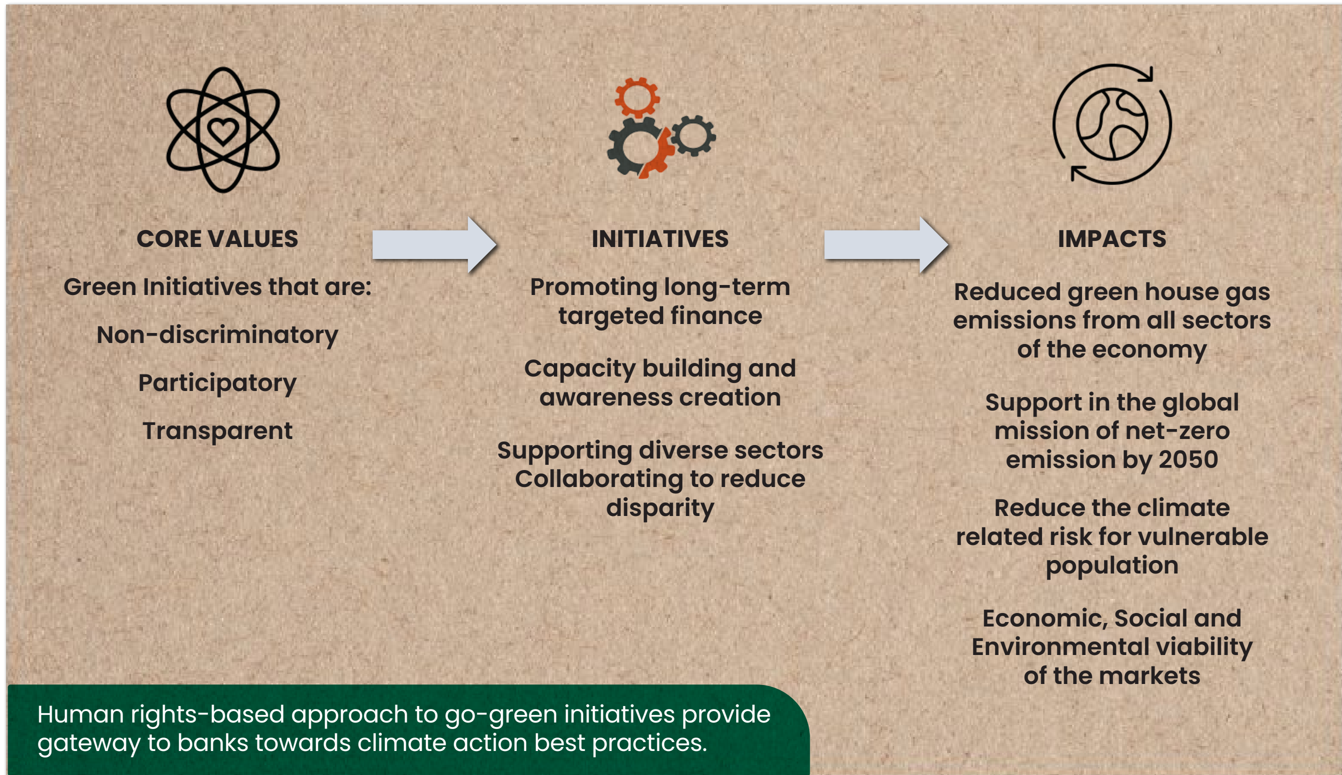
3) Measurement and transparency

As banks conduct fraud risk assessment and evaluate the credit profiling of clients based on economic parameters, it is important that they expand the scope and include environmental assessment in risk measurement evaluation. Normally, profit motives supersedes all other considerations when it comes to assessment and evaluation, and banks find it hard to make room for environmental and societal mishaps along the process. Bank's corporate clients might be a good employers on paper, emphasize on maintaining diversity at workforce, claim equal employment opportunities and pay fair wages. However, they also rely heavily on the huge GHG emissions for its business operations and contaminate the surrounding environment with production waste. Banks need to identify these caveats and flag it to their clients for correction. However, banks also want to be extremely vigilant about the corporations' obscurantist agenda. Banks would want to avoid the risk of 'greenwashing' practiced by some companies that is damaging the customers and banks' trust through false claims about being environmentally friendly in their business operations.

Pakistan is not an outlier in its commitment to climate action. The Federal Government in 2012 formulated a National Climate Change Policy (NCCP) through Ministry of Climate Change and provincial governments in line with the Federal Environment Protection Act, 1997 and are taking measures for the protection, conservation, and rehabilitation of the natural environment. State Bank of Pakistan has also introduced guiding principles for the financial sector to implement climate financing objectives and provide a framework of best practices towards this mission.

## PATH TO GO-GREEN BEST PRACTICES

Figure 5: Bank's go-green pathway




Source: Figure created by author

Structural approach:

For this purpose, banks will need to collect data and a lot of information about their clients' businesses. Often, managing the huge data set becomes a cumbersome task for banks as it is not their core specialty area. Banks need to set up a system whereby they can collect the data and use it consistently for the reporting and disclosure purposes. The steps that banks can take in setting up a transparent system of measurement and reporting are as follows:

- Banks can begin by doing a simple gap assessment, to locate where they stand as compared to the already established risk measurement standards either by the central bank (e.g., SBP) or set by the best market practices.
- Align to rating agency score to quantify the performance. Agencies such as Sustainable Accounting Standard Board, Climate-Related Financial Disclosures etc. provide standards along ESG guidelines. Banks can use these frameworks to score its performance standing.
- Thorough review of the clients' financial disclosures that shows the nature of business, their suppliers and participation along the supply chain.
- Lastly, banks must focus its businesses along the sustainability guidelines emphasizing on environmental objectives to be achieved. In case banks lack in the expertise to evaluate its business on environmental grounds it must seek assistance from outside.

## WAY FORWARD!

Market discipline and transparency are necessary conditions for banks to participate in the sustainable finance activities, such as climate or green financing. The rights-based approach requires banks to make information available and accessible related to GHG emissions that may impact businesses, social conditions and living standards, especially of the vulnerable population. Banks in their process of credit screening and administration should incorporate discussions about environmental risk with external stakeholders. It is a way of creating awareness among different sectors of the economy, a chance to ignite discussions, highlight the sensitivity around the matter and reassure that financial institutions are much aware of the uncertainty associated with climate changes. This will eventually facilitate in achieving the overall transition of economy towards environmentally sustainable way of doing businesses. ■

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NIBAF Pakistan

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# Accessibility of Quality Education to Women, Children and Disadvantaged Segments of the Society

By: Akram Khatoon

Under the Millennium Development Goals (MDGs) agenda, primary education for all by year 2015 was taken as a widely accepted humanitarian obligation and globally mandated human right. This commitment was also based on the understanding that all gender disparities would be eliminated and children everywhere, boys and girls alike, will be able to complete a full course of primary education, but unfortunately quite a number of countries were found halfway in achieving this goal. As such, member countries were offered another agenda inclusive of MDGs basic objectives to achieve seventeen sustainable developmental goals with emphasis on ensuring livable life for all segments of world population, which is only possible by making people accessible to quality education, desired healthcare facilities and clean climatic environment.

The strategy to evaluate progress towards attainment of the required educational target should focus on quality of education because logically, quantity is easily measurable, but it distorts end results. Since education is a vital need for developing the society as a whole, as such, education lacking in quality fails to bring desired/ targeted socio-economic wellbeing.

Quality education translates into respectable earnings for individuals over their lifetime. A country with a skilled and educated workforce can achieve a sustained and fast economic growth rate. The importance of human capital developed through quality education and trade skills has universal recognition for speedy economic growth of a country. In the context of low income developing economies, the development of human capital has gained more importance as these countries have set priorities for eradicating or rather arresting growing poverty and combating all exploitations against disadvantaged segments of their population, which are achievable only through sustained and speedy growth rate of their economies. Woman and girl child are the most neglected components of global population. Women comprise almost 60 percent of the world population living in a male dominated culture. It is mainly because of lack of economic independence, entailing social exploitation of women, particularly in developing countries of South East Asia and Africa, through age-old customs and traditions.

**"The one-sided, male dominant development thinking has resulted in grossly inadequate government investment for development of women human capital and consequently, women's basic needs remain unattended".**

Women of South Asian countries, including Pakistan, are in the most pathetic condition regarding their socio-economic status, which is mainly due to their deprivation from the decision making process in almost all phases of their life, which in turn is the outcome of male dominant gender power relations. Women are not encouraged to express their opinion even in such personal matters like choosing a life partner, family planning and inheritance of family property. In a patriarchal social environment, decision making remains a male prerogative.

The one-sided, male dominant development thinking has resulted in grossly inadequate government investment for development of women human capital and consequently, women's basic needs remain unattended.

Education, being a vital and basic need for development of human resources, has the possibility of making better off both, the individual receiving it and the nation as a whole. A well-educated society having the desired number of professionals in all fields of the economy can experience high rate of innovations and development of new technologies, and thus make everybody more productive, engaged in various lines of businesses.

A study conducted at World Bank to assess the impact of quality education on economic growth, reveals that emphasis on teaching science and mathematics subjects in a country leads to a rise of one percentage point in normal incremental annual economic growth rate of that country. The study also reveals that education reforms introduced in a country make the impact felt over time, depending on pace of implementation of the reform program. However, even slow progress with regard to reforming education brings significant results in the long run. Findings of the study also give the hope that if a country embarked on starting a 20 years education reform program at a point of time, let's say in 2011, it can expect to pay for all of its educational expenditures by 2046 with the growth dividend. These findings are, however, based on the assumptions of good governance in all tiers of the education system of a country and more importantly, its political stability. Another research study conducted at World Bank reveals 'that a country with poor governance tends to have growth of about 1.6 percentage point lower per year than other countries and the effect of governance on growth is transmitted through indirect channels via social indicators and investments'.

**"If a country embarked on starting a 20 years education reform program at a point of time, let's say in 2011, it can expect to pay for all of its educational expenditures by 2046 with the growth dividend."**

In case of Pakistan, despite major initiatives taken by the present government to achieve literacy improvement targets set from time to time through strategies like 'Education for All' and improvement in quality of education imparted in state-owned schools, things are very slow to turn around due to built-in inefficiencies and corruption in all tiers of governance of the educational sector.

Lack of political stability in the country, being a norm of its existence for almost half a century, is responsible for low literacy rate and other short comings in the educational sector, due to discontinuation of educational reforms introduced by each successive government with change of each political set up. However, in the context of Pakistan, apart from under-spending (2.3 percent of GDP) on education, in comparison to internationally accepted benchmark of 4 percent of GDP given by UNESCO for funds allocation for education, it is lack of monitoring for utilization of funds allocated particularly in the development budget for education, which makes funds either mis-utilized or lapsed substantially almost every year.

No doubt, concerted efforts were made and are still being made at all levels of government to achieve set goal relating to 'Education for All' and maximizing access to technical and higher education, yet the education policy in force does not recognize the need of bringing uniformity regarding standard of education in all educational institutions to remove overall disparities and inequalities from the socio-economic environment of the country.

In public sector educational institutions, teachers' quality level is totally overlooked, which is the main reason for fast deterioration of the standard of education in these institutions. Policy makers having due concern for improving quality of education in the country must focus on improving the overall quality of teaching faculty of public sector schools and colleges, where mostly students from financially disadvantaged families are enrolled.

The policy relating to hiring of teachers needs to be reviewed/ revised. Instead of retaining existing teaching staff of public sector educational institutions, majority of whom are lacking in required academic and professional qualifications and, above all, are totally devoid of commitment to their job, need to be replaced by competent teachers, who should be hired on contact basis and their remuneration should be strictly performance related. Further, a program should be in place for upgrading their teaching skills on continuous basis.

However, in general, if teaching force is to be improved, either the hiring must select better teachers or in case of retention of existing teaching staff, their policy must be skewed towards the best teachers. For improving the quality of teaching staff in public sector schools, the government can experiment with alternative incentive schemes. These might involve accelerated promotions, cash awards, training prospects in well reputed foreign universities and conferring of National awards etc.

Sustainable Development Goals (SDGs) relating to education also advocate for promoting quality higher education and making it accessible to maximum number of deserving students. From the very outset, Pakistan has recognized the need of providing higher education to all as envisaged in Article 37(C) of country's Constitution of 1973, which stipulates that "make technical education and professional education generally available, and higher education equally accessible to all on the basis of merit."

Establishment of Higher Education Commission (HEC) with the sole purpose of ensuring quality and research oriented education in the country, which may bring about much needed highly skilled and professionally equipped workforce for all spheres of economy, was a strong initiative from the side of the government, but as it is being felt, the Commission needs to modify its operational strategies with changing needs of the time.

For promoting higher education among women, Pakistan's government initiatives are visible in almost all the provinces. Women universities and exclusive women medical colleges have been set up to facilitate higher education for those female students whose parents do not favor co-education. In medical and engineering colleges/ universities and Business schools with co-education arrangements, entry is open to girl students strictly on merit and without any discrimination. Some financial institutions, including National Institute of Banking and Finance Pakistan (formerly known as the Institute of Bankers Pakistan), have opened doors to students seeking professional education in Banking without any gender discrimination.

The education of women and girls at all levels is essential to closing the gender gap and promoting economic and social progress in any nation. Research demonstrates that investing in women's education plays a crucial role in combating poverty and extremism. In fact, such investment may be one of the most effective

means of fostering a country's overall development and growth. Ensuring access to basic education for girls is an absolute necessity, while supporting women's higher education equips them with the knowledge, skills, and confidence needed to rise into leadership roles across government, business, and society. This upward mobility into decision-making positions is vital for driving change and accelerating development in a dynamic and impactful way, yielding high returns.

Extensive research spanning several decades consistently supports the value of investing in the education of women and girls. Muhammad Yunus, the founder of Grameen Bank, observed that financial resources directed toward women yielded far greater benefits for families compared to those directed toward men. As a result, Grameen Bank prioritized lending to women, and today, 96 percent of its four million borrowers are women. Yunus and the Grameen Bank were awarded the 2006 Nobel Peace Prize for their innovative efforts in fostering economic and social development through microloans, granted to the poor without requiring collateral*.

The Nobel Committee recognized, "Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Micro-credit has proved to be an important liberating force in societies where women in particular have to struggle against repressive social and economic conditions. Economic growth and political democracy cannot achieve their full potential unless the female half of humanity participates on an equal footing with the male."

It is also a globally recognized fact that women empowerment in absolute terms is the outcome of their economic independence, which is facilitated through acquiring higher education, including technical and professional education. Higher technical and professional education makes possible women's entry into specialized fields of finance, engineering, health, education, commerce and industry, and then reach senior management positions, where decision making rests.

It is unfortunate that overall literacy rate of Pakistan is very low even among low income developing countries and consequently, female literacy rate in remote areas of its provinces like Baluchistan and KP is even less than 2 percent. No doubt, under the "Education for All" program special incentives are being offered to girls for motivating parents to send their daughters to school and also to curtail dropout rate at primary level, which is as high as 41 percent. However, in order to ensure success of all women welfare related initiatives of government, monitoring of these projects should be assigned to women only.

> **"In order to ensure success of all women welfare related initiatives of government, monitoring of these projects should be assigned to women only."**

Women should be involved in decisions relating to legislation process, economy and social sector; to ensure that laws passed and policies approved in the assembly do not have adverse bearing on women, or in other words, all policies and development plans should be gender sensitive.

For legislators in all tiers of Assemblies and Senate, one of the eligibility criteria for contesting elections is their holding a Bachelor's degree in any discipline of education. Hence, as result of Government's endeavor to enhance women's participation in the legislative process, a sizable number of women have entered Assemblies and Senate. However, to make their presence effective through advocacy, there is a need to expose them to behavioral skill development training programs to develop assertiveness and self confidence among them, so that they may assert their point of view in Assemblies, especially regarding elimination of discriminatory laws and all exploitation against women.

Further, for ensuring women empowerment, certain strategies need to be adopted at personal/ individual level and some on national and international level. On a personal level, women need to understand their social, economic, and political rights. Each and every woman must strive to acquire higher education or proficiency in various business and behavioral skills so as to get themselves not only gainfully employed/ self-employed, but also to assert for a level playing field for their working environments, enabling them to rise to senior echelon of management in any organization. In case of doing business, they may emerge as highly competitive entrepreneurs.

Apart from efforts on a personal level, initiative for women empowerment is also needed at national level. At the Government level, there should be arrangements for providing encouragement and incentives as well as counseling services for girls to study scientific, technical and managerial subjects at all levels, in order to enhance the aptitude of women for decision making, management and leadership.

Further, a system should be in place for making educational and vocational training accessible to women, including those fields where technologies are improving rapidly like Information Technology (IT). Awareness regarding women's right to education in general and higher and professional education in particular, as well as information regarding ways and means to facilitate acquiring education, need to be disseminated through Non-governmental organizations (NGOs) in less developed urban and rural areas of the country.

To conclude, quality is to be injected at all levels of education and it should be made accessible to all eligible segments of society. Primary, secondary and tertiary education is complementary to each other. Acquiring higher education can be productive only if it rests on quality wise solid primary and secondary education and early education can be productive if it is reinforced by quality secondary and tertiary education. ■

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**Leah Witcher Jackson, Educate the Women and You Can Change the World: Investing in the Education of Women is the Best Investment in a Country's Growth and Development, Forum on Public Policy, pp 20, 27.*

# How to Outperform in AML-CFT Regulatory Compliance

## Lessons from FATF Grey List Countries

By: Owais Ahmed Qureshi

*The seas of Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) regulations in the financial world are dynamic and tumultuous. For financial institutions (FIs) and regulators alike, mastering the intricate dance of compliance within both domestic and international frameworks is vital. This article sets sail on a journey through the degrees of AML-CFT regulatory frameworks, from their foundational importance to the innovative strategies needed to combat emerging challenges.*

The financial industry is constantly evolving, and regulatory compliance is one of the most crucial aspects of maintaining global trust, integrity, and financial stability. As countries navigate the complexities of anti-money laundering (AML), counter-terrorism financing (CFT), and sanctions compliance, the Financial Action Task Force (FATF) plays a pivotal role in assessing national efforts. Being placed on the FATF's 'grey list' can signal significant deficiencies in a country's financial compliance framework. However, countries that outperform in this arena demonstrate the strategic steps needed to regain trust and secure their place on the FATF's white list. This article will explore strategies for excelling in financial regulatory compliance, with a special focus on case studies, including Pakistan's successful journey out of the FATF grey list.

## 1) Setting the Course

In the complicated world of financial services with multi-faceted challenges, steering the choppy waters of financial crime demands more than just skillful seamanship—it requires a sturdy vessel built upon robust regulatory frameworks. These frameworks serve as the guiding lighthouse for financial institutions (FIs) as they sail through the fog of illicit financial activities, ensuring transparency, accountability, and integrity within the financial system.

Imagine, without the guiding light of regulatory frameworks, FIs are akin to ships adrift in a storm, vulnerable to the treacherous currents of money laundering and terrorist financing. These frameworks provide the necessary navigational aids to steer FIs away from the perilous rocks of financial crime, safeguarding not only their own interests but also the stability and security of the entire financial ecosystem. Fundamentally, regulatory frameworks are the bedrock upon which FIs build their compliance structures. They provide a clear set of rules and standards that govern conduct, laying the foundation for a culture of compliance within FIs. Without this foundation, FIs risk running aground on the shoals of regulatory non-compliance, facing not only reputational damage but also hefty fines and penalties imposed by regulatory authorities.

Moreover, regulatory frameworks serve as a sign of trust for customers and investors, signaling that FIs operate within a framework of laws and regulations designed to protect their interests. This helps financial system to withstand the storms of economic uncertainty.

> **"Using automated systems that not only provide seamless process flow, rather facilitates FIs to be more protective in authentication and validation of the customers' credentials far more quickly than old school methods that took many days to verify customers."**

Regulatory frameworks are the cornerstone of effective AML-CFT compliance, providing FIs with the necessary guidance and direction to navigate the complex seas of financial crime. Without them, FIs risk floating in a sea of uncertainty, exposed to the dangers of illicit financial activities. Therefore, it is imperative for FIs to anchor themselves firmly in robust regulatory frameworks, ensuring safe passage through the turbulent waters of financial regulation.

## 2) Current Trends in AML-CFT Regulatory Compliance Frameworks

As the tides of financial crime ebb and flow, the landscape of Anti-Money Laundering (AML) compliance has a significant role in regulatory compliance that undergoes constant evolution, demanding agile responses and innovative strategies from FIs. To navigate these dynamic waters effectively, FIs must chart a course towards compliance excellence by staying abreast of current trends and embracing cutting-edge technologies.

**i) Enhanced Due Diligence: A pillar of AML compliance.** One of the foremost trends in AML compliance frameworks is the heightened emphasis on enhanced due diligence (EDD). Recognizing the limitations of traditional Know Your Customer (KYC) procedures in detecting sophisticated money laundering schemes, FIs are adopting more rigorous due diligence measures. This includes conducting thorough background checks, scrutinizing complex ownership structures, and assessing the source of wealth with greater scrutiny. By investigating deeper into customer profiles, FIs can better identify and mitigate the risks associated with money laundering and terrorist financing. Using automated systems that not only provide seamless process flow, rather facilitates FIs to be more protective in authentication and validation of the customers' credentials far more quickly than old school methods that took many days to verify customers.

**ii) Transaction Monitoring: Vigilance in action.** In tandem with enhanced due diligence, transaction monitoring remains a critical component of AML compliance frameworks. FIs are leveraging advanced analytics and machine learning algorithms to scrutinize transactional data in real-time, flagging suspicious activities for further investigation. This proactive approach enables FIs to detect anomalous patterns and behaviors indicative of illicit financial activities, allowing them to intervene swiftly and mitigate potential risks. Moreover, the integration of advanced transaction monitoring systems with KYC processes enhances the overall effectiveness of AML compliance efforts, creating a robust defense against financial crime. The shift towards use of AI in transaction monitoring makes a significant move that provides more alertness and predictive analysis to the AML staff and is more effective than rule based transaction monitoring that was much subjective, as it relied only on the expertise of AML experts. If the expert is not equipped with the skills and knowledge as he/she should be, it can leave some loopholes that ill practitioners can take benefit from.

**iii) Technological Advancements: Revolutionizing the AML landscape.** The advent of forward-looking

technologies such as artificial intelligence (AI) and block-chain is transforming the AML landscape, offering FIs powerful tools to combat increasingly sophisticated threats. AI-driven algorithms enable FIs to analyze vast volumes of data with unparalleled speed and accuracy, identifying patterns and anomalies that may evade traditional detection methods. Moreover, block-chain technology provides a transparent and immutable ledger of financial transactions, reducing the risk of tampering or manipulation by malicious actors. By joining these technological advancements, FIs can strengthen their AML compliance frameworks, enhancing their ability to detect, deter, and disrupt illicit financial activities.

**iv) Collaborative Efforts: Bonding forces against financial crime.** In addition to technological advancements, collaborative efforts between FIs, regulatory authorities, and law enforcement agencies are playing an increasingly pivotal role in combating financial crime. Recognizing the interconnected nature of global financial systems, stakeholders are sharing intelligence, best practices, and resources to enhance the effectiveness of AML compliance efforts. This collective approach enables FIs to leverage insights from diverse sources, identify emerging threats, and develop targeted strategies to mitigate risks effectively. The timely collective efforts that include trainings from such stakeholders, valuable inputs and real time case studies that FIs experience on daily basis, can provide more strength to the efforts of the law enforcement agencies (LEAs) to counter financial crime to much extent. These collaborative measures enable a timely shift in strategies and it also enables the new entries of business models with much more secured environment to deal with.

## 3)Navigational Challenges

Despite the remarkable advancements made in AML-CFT compliance frameworks, FIs and regulators alike find themselves navigating through turbulent waters fraught with multidimensional challenges. These challenges, ranging from regulatory fragmentation to emerging threats in the digital sector, pose significant hurdles to the effective implementation of AML-CFT measures, demanding an intensive and strategic response from all stakeholders involved.

**i) Regulatory Fragmentation: Navigating a complex regulatory landscape.** One of the primary challenges facing FIs and regulators is regulatory fragmentation —a phenomenon characterized by the proliferation of disparate and often conflicting AML-CFT regulations across jurisdictions. This fragmented landscape not only complicates compliance efforts but also increases the compliance burden for FIs operating across multiple jurisdictions. Moreover, the lack of harmonization between regulatory regimes may result in inconsistencies in compliance standards, creating compliance gaps and regulatory arbitrage opportunities for illicit actors. Addressing this challenge requires coordinated efforts from regulators to streamline AML-CFT regulations, promote cross-border cooperation, and establish common standards to facilitate compliance for FIs operating in a globalized financial environment. The financial criminals are always one step ahead to find loopholes in financial sector. The uniformity in regulatory framework across the globe is the need of the hour to tackle such serious threats.

**ii) Differing International Standards: Navigating the maze of compliance requirements.** In addition to regulatory fragmentation, FIs and regulators must contend with the challenge of differing international standards and guidelines governing AML-CFT compliance. While initiatives such as the Financial Action Task Force (FATF) has taken to provide principal guidance on AML-CFT measures, individual jurisdictions may interpret and implement these standards differently, leading to discrepancies in compliance requirements and enforcement practices. This divergence in standards not only adds complexity to compliance efforts but also increases the compliance burden for FIs operating in multiple jurisdictions. To address this challenge, regulators must work towards greater convergence and alignment of AML-CFT standards, fostering consistency and coherence in compliance requirements across borders. This regulatory challenge seems much complex on the FIs side who deal in cross border services, as in any illicit activity, the actors are much difficult to catch due to the regulatory changes based on territories.

**iii) Resource Constraints: Sailing across with limited resources.** This is another significant challenge that FIs are facing, which obstruct their ability to effectively combat financial crime and ensure AML-CFT compliance. FIs, particularly smaller institutions like Fintechs, Electronic Money Institutions (EMIs), SPIs (Small Payment Institutions), may lack the necessary financial resources, expertise, and technological infrastructure to implement robust AML-CFT measures, leaving them vulnerable to exploitation by illicit actors. Similarly, regulatory authorities may face challenges in allocating sufficient resources for supervision, enforcement, and capacity-building initiatives, hampering their ability to effectively oversee compliance and address emerging risks. The objective of financial inclusion creates a more challenging phase to solve the puzzle for being regulatory complied institutions. Mitigating this challenge requires stakeholders to invest in capacity-building efforts, enhance collaboration and information-sharing mechanisms, and leverage technology to optimize resource allocation and enhance the efficiency of AML-CFT efforts. The regulators are also trying to meet the current requirements due to the advancement in the technologies. The new nature of FIs are also emerging that has to be regulated to safeguard the financial system and customers as well.

> "Mitigating the challenge of limited resources requires stakeholders to invest in capacity-building efforts, enhance collaboration and information-sharing mechanisms, and leverage technology to optimize resource allocation and enhance the efficiency of AML-CFT efforts."

**iv) Emerging Threats: Discussing the digital frontier.** The rise of virtual currencies, anonymous transactions, and emerging technologies present a formidable challenge for FIs and regulators in their efforts to combat financial crime and ensure AML-CFT compliance. Cryptocurrencies, in particular, have emerged as a preferred medium for illicit actors to launder proceeds of crime and finance terrorist activities due to their pseudo-anonymous nature and global reach. Moreover, advancements in technology, such as encryption and anonymization techniques, pose challenges for traditional AML-CFT measures, making it increasingly difficult to detect and disrupt illicit financial activities. Addressing these emerging threats requires a holistic and adaptive approach, combining regulatory reforms, technological innovation, and international cooperation to stay ahead of evolving risks and vulnerabilities in the digital frontier. The counter effectiveness need to be more proactive rather than reactive so that strong controls are deployed to restrict any ill activity at the initial stages.

## 4) Understanding the FATF Grey List

Moving further to understand the deficiencies and overcoming these shortcomings, we need to learn about global needs. The Financial Action Task Force (FATF) grey list is a crucial tool used by this international body to identify jurisdictions with strategic deficiencies in their Anti-Money Laundering (AML) and Counter-Terrorism Financing (CFT) frameworks. Being placed on the grey list means that, while a country is not as severely non-compliant as those on the black list, there are still significant vulnerabilities in its financial system that pose a risk to the global financial ecosystem. The grey list acts as a global warning signal, urging these countries to take immediate and sustained corrective actions to prevent financial abuse such as money laundering, terrorist financing, and the flow of illicit funds.

> **"While grey-listed countries are not subjected to the severe sanctions or economic penalties imposed on blacklisted countries, the grey list still serves as a red flag for the international banking and financial community."**

## 5) Why Countries Get on the Grey List

Countries are added to the grey list when they fall short in implementing the comprehensive AML/CFT standards laid out by the FATF. These deficiencies can arise from various sources, such as weak enforcement of existing financial regulations, gaps in legal frameworks, a lack of coordination between financial institutions and regulators, or insufficient transparency in financial transactions. For instance, countries might not have sufficient measures to trace the flow of funds or may struggle to prevent the misuse of shell companies and trusts to conceal ownership and profits from illicit activities.

The grey list also serves as an indicator to the global financial community that these jurisdictions may have systemic weaknesses in preventing their financial systems from being exploited by criminals. FATF evaluates a range of factors, including the effectiveness of a country's financial institutions, their ability to monitor and report suspicious transactions, and the overall strength of their legal system in prosecuting financial crimes.

## 6) The Global Implications of Being on the Grey List

Being placed on the FATF grey list can have far-reaching consequences for a country's economy and reputation in the international financial markets. While grey-listed countries are not subjected to the severe sanctions or economic penalties imposed on blacklisted countries, the grey list still serves as a red flag for the international banking and financial community. Some of the most significant implications include:

**i) Increased Scrutiny by International Banks and Financial Institutions:** Grey-listed countries face heightened scrutiny by foreign banks, financial institutions, and multilateral organizations. International banks often implement stricter due diligence procedures for financial transactions involving entities in grey-listed countries. This increased scrutiny can cause delays in processing international transactions, adding complexity to cross-border trade and investment.

**ii) Higher Transaction Costs:** As a result of increased compliance requirements, foreign banks often impose higher transaction fees on entities doing business with institutions based in grey-listed countries. This increase in transaction costs can have a ripple effect, making it more expensive for local businesses to engage in international trade or raise foreign investment.

**iii) Reduced Investor Confidence:** Being placed on the grey list can signal to international investors that the country's financial system is not fully secure or reliable. This can deter foreign direct investment (FDI) as potential investors may perceive a higher level of risk in jurisdictions under FATF monitoring. Lower investor confidence can also lead to reduced capital inflows, negatively impacting a country's economic growth.

**iv) Impact on Trade Relationships:** Grey-listed countries may experience strained trade relationships with other nations, particularly those with strong AML/CFT frameworks. Companies from these jurisdictions may find it more challenging to access international trade finance or secure loans for cross-border transactions. Trading partners may also become hesitant to engage with companies based in grey-listed countries, out of concern that they could be indirectly exposed to money laundering or terrorism financing risks.

**v)Hurdles in Obtaining Developmental Aid and Loans:** Grey-listed countries might face challenges in obtaining financial aid or loans from international financial institutions such as the International Monetary Fund (IMF) or World Bank. These organizations often require compliance with global financial standards, and a grey-listing could slow or complicate the process of securing necessary funds for developmental projects or economic support.

**vi) Strained Diplomatic Relations:** A country's grey-listing can impact its diplomatic relationships as well, particularly with nations that place a strong emphasis on transparency and compliance in financial systems. These countries may pressure grey-listed jurisdictions to improve their financial governance or risk diplomatic and economic isolation.

> "Pakistan's success story demonstrates how targeted regulatory reforms, institutional strengthening, and international cooperation can help rebuild trust with the FATF and the global financial community."

### 7) Case Study: Pakistan's Exit from the FATF Grey List

One of the most notable examples of a country successfully exiting the grey list is Pakistan. After being added to the grey list in 2018, Pakistan underwent rigorous scrutiny for its perceived deficiencies in combating money laundering and terrorism financing.

**Steps Taken by Pakistan:**

**i) Institutional Reforms:** Pakistan initiated structural reforms, strengthening institutions responsible for enforcing AML/CFT regulations. This included empowering the Financial Monitoring Unit (FMU) to track suspicious transactions and ensuring that law enforcement agencies had the resources to investigate and prosecute financial crimes.

**ii) Legislative Overhaul:** One of the most critical steps Pakistan took was to enhance its legal framework. The government amended several key laws, including the Anti-Money Laundering Act (AMLA) and the Anti-Terrorism Act (ATA), to meet FATF standards. These amendments provided clear definitions, guidelines, and enforcement mechanisms for AML/CFT-related activities.

**iii) Coordination between Stakeholders:** Pakistan improved coordination among various agencies, including the State Bank of Pakistan (SBP), Securities and Exchange Commission of Pakistan (SECP), and other relevant ministries. Regular communication and data-sharing helped streamline efforts to meet FATF benchmarks.

**iv) International Cooperation:** Pakistan also demonstrated its willingness to cooperate with the international community, which included complying with UN sanctions on individuals and entities linked to terrorism.

**v) Action Plan Implementation:** Pakistan implemented a detailed action plan given by the FATF, consisting of 27 points covering areas like the prosecution of money laundering cases, targeting terrorist financing, and improving regulatory frameworks across financial institutions.

**Outcome:** After fulfilling 34 action points, Pakistan was removed from the FATF grey list in October 2022. The country's success story demonstrates how targeted regulatory reforms, institutional strengthening, and international cooperation can help rebuild trust with the FATF and the global financial community.

### 8) Key Strategies to Outperform in AML-CFT Regulatory Compliance

Countries aiming to achieve financial regulatory excellence can learn from Pakistan's example, alongside other grey list countries that have successfully transitioned to the white list. Below are some key strategies:

**i) Strengthening Legal and Regulatory Frameworks:** To outperform in financial regulatory compliance, countries must ensure that their legal systems are robust and aligned with global standards. Updating AML-CFT laws to include the latest FATF recommendations is essential. This also involves creating an independent regulatory environment with oversight of the banking sector, non-financial entities, and designated professionals.

**ii) Enhancing Interagency Coordination:** The effectiveness of compliance depends on coordination between law enforcement agencies, financial regulators, tax authorities, and other stakeholders. Countries that establish strong interagency collaboration are better equipped to prevent financial crime and implement reforms effectively.

**iii) Technology and Innovation in AML-CFT:** Implementing technology-driven solutions, such as artificial intelligence (AI) and machine learning (ML), can vastly improve a country's ability to monitor and detect suspicious financial activity. Leveraging block-chain for transparent transaction tracking and building automated systems to comply with reporting obligations will improve efficiency and risk management.

**iv) Building Capacity and Expertise:** Countries that prioritize training and capacity-building programs for regulators, financial institutions, and law enforcement professionals tend to excel in compliance. Building expertise in complex areas like cryptocurrency regulation and cross-border money laundering schemes is becoming increasingly important.

**v) International Cooperation and Transparency:** Building relationships with international financial institutions, foreign governments, and other global bodies is essential for a transparent financial system. Countries should engage with organizations like the FATF, International Monetary Fund (IMF), and World Bank (WB) to receive technical assistance and collaborate in enforcement actions.

> **"Maintaining compliance once a country exits the grey list requires ongoing vigilance and adaptability."**

## 9)Other Countries' Examples: Overcoming the Grey List

Sri Lanka and Mongolia are other examples of countries that successfully exited the grey list through concerted efforts in institutional reform, improved enforcement mechanisms, and legislative enhancements.

- **Sri Lanka** exited the grey list in 2019 after implementing reforms, including amendments to the Trusts Ordinance and introducing new measures to regulate beneficial ownership of legal entities.

- **Mongolia** also exited in 2020 by improving its financial intelligence unit and strengthening its international cooperation on AML/CFT efforts.

## 10) What Countries Must Do to Stay on the FATF White-list

Maintaining compliance once a country exits the grey list requires ongoing vigilance and adaptability. Countries must continuously monitor the changing nature of financial crime, implement proactive measures, and engage in periodic self-assessments. Key activities include:

- Regularly updating AML-CFT laws in accordance with FATF recommendations.

- Ensuring continuous training and development for financial professionals.

- Leveraging technology to keep pace with evolving threats, such as cybercrime and the misuse of virtual assets.

- Maintaining transparency in beneficial ownership and tightening regulations around politically exposed persons (PEPs).

## Conclusion

Outperforming in financial regulatory compliance requires a holistic approach, combining strong legal frameworks, technology, institutional reforms, and international collaboration. The journey of countries like Pakistan, Sri Lanka, and Mongolia highlights the importance of a clear action plan and sustained commitment to reforms.

Passing through the complex and ever-evolving seas of financial regulation, FIs stand at the forefront of an unprecedented era of transformation. From embracing digital innovation to navigating regulatory challenges and combating emerging threats, FIs are registering a development towards compliance excellence in a dynamic and interconnected world.

In the digital age, FIs must harness the power of technology to streamline compliance processes, enhance regulatory reporting and monitoring capabilities, and stand-in greater collaboration and information sharing with regulators and industry peers. From AI-driven risk assessments to block-chain-enabled identity verification and beyond, Regtech solutions offer FIs invaluable tools to navigate the complexities of the regulatory landscape with agility, precision, and confidence.

For countries striving to stay on the FATF white list or to avoid the grey list, the lessons learned from these case studies provide valuable insights into how to build resilient and compliant financial systems. As global financial crime becomes increasingly sophisticated, nations must adopt forward-looking strategies to stay ahead in the world of financial regulatory compliance. ■

# BUILDING THE BEST WORKPLACE

## FINDING THE RIGHT HR PHILOSOPHY BLEND

By: Dr Rozina Muzammil, PhD (Business Administration), FCMA, FPFA, MBA

Imagine a workplace where employees feel valued, engaged, and empowered to do their best work. A place where productivity soars alongside morale, and innovation thrives in a culture of mutual respect and support. This isn't just a utopian dream; it's the very foundation of what every organization should strive for. But how do we get there? The answer lies in the heart of your organization's DNA - your Human Resources (HR) philosophy.

## What is Human Resource Philosophy?

HR philosophy is the fundamental set of beliefs and values that guide an organization's approach to human resource management. It is the foundation upon which all HR policies, practices, and programs are built. A well-defined HR philosophy can help an organization to:

- Attract and retain top talent
- Create a positive and productive work environment
- Achieve its strategic goals

### Types of HR Philosophies

There are different types of HR philosophies, but they can generally be categorized into three main approaches:

1. Humanistic approach
2. Commitment approach
3. Productivity approach

Your HR philosophy is more than just a set of policies and procedures. It's the guiding light that shapes your approach to everything from recruitment and onboarding to performance management and employee engagement. It's the invisible hand that crafts the culture within your walls, influencing how your people interact, collaborate, and ultimately, contribute to your success.

In today's dynamic landscape, a one-size-fits-all HR philosophy simply won't cut it. The needs and expectations of today's workforce are diverse and ever-evolving. They crave more than just a paycheck; they seek purpose, fulfillment, and a sense of belonging. That's where the art of blending comes in. This article delves into the fascinating world of HR philosophies, exploring three distinct yet complementary approaches:

**The Humanistic Approach:** Putting people first, fostering well-being, and nurturing a supportive environment.

This approach views employees as valuable assets who should be treated with *respect and dignity*. Organizations that adopt a humanistic approach focus on *employee well-being, development,* and *engagement.*

> **"Organizations should carefully consider the benefits and challenges of each approach before deciding which one is right for them".**

**The Commitment Approach:** Building strong bonds of loyalty and investing in long-term employee development.

This approach emphasizes the importance of building a *strong commitment between the organization and its employees.* Organizations that adopt a commitment approach *invest in training and development, offer competitive compensation and benefits,* and *create a culture of open communication* and *trust.*

**The Productivity Approach:** Streamlining processes, maximizing output, and driving results.

This approach focuses on *maximizing employee productivity to achieve organizational goals*. Organizations that adopt a productivity approach often implement *performance-based pay systems,* set high expectations for employees, and *closely monitor employee performance.*

We'll examine the benefits and common challenges of each approach, and most importantly, guide you through the process of finding the perfect blend for your unique organization. Following are the benefits and common challenges in implementing each approach of HR philosophies:

### Humanistic Approach

**Benefits:**

- **Increased employee morale and engagement:** Employees who feel valued and respected are more likely to be motivated and engaged in their work.
- **Improved creativity and innovation:** A humanistic approach can foster a more open and supportive work environment, which can encourage creativity and innovation.
- **Reduced turnover:** Employees who feel connected to their organization are less likely to leave.

**Common challenges:**

- **Difficulty in measuring success:** It can be difficult to quantify the benefits of a humanistic approach, which can make it difficult to justify the investment.
- **Resistance to change:** Implementing a humanistic approach may require significant changes to the organization's culture and management practices, which can be met with resistance.
- **Balancing individual needs with organizational goals:** It can be challenging to balance the needs of individual employees with the goals of the organization.

### Commitment Approach

**Benefits:**

- **Increased employee loyalty and commitment:** Employees who feel committed to their organization are more likely to be loyal and stay with the company.

> **"While there may always be tradeoffs, organizations can strive to maximize the benefits of each approach while minimizing the drawbacks".**

- **Improved employee performance:** Committed employees are more likely to go the extra mile and perform at their best.
- **Enhanced employer reputation:** A strong commitment to employees can enhance an organization's reputation and make it more attractive to potential employees.

**Common Challenges:**

- **High cost of implementation:** Implementing a commitment approach can be expensive, as it may require investments in training, development, and employee engagement programs.
- **Difficulty in creating a truly committed workforce:** It can be challenging to create a workforce that is truly committed to the organization, as employees may have different priorities and motivations.
- **Risk of over commitment:** Organizations that are too committed to their employees may be reluctant to make difficult decisions, such as layoffs, even when they are necessary for the long-term health of the organization.

## Productivity Approach

**Benefits:**

- **Increased efficiency and productivity:** A productivity approach can help organizations to streamline their processes and improve efficiency.
- **Reduced costs:** Productivity gains can lead to reduced costs, as organizations can do more with less.
- **Improved competitive advantage:** A more productive workforce can give an organization a competitive advantage in the marketplace.

**Common Challenges:**

- **Employee burnout:** A focus on productivity can lead to employee burnout, as employees may feel pressure to work long hours and produce at a high level.
- **Reduced creativity and innovation:** A productivity-driven culture may discourage creativity and innovation, as employees may be focused on meeting short-term goals rather than thinking about long-term solutions.
- **Dehumanization of the workplace:** A focus on productivity can dehumanize the workplace, as employees may be seen as mere cogs in a machine rather than valuable members of the team.

Each HR philosophy has its own set of benefits and challenges. The best approach for an organization will depend on its specific goals and culture. Organizations should carefully consider the benefits and challenges of each approach before deciding which one is right for them.

## Balancing Tradeoffs

In practice, organizations often adopt a blended approach, combining elements of all three philosophies to achieve a balance between employee well-being, loyalty, and productivity. This requires careful consideration of the specific organizational context, industry, and

**Each organization, like a unique experiment, must discover its own perfect blend".**

employee demographics. While there may always be tradeoffs, organizations can strive to maximize the benefits of each approach while minimizing the drawbacks.

Here are some key considerations for organizations seeking to balance these HR philosophies:

- **Align HR practices with strategic goals:** Ensure that HR policies and practices align with the organization's overall strategic objectives, considering the desired balance between human capital investment, productivity, and financial performance.
- **Measure and evaluate outcomes:** Regularly assess the impact of HR practices on employee engagement, morale, productivity, and retention. Use data and feedback to identify areas for improvement and make adjustments as needed.
- **Embrace a flexible approach:** Adapt HR strategies and practices based on changing business needs, employee demographics, and market conditions. Be willing to adjust the balance between the three philosophies as circumstances evolve.

This article has explored the three fundamental elements of this workplace alchemic recipe: the humanism that fosters well-being, the commitment that builds loyalty, and the productivity that drives results. Each element, like a potent potion, offers distinct benefits and carries potential side effects. The challenge lies in finding the ideal ratio, the harmonious concoction that unleashes the full potential of your workforce.

There is no one-size-fits-all recipe, no pre-made elixir guaranteeing immediate success. Each organization, like a unique experiment, must discover its own perfect blend. This blend will evolve with time, adapting to changing needs and external conditions. The key is to remain agile, ever-experimenting, and constantly assessing the impact of your HR philosophy on the emotional and performance metrics of your team.

By embracing this spirit of experimentation, by valuing both the human and the productive aspects of your workforce, you can unlock the secrets of the perfect workplace. You can create an environment where employees feel valued, engaged, and empowered to do their best work. This, in turn, will fuel innovation, boost productivity, and propel your organization to new heights.

So, step into your alchemic lab, gather your ingredients, and begin your workplace transformation. Remember, the greatest results often come from the most daring experiments. The perfect workplace awaits, waiting to be brewed from the right blend of humanness, commitment, and productivity. Now, go forth and discover your secret recipe! ■

# Add-ons to SBP POLICY REGIME July-September 2024

*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/*

01

**Amendment in Prudential Regulations for Agriculture Financing - Regulation-R-7 Credit Analysis and Other Conditions**
ACFID Circular Letter No. 01 of 2024/ September 18, 2024
https://www.sbp.org.pk/acd/2024/CL1.htm


NIBAF Pakistan

02

**Charging-Off of Loans, Advances and Finances**
BPRD Circular No. 02 of 2024/ July 22, 2024
https://www.sbp.org.pk/bprd/2024/C2.htm

03

**Guidelines - Non-Performing Loans (NPLs) Management Strategy**
BPRD Circular No. 03 of 2024/ July 22, 2024
https://www.sbp.org.pk/bprd/2024/C3.htm

04

**Format of Annual Financial Statements of Banks/DFIs**
BPRD Circular Letter No. 13 of 2024/ July 01, 2024
https://www.sbp.org.pk/bprd/2024/CL13.htm

05

**Guidelines - Transfer and Assignment of Non-Performing Assets (NPAS) to Corporate Restructuring Companies (CRCs)**
BPRD Circular Letter No. 15 of 2024/ July 22, 2024
https://www.sbp.org.pk/bprd/2024/CL15.htm

06

**Implementation of International Financial Reporting Standard 9 (IFRS 9)**
BPRD Circular Letter No. 16 of 2024/ July 29, 2024
https://www.sbp.org.pk/bprd/2024/CL16.htm

07

**Monthly Reporting of 'Core Banking System Based' Flow of Funds (A03), Cross Institution Financial Assets/Liabilities (A04), Deposits (A05), and Loans (A07) Data**
NO. DCS.MFS./2024-87841/ July 01, 2024
https://www.sbp.org.pk/stats/2024/C3.htm

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**Reporting of 'Special Purpose Foreign Currency Accounts (Onshore/ Offshore)'**
No. CSD.BoP /2024/88921/ July 02, 2024
https://www.sbp.org.pk/stats/2024/C4.htm

09

**Statement of 'FE-25 Deposits and their Utilization' - Reporting Discontinuation**
No. DCS.BoP/121807/2024/ September 05, 2024
https://www.sbp.org.pk/stats/2024/C5.htm

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**Appointment of Primary Dealers/Special Purpose Primary Dealers for Financial Year 2024-25**
DMMD Circular No. 03 of 2024/ July 10, 2024
https://www.sbp.org.pk/dmmd/2024/C3.htm

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**SBP's Policy Rate and Overnight Repo / Reverse-Repo Facilities**
DMMD Circular No. 04 of 2024/ July 29, 2024
https://www.sbp.org.pk/dmmd/2024/C4.htm

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**SBP's Policy Rate and Overnight Repo / Reverse-Repo Facilities**
DMMD Circular No. 05 of 2024/ September 12, 2024
https://www.sbp.org.pk/dmmd/2024/C5.htm

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**Buyback of Market Treasury Bills (MTBs)**
DMMD Circular No. 06 of 2024/ September 26, 2024
https://www.sbp.org.pk/dmmd/2024/C6.htm

14

**Rate of Remuneration on Special Cash Reserve Account Maintained with SBP Against Deposits Raised Under Fe-Circular 25 of 1998**
DMMD Circular Letter No. 08 of 2024/ July 31, 2024
https://www.sbp.org.pk/dmmd/2024/CL8.htm

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**Rate of Remuneration on Special Cash Reserve Account Maintained with SBP Against Deposits Raised Under Fe-Circular 25 of 1998**
DMMD Circular Letter No. 09 of 2024/ August 30, 2024
https://www.sbp.org.pk/dmmd/2024/CL9.htm

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**Rate of Remuneration on Special Cash Reserve Account Maintained with SBP Against Deposits Raised Under Fe-Circular 25 of 1998**
DMMD Circular Letter No. 10 of 2024/ September 30, 2024
https://www.sbp.org.pk/dmmd/2024/CL10.htm

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**Amendment in Policy for Investment Abroad by Residents to facilitate Exports**
FE Circular No. 01 of 2024/ July 11, 2024
https://www.sbp.org.pk/epd/2024/FEC1.htm

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**Export of Sugar**
EPD Circular Letter No. 04 of 2024/ July 01, 2024
https://www.sbp.org.pk/epd/2024/FECL4.htm

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**Regulatory Frameworks for Diversified Payment Rights (DPRs)**
EPD Circular Letter No. 05 of 2024/ July 05, 2024
https://www.sbp.org.pk/epd/2024/FECL5.htm

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**Export of Sugar**
EPD Circular Letter No. 06 of 2024/ September 06, 2024
https://www.sbp.org.pk/epd/2024/FECL6.htm

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**Instructions Related to Import of Cash US Dollars**
EPD Circular Letter No. 07 of 2024/ September 20, 2024
https://www.sbp.org.pk/epd/2024/FECL7.htm

22

**Export of Further 100,000 MT of Sugar**
EPD Circular Letter No. 08 of 2024/ September 30, 2024
https://www.sbp.org.pk/epd/2024/FECL8.htm

23

**Risk Coverage Scheme for Small and Medium Enterprises (SMEs)**
SH&SFD Circular No. 02 of 2024/ August 01, 2024
https://www.sbp.org.pk/smefd/circulars/2024/C2.htm

24

**Amendment in Prudential Regulations for SME Financing**
SH&SFD Circular No. 03 of 2024/ August 16, 2024
https://www.sbp.org.pk/smefd/circulars/2024/C3.htm

25

**Adoption of 'Accounting and Auditing Organization for Islamic Financial Institutions' (AAOIFI) Shariah Standards**
IFPD Circular No. 04 of 2024/ September 12, 2024
https://www.sbp.org.pk/ifpd/2024/C4.htm

# Right Kind of Wrong
## The Science of Failing Well

By: Amy Edmondson

### Synopsis

- Winner of the Financial Times and Schroders Business Book of the Year 2023
- *A Behavioral Scientist* Notable Book of 2023

**A revolutionary guide that will transform your relationship with failure, from the pioneering researcher of psychological safety and award-winning Harvard Business School professor Amy Edmondson.**

We used to think of failure as the opposite of success. Now, we're often torn between two "failure cultures": one that says to avoid failure at all costs, the other that says fail fast, fail often. The trouble is that both approaches lack the crucial distinctions to help us separate good failure from bad. As a result, we miss the opportunity to fail well.

After decades of award-winning research, Amy Edmondson is here to upend our understanding of failure and make it work for us. In *Right Kind of Wrong*, Edmondson provides the framework to think, discuss, and practice failure wisely. Outlining the three archetypes of failure—basic, complex, and intelligent—Amy showcases how to minimize unproductive failure while maximizing what we gain from flubs of all stripes. She illustrates how we and our organizations can embrace our human fallibility, learn exactly when failure is our friend, and prevent most of it when it is not. This is the key to pursuing smart risks and preventing avoidable harm.

With vivid, real-life stories from business, pop culture, history, and more, Edmondson gives us specifically tailored practices, skills, and mindsets to help us replace shame and blame with curiosity, vulnerability, and personal growth. You'll never look at failure the same way again.

### Editorial Reviews

"No skill in life is more important than learning from failure—and no one on earth knows more about it than Amy Edmondson. Drawing on her eye-opening evidence and rich practical experience, she offers a wealth of insight on how to take intelligent risks and bounce forward after setbacks. If everyone internalized the ideas in this important book, we would all be safer, smarter, and more successful." **– Adam Grant, #1 *New York Times* bestselling author of *Think Again and Hidden Potential,* and host of the TED podcast Re:Thinking**

"A masterclass in navigating, and even seeking out, the inevitable failures that pave the way to success. The incomparable Amy Edmondson shows us how to see failures as beginnings rather than endings—and how to create the conditions for failing well. Comprehensive, clear, and full of real-world examples, a must-read for performers and leaders alike."
**- Angela Duckworth, *New York Times* bestselling author of *Grit***

### About the Author

**Amy C. Edmondson** is the Novartis Professor of Leadership and Management at the Harvard Business School, renowned for her research on psychological safety over twenty years. Her award-winning work has appeared in *The New York Times, The Wall Street Journal, the Financial Times, Psychology Today, Fast Company, Harvard Business Review,* and more. Named by Thinkers50 in 2021 as the #1 Management Thinker in the world, Edmondson's Ted Talk "How to Turn a Group of Strangers into a Team" has been viewed over three million times. She received her PhD, AM, and AB from Harvard University. She lives in Cambridge, Massachusetts, and is the author of *Right Kind of Wrong, The Fearless Organization, and Teaming: How Organizations Learn, Innovate, and Compete in the Knowledge Economy.*

# FOUNDATIONS OF A SUSTAINABLE ECONOMY

## MORAL, ETHICAL AND RELIGIOUS PERSPECTIVES

Edited By: Umar Burki, Toseef Azid & Robert Freancis Dahlstrom

### Synopsis

This book addresses current practices related to sustainable development, its challenges and the future. People belonging to different genders regardless of their age, social class and education should be equal as citizens and individuals, and identical in their rights and responsibilities.

The business sector, authorities, societies and religious circles have the potential to play a fundamental role in curbing social ills and the degradation of the environment in this modern world. The authors of this book argue that without good governance, the status of a human being is unlikely to improve. They make the case that to achieve sustainability, government, society and the economy must ensure a platform for people to participate in decision-making and benefit from the rights they are accorded. By covering a range of perspectives across economic, social and moral life, the book will shed light on the problems and possible solutions to sustainable development and the triple bottom line, of people, planet and profit, under the umbrella of morals and divine law.

This will be a useful guide for undergraduate and postgraduate students across multiple disciplines, such as economics, religious studies, business studies, political science, anthropology and sociology.

### Editorial Review

"*Foundations of Sustainable Economy: Moral, Ethical and Religious Perspectives* offers readers valuable views of sustainability scholarship from around the world. Together, these studies and cases offer readers the elements of a mosaic that readers can use to form their own interpretation of what is happening on planet Earth today regarding sustainability."
**- Mark Peterson, Professor of Marketing, University of Wyoming.**

### About the Authors

**Umar Burki** is Associate Professor at USN School of Business, University of South-Eastern Norway, and holds an adjunct position as Associate Professor at Bjorknes University College, Norway.

**Toseef Azid** is Professor of Economics at the College of Business and Economics, Qassim University, Saudi Arabia and visiting professor at Tazkia Islamic University College, Indonesia.

**Robert Francis Dahlstrom** is the Joseph C. Seibert Professor of Marketing in the Farmer School of Business at Miami University and Adjunct Professor of Marketing at BI-Norwegian Business School.

# Financial Innovations and Monetary Reform
## How to Get Out of the Debt Trap

By: Jean-François Serval & Jean Pascal Tranié

### Synopsis

Written by two leading experts on multinational accounting and billion-dollar international investment funds, this book provides a framework for a global reform of the world monetary system, and defines a decidedly new approach to dealing with public debt mortgage, an issue that we can see in many countries in Europe and around the world. The authors put forward a proposal for transforming sterile financial masses, which are withdrawn from the real economy as they no longer bear interest, into wealth. To facilitate this return to the real economy, the authors propose that a significant share of public debt be converted into net equities in the world of business and goods production in order to find new profitable investment projects. The idea is bold, and the authors strive to demonstrate its technical feasibility. They are convinced that this approach can accompany and enhance a movement that has already begun, namely the implementation of vast national and international investment programs in major infrastructures and research projects in innovative sectors.

This work builds on the authors' two previous books, which focus on the monetary system. The first, published in 2010 and including a foreword by former French Finance Minister Christine Lagarde, analyzes the new virtual dimension of money. The second, published in 2014, puts forward an innovative proposal for a new financial regulation aimed at more stable economies. This third book is intended for professionals in the financial industry, including decision makers at banks, accounting and private equity firms, as well as policymakers at central banks and government institutions involved in the implementation of financial and monetary reforms.

### About the Authors

**Jean-François Serval** is President of Serval & Associés, a European accounting firm, and founder and head of the United States operations of Constantin Associates, a multinational accounting firm. He is a member of the European League for Economic Co-operation and the International Fiscal Association.

**Jean-Pascal Tranié** started his career at the French Ministry of Finance, then held senior executive positions at Vivendi, including head of the Media and Multimedia division and CEO of Vivendi venture capital arm. Since 2004, he is founder and President of Aloe Private Equity, a regulated fund management company, with a particular focus on sustainable development and technology.

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