



3<sup>rd</sup> January, 2022

TL2023/0103/1A

Mr. Shaukat Tarin,  
Federal Minister of Finance,  
Pak Secretariat,  
Block Q,  
Islamabad.

**Sub: Compliant on the allegations of misappropriations, irregularities, non-recoveries, violation of rules and regulations of Rs 235 Billion in the National Bank of Pakistan during 2012 to 2020.**

Dear Sir,

Transparency International Pakistan has received a complaint on the allegations of misappropriations, irregularities, non-recoveries, violation of rules and regulations of Rs 235 Billion in the National Bank of Pakistan during 2012 to 2020.

The complainant has made the following allegations,

That,

1. The National Bank of Pakistan did not allow its annual audit to be performed by the Auditor General Pakistan since 2012.
2. On 17 February 2021, the Public Accounts Committee (PAC) also ruled that the Auditor General of Pakistan (AGP) can audit the National Bank of Pakistan (NBP) as the latter has not given the former access to its financial record since 2012, though the AGP had been conducting the bank's audit for decades, but the NBP management in 2012 went to the Sindh High Court SHC, CP No 3328 of 2012 and SHC barred the AGP from conducting audit of its accounts.
3. The Supreme Court (SC) on 8<sup>th</sup> September 2015 directed the Auditor General of Pakistan (AGP) to audit the accounts of 13 state institutions including the Defence Housing Authority (DHA), Wah Nobel Company, National Bank of Pakistan, Pak China Investment, SECP, OPF Welfare Trust, OPF Welfare Funds.
4. Accordingly AGP carried out audit of NBP from 2012 to 2020, and found misappropriations, irregularities, non recoveries, violations of rule and regulations, causing loss of Rs 235.823 Billion to exchequer. (**Annex-A, Full report:** [http://www.transparency.org.pk/pm/aggp/Audit\\_Report\\_of\\_NBP.pdf](http://www.transparency.org.pk/pm/aggp/Audit_Report_of_NBP.pdf))
5. Out of 117 cases audited by the AGP, about 37 cases pertains to 2018 to 2020, causing loss of Rs 15.80 Billion, under the tenure of Mr. Arif Usmani, President NBP and Dr. Raza Baqar, Governor SBP.
6. Hundreds of new employees were hired without following the procedure, and rules, out of which about 300 were officers as VP and above. Even the SEVPs, President and Chairman of NBP were hired against merit and procedures.
7. Mr. Zubyr Soomro, is a member of the Board of Governor of Shaukat Khanum Memorial Trust, whose Chairman is Imran Khan, the Prime Minister of Pakistan, who chaired the Cabinet Meeting, in



which illegal appointment was approved in 2019. Recovery of Rs 11.591 million from Mr. Zubyr Soomro Chairman NBP is recommended by AGP on the basis of his illegal appointment and also as the Chairman, BoD he cannot be a member of the Committees as per SBP Prudential Regulations, 2015. Recovery of Rs 307.17 million is recommended from Arif Usmani, on the basis of his illegal appointment as President. **(Annex-B)**

8. M/s Hascol Petroleum Limited was given undue favour by NBP and overlooked by SBP, though on record HPL was a regular defaulter of loan, as detailed below.

Rs.in million		
Year	Exposure	NPL/Doubtful
2021	14,150	23,432
2020	18,262	4,211
2019	16,065	-

9. The tenures of service of Dr Raza Baqir, Governor SBP, Mr. Zubyr Soomro, Chairman NBP and Mr. Arif Usmani President NBP are coming to an end, and unless urgent action on Auditor General Pakistan allegations are taken, accountability will suffer setback, and recovery of the losses caused to the exchequer will never be possible.

10. Members of Board of Directors of National Bank Pakistan and members of BOD of the State Bank of Pakistan are equally responsible for not performing their duties which caused loss of Rs 235.823 Billion, and must also be held accountable.

11. On charges of illegal appointments, NAB has filed many Corruption References, such as; on ex PM Raja Parwez Ashraf in GEPCO, ex PM Yousaf Raza Gillani in OGRA, ex PM Shaukat Aziz in AEDB, ex PM Shahid Khaqan Abbasi in PSO, Minister Sardar Mehtab Abbasi, in PIA, Minister Baber Ghauri in KPT and others. On AGP report of illegal appointments in NBP, and NAB shall also file reference against all who are responsible for these appointments.

#### **TI Pakistan comments.**

TI Pakistan has examined the allegations of the complainant. Following are TI Pakistan comments.

1. In case the Audit Report on the accounts of National Bank of Pakistan HRM Group & Miscellaneous, for the years 2012-2020 prepared by the office of the Director General Commercial Audit & Evaluation is correct, Prima facie the allegations seem to be correct, and Chairman, President as well as BOD of NBP are responsible for these irregularities.

2. State Bank of Pakistan did impose penalties on such illegal acts of Banks, and SBP has imposed penalty to the tune of Rs. 465 million on four banks during the quarter ended September 30, 2021, for non-compliance with legal or regulatory requirements. During the quarter ended Sep 30, 2021, National Bank of Pakistan faced the highest penalty of Rs280.509 million in violation of regulatory instructions pertaining to AML/CFT, asset quality, FX & general banking operation.

3. State Bank of Pakistan including its BOD are answerable for why it did not perform its duty to regulate commercial Banks, and it should have stopped NBP on filing of the CP in the SHC CP No 3328 of 2012, against the Auditor General Pakistan, Federal Government through Ministry of Finance, and Public Accounts Committee, to stop annual audit, and why NBP committed loss of Rs 239 Billion under SBP eyes during 2012 to 2020.

4. Similar to this AGP on NBP Report, in 2012 TI Pakistan reported to SBP about misuse of PRI by Banks including by NBP, which was initially denied by the SBP, but subsequently AGP report in





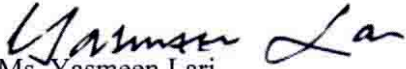
2015 confirmed the loss of Rs 5.3 billion of the misuse of PRI, and SBP imposed penalty on NBP of Rs 1.5 million in 2012. (**Annex-C**)

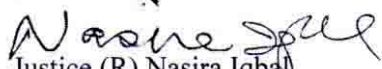
**TI Pakistan Recommendations.**

Federal Minister of Finance is requested to examine the allegations, and if they are found correct, and the AGP Audit report is genuine, then to take action against those responsible for the loss of Rs 235.8823 Billion in accordance with SBP Prudential Rules/NAB Ordinance 1999, as these acts were committed prior issue of the NAB Amendment Ordinance 2021.

TI Pakistan is striving for across the board application of **Rule of Law**, which is the only way to stop corruption and achieve zero tolerance against Corruption,

Best Regards,

  
Ms. Yasmeen Lari  
Sitara-e-Imtiaz, Hilal-e-Imtiaz, Fukuoka & Jane Drew  
Prize Laureate,  
Chairperson  
Transparency International Pakistan

  
Justice (R) Nasira Iqbal  
Vice Chair, Sitara-e-Imtiaz  
Transparency International Pakistan

Encl: Annex-A, B & C.

Copies forwarded for the information with request to take action under their mandate to,

1. PSPM, Prime Minister's House Islamabad,
2. Chairman, Public Accounts Committee, NA, Islamabad
3. Auditor General of Pakistan, Islamabad,
4. Chairman, NAB, Islamabad,
5. Governor State Bank of Pakistan, Karachi,
6. President NBP, Karachi,
7. DG, FIA, Islamabad,
8. Registrar, Supreme Court of Pakistan

**Note:** Article 19-A of the Constitution of the Islamic Republic of Pakistan 1973 empowers civil society to seek information and hold accountable public institutions. Refer to the Lahore High Court Order , Attaullah Khan Malik vs. The Federation of Pakistan (**2010 PLD Lahore 605**) in which following observation is given;

“Right to information is another corrective tool, which allows public access to the working and decision making of the public authorities. It opens the working of public administration to public scrutiny. This necessitates transparent and structured exercise of discretion by the public functionaries. Article 19A empowers the civil society of this country to seek information from public institutions and hold them answerable. Article 19A, therefore, enthruses fresh life into Public Interest Litigation.”



# AUDIT REPORT

On the accounts of  
NATIONAL BANK OF PAKISTAN  
(HRM GROUP & MISCELLANEOUS)  
For the years 2012-2020

Office of the  
DIRECTOR GENERAL COMMERCIAL AUDIT & EVALUATION,  
KARACHI  
DEPARTMENT OF THE AUDITOR GENERAL OF PAKISTAN

## **EXECUTIVE SUMMARY**

The report contains 117 Paras wherein cases of misappropriations/irregularities/non recoveries/violations of rule and regulations have been noticed and reported. These paras are given below:

		Rs. in million
S. No	Subject	Amount
1.	Irregular appointment, promotions and deputation of SEVP/Group Chief (Logistic) - Rs.813.18 million	813.18
2.	Irregular appointment of SEVP/ Head (International Banking) - Rs. 33.980 million	33.980
3.	Irregular appointment of Chief Technology Officer/Group Chief - Rs.33.252 million	33.252
4.	Irregular appointment of SEVP/Group Chief/ Head (HR) - Rs.33.980 million	33.980
5.	Irregular appointment & promotion of SVP/Head of Compensation & Benefits - Rs.13.806 million	13.806
6.	Irregular appointment of EVP / Senior HR Business Partner - Rs. 14.195 million	14.195
7.	Irregular appointment of EVP / Senior HR Business Partner - Rs. 8.500 million	8.500
8.	Irregular appointment of SVP/ Chief Security Officer - Rs.6.00 million	6.00
9.	Irregular appointment of SEVP/Group Chief (Chief Risk Officer) - Rs.24.208 million	24.208
10.	Un-authorized payment of salary to SEVP without joining the Bank - Rs.24.208 million	24.208
11.	Irregular appointment of employees without advertisement - Rs.267.635 million	267.635
12.	Irregular appointment & promotion of SVP/ Corporate Head - Rs.36.190 million	36.190
13.	Irregular appointment of Vice President (VP) / Executive Logistic Support - Rs.20.349 million	20.349
14.	Illegal / defective appointment of President / CEO (NBP) - Rs. 307.17 million	307.17
15.	Irregular appointment as Chairman, Board Specialized Committees - Rs. 3.278 million	3.278
16.	Irregular appointment of Chairman, Board of Directors	8.313
17.	Irregular appointment of Manager (E-Remittances) - Rs.14.502 million	14.502
18.	Irregular appointment of SVP/ Head of Organizational Effectiveness - Rs. 9.902 million	9.902
19.	Irregular appointment of EVP/ Divisional Head (International Business	16.380

	Strategy) - Rs. 16.380 million	
20.	Irregular & unlawful appointment of SVP/ Wing Head-Recruitment & Placement - Rs.17.728 million	17.728
21.	Irregular deployment of Senior Executive Vice President (SEVP) on deputation and payment of benefits - Rs. 49.182 million	49.182
22.	Irregular appointment of EVP/Divisional Head (Learning & Development)- Rs.7.200 million	7.200
23.	Irregular appointment of EVP/ Head of HR Governance - Rs.9.500 million	9.500
24.	Irregular appointment of employees after attaining the age of superannuation - Rs.611.065 million	611.065
25.	Irregular appointment of VP/Research Associate for Chairman (BoD Secretariat) - Rs.4.200 million	4.200
26.	Irregular appointment, promotion & extension of contract beyond 60 years of EVP/Secretary Board - Rs.51.570 million	51.570
27.	Irregular payment in lieu of end service benefits - Rs. 29.396 million	29.396
28.	Irregular appointment of Vice President/HR Business Partner - Rs. 6.480 million	6.480
29.	Wasteful expenditure on employment of Special Assistance at Chairman Secretariat (BoD) on retainer ship basis - Rs. 4.500 million	4.500
30.	Irregular appointment of SVP/Wing Head (HR Operations) -Rs.18.92 million	18.92
31.	Irregular appointment of SVP/Head of Leadership Development - Rs. 4.400 million	4.400
32.	Irregular appointment of Vice President /Wing Head (Engineering Wing) - Rs.6.300 million	6.300
33.	Irregular/unauthorized employment of staff at Chairman Secretariat (BoD) - Rs.18.840 million	18.840
34.	Irregular Appointment of Vice President/Wing Head (Corporate Investment Banking) - Rs.14.320 million	14.320
35.	Irregular appointment of HR Business Partners on favouritism basis - Rs.7.343 million	7.343
36.	Irregular appointment of Vice President (VP) - Head of Business Technology - Rs. 28.440 million	28.440
37.	Excess payment to BoD members in violation of Finance Division directives - Rs. 6.556 million	6.556
38.	Irregular appointment of Vice President/Wing Head (AML-CFT) - Rs. 9.870 million	9.870
39.	Irregular appointment of Legal Advisory Associate through defective criteria - Rs. 1.750 million	1.750
40.	Irregular appointment of Executive Secretary on favouritism basis - Rs. 1.050 million	1.050
41.	Irregular payment in lieu of un-availed privilege/annual leave - Rs.1.459 million	1.459
42.	Irregular appointment of executives / officers without involvement of Head Hunters - Rs.72.462 million	72.462
43.	Loss due to defective club membership policy - Rs. 72.637 million	72.637
44.	Loss due to irrational dual club membership - Rs. 7.310 million	7.310
45.	Loss due to inappropriate procedure adopted in hiring Consultancy Firms - Rs. 13.621 million	13.621
46.	Mis-procurement in awarding contract for hiring of Head hunters without	52.779

	tendering - Rs. 52.779 million	
47.	Wasteful /irrational expenditure on hiring Head hunters - Rs. 103.086 million	103.086
48.	Undue favour by acquiring House Building Finance at appointment - Rs. 287.028 million	287.028
49.	Irrational / defective buy-back policy of vehicles - Rs. 83.462 million	83.462
50.	Irregular payment to Head hunter/consultant in violation of consultancy agreement - Rs. 2.706 million	2.706
51.	Irregular promotion on defective / irrational policy	-
52.	Irregular promotion of 75 Officers / Executives in violation of Promotion Policy	-
53.	Non-verification of educational certificates and antecedents through Head hunters/ Consultants	-
54.	Loss due to delayed verification process initiated against fake degrees / certificates holders	-
55.	Unlawful retention of convicted officials in harassment case	-
56.	Overstay allowed to employees at foreign branches	-
57.	Delay in verification of degrees and antecedents	-
58.	Non-production of auditable record	-
59.	Irregular disbursement of loan in Bangladesh branches - Rs. 25,842.86 million (USD 164.04 million)	25,842.86
60.	Loss on penalty imposed by SBP / other Regulatory Bodies - Rs. 3,322.304 million	3,322.304
61.	Non-recovery of no-performing loans of NDFC (defunct) - Rs.3,592.901 million	3,592.901
62.	Loss on purchase of shares at higher rates – Rs. 2,331.546 million	2,331.546
63.	Non transfer of ownership of PSO shares - Rs. 8,193.241 million	8,193.241
64.	Loss on sale of land at lesser rates – Rs.65.500 million	65.500
65.	Non-recovery from defaulters - Rs. 18,967.81 million (USD 120.400 million)	18,967.81
66.	Loss due to non-recovery of outstanding principal - Rs. 6,132.678 million	6,132.678
67.	Blockade of fund by investment in unquoted securities –Rs. 437.886 million	437.886
68.	Non-utilization / disposal of non-banking assets acquired in satisfaction of claims – Rs. 3,968.329 million	3,968.329
69.	Loss due to excess payment of interest on deposit accounts - Rs. 4.353 million	4.353
70.	Unrealized loss on forward foreign exchange contracts –Rs. 7,276.90 million	7,276.90
71.	Unrealized loss on put option – Rs. 306.339 million	306.339
72.	Loss on purchase of shares at higher rates –Rs. 2.414 million	2.414
73.	Loss due to non-recovery of outstanding interest - Rs. 11.973 million	11.973
74.	Non-recovery against Nostro Foreign Accounts – Rs. 4.794 million	4.794
75.	Loss due to poor performance of Groups/Department - Rs.70,087.67 million	70,087.67
76.	Wasteful expenditure on investigation of Bangladesh Operations- Rs. 10.00 million	10.00
77.	Violation of Accounting Standard IAS-8 (Change in Accounting Estimates)	286.00

	and Errors) - Rs. 286.00 million	
78.	Outstanding entries of Nostro Foreign Accounts – Rs. 8,097.709 million	8,097.709
79.	Non-recovery of outstanding advances -Rs. 52,882 million	52,882
80.	Irregular investment in companies by holding shares more than 30%	-
81.	Non- resolving of suspicious transaction alerts in violation of Anti-Money Laundering (AML) Act	-
82.	Violation of SBP Regulations and Anti-Money Laundering (AML) Act	-
83.	Non-obtaining of audited financial statements / Wealth Statement of borrowers in violations of Prudential Regulations	-
84.	Weak Internal Control Systems in NBP, Bangladesh branches	-
85.	Loss due to cash shortage in Vault and ATM at Nowshera Road Branch – Rs. 12.516 million	12.516
86.	Embezzlement / misappropriation in FE-25 loans, FIM and Bill of Exchange– Rs. 2,787 million	2,787
87.	Loss due to non-deposit of amount in to Federal Treasury at KDA Civic Centre Branch, Karachi – Rs. 307.436 million	307.436
88.	Fraud / forgery in SSP Officer Account at Kandhkot Branch, Larkana – Rs. 215.705 million	215.705
89.	Embezzlement of Government funds (DPO Account-Gujrat)– Rs. 630.800 million	630.800
90.	Misappropriation / embezzlement in Government pension payment at main branch, Kotri, Hyderabad – Rs. 70.723 million	70.723
91.	Loss due to fraudulent activities in Khuzdar Cantt Branch– Rs. 19.219 million	19.219
92.	Loss due to fraud / embezzlement in Government Treasury at Pano Akil City Branch – Rs. 309.452 million	309.452
93.	Loss due to misappropriation of funds / internal fraud engaging at Khanaspur Ayubia & Khairagali Branches, Abbottabad – Rs. 472.539 million	472.539
94.	Loss due to embezzlement of funds at Qamrooti Branch, Mirpur (A.K) – Rs. 44.899 million	44.899
95.	Loss due to dacoity during transportation from Taftan to Dalbadin (Chest), Regional Office, Quetta– Rs. 53.00 million	53.00
96.	Loss on disbursement of bogus Agriculture Finance – Rs.20.385 million	20.385
97.	Misappropriation / embezzlement through accounts of demand finance gold – Rs. 70.723 million	70.723
98.	Loss due to fraud at Timber Market Branch, Multan– Rs. 31.307 million	31.307
99.	Loss due to unauthorized debit to GL Heads ATM Cash at Loralai Branch, Sibi – Rs. 67.240 million	67.240
100.	Loss due to fraud by Manager, Serhota Branch District, Kotli Mirpur (A.K)– Rs. 21.018 million	21.018
101.	Loss due to fictitious / flying general entries at Jhang branch – Rs. 28.131 million	28.131
102.	Misappropriation / shortage in cash at Jutial Cantt Branch, Gilgit– Rs. 17.105 million	17.105
103.	Loss due to replacement of original gold ornaments with fake ones– Rs. 13.587 million	13.587
104.	Fraudulent withdrawal through IBT from account at Anarkali Branch, Lahore– Rs. 11.237 million	11.237



105.	Misappropriation / shortage in cash vault at Remount Depot Branch, Sargodha – Rs. 13.155 million	13.155
106.	Loss due to cash shortage at Main Branch, Multan – Rs. 14.430 million	14.430
107.	Loss due to negligence of bank staff at Nazimabad Branch, Karachi – Rs. 32.00 million	32.00
108.	Loss due to theft of gold ornaments at Thandkoi Branch, Mardan – Rs. 51.00 million	51.00
109.	Loss due to fraudulent pension payment at Dera Allah Yar Branch, Sibi – Rs. 8.201 million	8.201
110.	Embezzlement / misappropriation at Model Branch Clifton, Karachi – Rs. 5.900 million	5.900
111.	Loss due to fraudulent payment from account at Durand Road Branch, Lahore – Rs. 8.700 million	8.700
112.	Embezzlement through payment of tampered / altered payment order – Rs. 7.051 million	7.051
113.	Loss due to embezzlement by staff members at AIB Gulistan-e-Johar Branch, Karachi – Rs. 3.378 million	3.378
114.	Loss due to fraud through fake property loan against Saibaan Scheme – Rs. 3.458 million	3.458
115.	Loss due to misappropriation / embezzlement in NBP Advance Salary Accounts at Abbaspur Branch, Muzaffarabad – Rs 2.487 million	2.487
116.	Loss due to penalty imposed by SBP on violation of Foreign Exchange Regulations Act, 1947 – Rs. 1,200.718 million	1,200.718
117.	Irregular disbursement of loan to M/s Hascol Petroleum Limited -Rs. 14,150 million	14,150
<b>Total</b>		<b>235,823.900</b>

was rejected by the management. This clearly showed that the management paved the way for Mr. Saad Salman Dar to be selected.

- SSR, 1973 have been violated by the management, facilitating the candidate having nil banking sector experience.
- He was appointed as VP on B.A basis despite the fact that the management were hiring VPs on Master s basis during the same period i.e. 2006-2007.
- The antecedents were also not being verified despite a lapse of considerable time.

Audit is of the view that his appointment was made without advertisement / fulfilling other codal formalities. He was appointed purely on favoritism basis and it seems that the management already decided to appoint Mr. Saad Salman Daar prior to the appointment process. Hence, his appointment and payment of pay & allowances amounting to Rs.20.349 million (Rs. 119,000 per month w.e.f. October 2007 to November 2021) is also held irregular and unjustified.

The matter was reported to the management in December 2021. The management in its reply dated: 10-12-2021 stated that the position was processed by the Head-hunter and both the candidates were duly assessed and screened by the Head-hunter. They both were interviewed by the panel whereby, Saad Salman Dar was selected, whereas the second candidate expressed interest for Training and HR. The management's reply is not tenable as his appointment was made without advertisement and Head hunter shortlisted the other candidate which was irrelevant to the post.

Audit recommends that matter may be investigated and responsibility may also be fixed against the person(s) found at fault.

#### **14. Illegal / defective appointment of President / CEO (NBP) - Rs.307.17 million**

Clause 4 sub clause (ii) section (c) of Annexure A of SBP Prudential Regulations (Corporate & Commercial), 2015 states about Chief Executive that he / she should have minimum qualification of graduation or equivalent in the discipline of banking, finance, economics, business administration and related fields. CEO of the Islamic Bank should preferably be having experience / training in Islamic Banking".

Clause 1 (i) of Annexure A of SBP Prudential Regulations (Corporate & Commercial), 2015 states under the head of Integrity, Honesty and Reputation about evaluation of Chief Executive that "Has not been convicted/involved in any fraud/forgery, financial crime etc, in Pakistan or elsewhere, or is not being subject to any pending proceedings leading to such a conviction".

Clause 1 (ii) of Annexure A of SBP Prudential Regulations (Corporate & Commercial), 2015 states about Chief Executive that "Has not been subject to any adverse findings or any settlement in civil/criminal proceedings particularly with regard to investments, financial matters/business, misconduct, fraud, formation or management of a corporate body etc by

SBP, other regulatory authorities (within or outside Pakistan), professional bodies or government bodies/agencies”.

As per advertisement, the required qualification for the post of President is Minimum Bachelor's and preferably Master's degree from a local or foreign institution recognized by Higher education in the discipline of banking, finance, economics, business administration and related field. Applicants must have extensive experience in the Financial Sector with at least 05 years of experience at Senior level as EVP and above or equivalent in Banking Sector. Applicants should also have the eligibility to qualify for inclusion in the list of Professional Bankers maintained by SBP.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that an advertisement dated: 30-09-2018 was floated for appointment of President / CEO (NBP). In response, 98 candidates applied for the post. A Committee under the Chairmanship of Finance Secretary shortlisted 05 candidates on the basis of educational qualifications and experience and their names were forwarded to Selection Committee which was constituted vide order dated: 02-11-2018 for the appointment of President / CEO (NBP). The Selection Committee conducted interviews on 09-11-2018 of the shortlisted 04 candidates (01 candidate withdrew himself) based on professional knowledge /expertise and unanimously recommended the panel of three (03) persons in order of merit (1. Mr. Javed Kureishi, 2. Mr. Arif Usmani and 3. Mr. Wajahat Hussain). Finally, the Cabinet in its meeting dated: 23-11-2018 approved the appointment of Mr. Arif Usmani as President / CEO (NBP) for the period of three (03) years.

Following irregularities were observed by Audit in his appointment:

- In the merit list, Mr. Javed Kureishi was the top scorer by getting 74.50 marks and Mr. Arif Usmani stood second by getting 70.75 marks.
- He possessed the degree of B.Sc. Physics which was not a relevant discipline to banking, finance, economics, business administration. Despite the fact, he was granted 8 marks of irrelevant degree.
- He had nil experience of running a large Public Sector Company (PSC).
- Despite working in just 2 banks and handling much lesser number of staff, having no knowledge of (PSCs) in Pakistan, no knowledge of Markets in Pakistan as he was away from Pakistan since long, he was given seventeen (17) marks in “relevance & quality standards” of the experience.
- In the advertisement, word “preferably” was written. However, candidate(s) having Master's degree were not picked.
- Mr. Arif Usmani did not declare his offshore assets worth \$11,481,440 equivalent to Rs.1.8 billion in violation of Section 116 of Income Tax Act. Inquiry numbers 26/2020 for false declaration regarding tax and show cause notice was issued by FBR.
- His appointment was also declared illegal and defective by the Honourable Islamabad High Court vide judgment dated: 26-06-2021 as his degree was



not in accordance with the Advertisement in violation of Article 25 of Constitution of Pakistan.

- He received Rs.307.17 million in respect of remuneration and other allied benefits as detailed below:

Period	Description	Amount (Rs in million)
February to December, 2019	Remuneration	58.337
January To December, 2020	Remuneration	62.011
February 2019 to March, 2021	Other Expenses	6.822
	Cash Award / Bonus	180.00
	<b>Total</b>	<b>307.17</b>

It is pertinent to mention here that the relevant record was called for by the Audit vide requisitions dated:09-08-2021 &16-09-2021 and subsequent reminders dated: 04-10-2021 and 11-11-2021, however, no record was provided. Further, Audit received an anonymous complain regarding the subject appointment along with substantial documentary evidence on which observation was developed.

Audit is of the view that the appointment of Mr. Arif Usmani was defective and illegal as his recruitment was made in violation of SBP Prudential Regulations (Corporate & Commercial), 2015 and advertisement criteria. Furthermore, more suitable candidates were rejected despite having relevant qualification and experience. Thus, the payment of remuneration and other allied benefits amounting to Rs. 307.17 million stands irregular and unjustified.

The matter was reported to the management in December 2021. The management in its reply dated: 21-12-2021 stated that the matter is subjudice at Honorable Islamabad High Court (IHC).

Audit recommends investigation of the matter with a view to fix responsibility on the person(s) at fault besides recovery of losses inflicted on the national chequer by way of hundreds of millions of rupees' remunerations paid to President.

#### **15. Irregular appointment as Chairman, Board Specialized Committees– Rs.3.278 million**

Para b (10) of SBP Prudential Regulation, 2015 states that to share the load of activities, the Board may form specialized committees with well-defined objectives, authorities and tenure. These committees, comprising of at least one non-executive Board member, shall oversee areas like Audit, Risk Management, Credit and Recruitment, Remuneration & Nomination. The Chairman of the Board shall not be member of the aforementioned Committees.

During audit of National Bank of Pakistan (NBP) for the years 2012-2020, it was observed that Mr. Zubyr Somroo was appointed as Chairman, Board of Directors (BoD) vide Finance Division's notification dated: 17-04-2019. Later on, he was appointed as Chairman of Board Specialized Committees i.e. Board HR & Remuneration Committee (BHRRC) and



Board Risk and Compliance Committee (BRCC) in violation of SBP Prudential Regulations, 2015.

Audit is of the view that the Chairman, BoD cannot be a member of the Committees as per SBP Prudential Regulations, 2015 mentioned above. Therefore, all the decisions taken by Mr. Zubyr Somroo as Chairman, BHRRC and BRCC stands irregular. Thus, his appointment and payment of Rs.3.278 million as fees also stands irregular and unjustified.

The matter was reported to the management in December 2021, however no reply was received.

Audit recommends investigation of the matter with a view to fix responsibility on the person(s) at fault besides the removal of Mr. Zubyr Soomro as Chairman of Board Specialized Committees and recovery of the amount without further delay.

#### **16. Irregular appointment of Chairman, Board of Directors – Rs.8.313 million**

Clause 3 of Bank Nationalization Act, 1974, states that the Chairman, the President and other members of the Board representing the Federal Government's direct and indirect shareholding (a) shall be appointed by the Federal Government in consultation with the State Bank, for a term of three years, on such terms and conditions as may be fixed by the General Meeting of the bank: provided that the Chairman and the President shall be appointed from amongst professional bankers whose names are included in a panel of bankers qualified to be the Chairman or the President, which panel shall be determined, maintained and aired, from time to time, by the State Bank of Pakistan.

According to Cabinet Secretariat (Establishment Division), Government of Pakistan O.M No.4121901-r-I-I dated December 05, 1990 and subsequent instructions issued through letters dated May 26, 1999 and December 04, 2007 the re-employment after the age of superannuation in the government, semi-government, autonomous bodies and semi-autonomous bodies was required to be made by obtaining the approval of Prime Minister.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012-2020, it was observed that Mr. Zubyr Soomro was appointed as Chairman of the Board of Directors (BoD) of NBP by the Finance Division's letter dated: April 17, 2019 for a term of three (03) years. Following irregularities were observed in his appointment:

- His appointment was made without any known method of search i.e. by inviting applications, through advertisement in the newspapers or from the list of professional bankers.
- He was on the BoD of SBP when his name was floated for Chairman / Member NBP Board.
- His name was not included in panel of professional bankers; however, his name was added when he was proposed to be appointed as Chairman, NBP Board.
- His age was 73 years at the time of appointment; however, approval of age relaxation was not obtained from Prime Minister's Office.

Audit is of the view that the appointment of Mr. Zubyr Somroo as Chairman, BoD, was non-transparent as his appointment was made without any known method of search i.e. through advertisement or from the list of professional bankers which reflects that other best suitable candidates have not been given fair chance to participate in the recruitment. Therefore, appointment and payment made to him amounting to Rs.8.313 million stands irregular and unjustified.

The matter was reported to the management in December 2021. The management in its reply dated: 21-12-2021 stated that the matter is subjudice at Honorable Islamabad High Court (IHC). Furthermore, his name was included in SBP's panel but excluded from the panel upon joining the SBP board. However, upon completion of term as SBP Board member, his name was again included by SBP. Moreover, there is no age restriction for NBP Board members and the ESTA Code is not applicable to NBP it is governed under special enactments such as the BNA 1974 and the NBP Ordinance, 1949.

Audit recommends rationalization and investigation of matter with a view to fix responsibility on the person(s) at fault.

#### **17. Irregular appointment of Manager (E-Remittances) -Rs.14.502 million**

As per advertisement, the requirement for the post of Manager, E-Remittance are:

<b>Academic / Professional Qualification</b>	<b>Experience</b>	<b>Age Limit</b>
MBA / M.A (Economics) from any HEC recognized Institution / University having excellent computer knowledge	Minimum 08 years' experience in the relevant field, must have worked in the similar capacity for at least 3-4 years for handling operations of both commercial & home remittances in a large commercial bank.	30-35 years

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management floated an advertisement on 27-08-2006 for the appointment of Manager (E-Remittances). The management appointed Mr. Yousuf A. Kadeer as Manager (E-Remittances) He joined the Bank on 09-05-2007 on contractual basis for a period of three (03) years at Rs.79, 250 per month along with other benefits. Following irregularities were observed in his appointment:

- He was granted a waiver in his age. His age was 38.7 years against the required age of 30-35 years.
- He holds the Bachelor's degree at the time of appointment against the required Master's degree in either Economics or an MBA.
- He does not possess minimum 08 years' experience in the relevant field i.e. in a large commercial bank.

It is evident from the above that the management took every possible steps to favour the incumbent by allowing multiple waivers / relaxations, thus extending undue favour to him





3<sup>rd</sup> March 2015

Senator Ishaq Dar,  
Federal Minister of Finance,  
Government of Pakistan,  
Pak Secretariat Block F,  
Islamabad

Sub: TI-Pakistan 25.2.2012 complaint on the misuse of Pakistan Remittance Initiative (PRI) and estimated loss to exchequer of 6.67 % on each US \$ 100, by alleged collusive practice of Banks and SBP, causing Loss to Exchequer of Rs 400 Billion  
SBP Penalty( Inspection Report 2012) of NBP of 12.2.2015 verifying fraud on 2500 remittances  
**Fraud of National Bank of Pakistan Confirmed by State Bank of Pakistan in 2015**

Dear Sir,

On 25<sup>th</sup> February 2012 Syed Adil Gilani, Adviser Transparency International Pakistan reported to the Governor State Bank of Pakistan a very serious complaint on the misuse of Pakistan Remittance Initiative (PRI) and estimated loss to exchequer of 6.67 % 6.67 % on each US \$ 100 by alleged collusive practice of Banks and SBP. **Annex-A**

The complainant had made following allegations;

*According to F.E. Circular Letter No. 40 dated November 29, 2000 , following scheme was announced;*

*Keeping in view the difficulties experienced by the banks and to provide more incentive to the banks to accelerate Home Remittance, it has been decided that henceforth:*

*i)The minimum amount of remittance of US\$ 200/- to qualify for reimbursement of charges is reduced to US\$ 100/- or equivalent to other currency (per telex/swift charges)*

*ii)The reimbursement rate of SR 20/- is increased to SR 25/- for each remittance. From July 2001 to Jan 2012 the home remittance received is estimated to be about US \$ 69 Billion. The complaint has reported that 6.67% is dished out to banks with connivance of SBP , and each remittance received is broken into packages of above \$ 100 each without the knowledge of the remitter, and SR 25 are being shared by the colluding officers of Banks and SBP.*

*Total amount dished out of the exchequer is about US \$ 4.8 Billion in last 11 years. This is about Rs 400 Billion.*

*The incentive scheme from beginning is reported to be wrong, and the 6.67% benefit should have been passed on to the accounts of the remitters persons, which would be an incentive*

The Joint Director SBP in its reply on 7.5.2012 denied the allegations of the complainant ( extract quoted below) , that the remittance received is broken into packages of above \$ 100 each without the knowledge of the remitter, and SR 25 are being shared by the colluding officers of Banks and SBP. **Annex-B.**





Regarding your allegation that PKR 400 billion has been "dished out" from exchequer in last 11 years, please be advised that complete record of these transactions are maintained with SBP and review of our records from July 2001 to June 2011 transpires that the total amount of Home Remittances received during this period amounts to USD 59.130 billion, whereas the total amount of T.T charges claimed by the banks and paid by the State Bank of Pakistan during this period amounts to only PKR 11.695 billion. Hence, your averment that PKR. 400 billion has been misappropriated from the national exchequer on account T.T Charges during the said period is without any basis and is vehemently denied.

However, the Auditor General Pakistan after 2-1/2 years, did confirm the allegations sent to SBP on 25.2.2012, and the following report was published in newspapers on 28<sup>th</sup> June 2014, which claimed that only in FY 2011/12 Rs 5.3 Billion were earned by Banks illegally by breaking the home remittances. **Annex-C.**

#### ***"Banks earn Rs5.3bn illegally: report***

*"KARACHI: Banks illegally earned Rs5.3 billion in 2012 by mis-declaring the transactions being made as remittances, and the State Bank of Pakistan (SBP) kept accepting the false claims of banks, said 2013-2014 audit report of the accounts of public sector enterprises.*

*Banking sources said that no penalty was imposed on banks; neither any disciplinary action was taken to punish them for fraudulent income. They said some major banks were also involved in this illegal business.*

*During the audit of SBP, Banking Services Corporation (SBP-SC) accounts for the year 2011-12, it was observed that the management reimbursed an amount of Rs5.357bn to various banks on account of telegraphic transfer charges against home remittances sent by Pakistani residents abroad through banking channels, said the report. "The banks fraudulently split the transactions into \$100 of same individual on the same date to avail undue benefits of 25 Saudi Riyals for each transaction," said the report. "Further details of total split transactions were not provided to the audit," said the report. The report further stated that the matter was reported to the SBP on April 18, 2013. In its reply, it stated the banks would be penalised for split transactions under the revised standard operating procedure in future. "The reply was not tenable as recovery could not be made," said the audit report."*

**Note: In case AGP report of Fraud of Rs 5.3 billion has caused loss in one year, 2011, in 10 years, it may be loss to exchequer of over Rs 53 Billion.**

According to the NAB Ordinance NAO 1999, Article 9 (quoted below) action shall be taken against the those in the State Bank of Pakistan who have been benefited, and all those who are found to be involved in this illegal act of committing corruption and corrupt practices and the misuse of authority.

(vi) 2[if he misuses his authority so as to gain any benefit or favour for himself or any other person, or 3[renders or attempts to render] 4[or willfully fails to exercise his authority to prevent the grant, or rendition of any undue benefit or favour which he could have prevented by exercising his authority];

(xi) if he, in his capacity as a banker, merchant, factor, broker, attorney or agent, commits criminal breach of trust as provided in section 409 of the Pakistan Penal Code, 1860 (Act XLV of 1860) in respect of property entrusted to him or over which he has dominion; and





(xii) if he aids, assists, abets, attempts or acts in conspiracy with a person or a holder of public office accused of an offence as provided in clauses (i) to (xi).];

10[(ix) if he commits the offence of cheating as defined in section 415 of the Pakistan Penal Code, 1860 (Act XLV of 1860), and thereby dishonestly induces members of the public at large to deliver any property including money or valuable security to any person; or

(x) if he commits the offence of criminal breach of trust as defined in section 405 of the Pakistan Penal Code, 1860 (Act XLV of 1860) with regard to any property including money or valuable security entrusted to him by members of the public at large;

TI Pakistan has recently received in this very case, another complaint of collusion between SBP and NBP. The Governor SBP, Mr. Ashraf Mahmood Wathra, was the SEVP in NBP in 2012, for which period the Auditor General Pakistan has deducted fraud of Rs 5.3 Billion.

The complainant has provided TI Pakistan a copy of the SBP Penalty ( Inspection Report) of NBP dated **12.2.2015**, which has confirmed that NBP did split 2,500 single home remittance transaction under PRI in 2012, in its report for 31.12.2012. **Annex-D.**

In order to save culprits, , the Governor SBP, Mr. Ashraf Mahmood Wathra as Governor SBP has approved the revised Standard Operating Procedures for this fraud of splitting home remittance, **where only a penalty is to be imposed on the Bank who commits this fraud, and all officers of SBP and commercial Banks who participated in such fraud, cheating, have been exonerated.**

**The minor penalty of Rs 5,000 od each breaking of remittance to units of US \$ 100 is imposed on NBP, which also is a loss to National Exchequer, and further burden on the citizen of Pakistan.**

TI Pakistan requests the Minister to take immediate action against all those who were responsible for this national crime, including the Directors of the Board of SBP as well as Directors of the Board of the Commercial Banks who were involved in this crime.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

With Regards,

  
Sohail Muzzafar  
Chairman

Encl; 4 Annexes.

Copies forwarded for the information with request to take action under their mandate to:

1. Secretary to Prime Minister, Islamabad.
2. Chairman, NAB, Islamabad .
3. Governor, State Bank of Pakistan, Karachi.
4. Chairman, Prime Minister Inspection Commission, Islamabad
5. Registrar, Supreme Court of Pakistan, Islamabad.
6. DG NAB, Sindh.



25<sup>th</sup> February 2012.

Mr. Yaseen Anwar,  
Acting Governor,  
State Bank of Pakistan,  
I.I. Chundrigar Road, Karachi.

Sub: Complaint on the misuse of Pakistan Remittance Initiative (PRI) and estimated loss to exchequer of 6.67 % due to the alleged collusive practice of Banks and SBP, causing Loss to Exchequer of Rs 400 Billion

Dear Sir,

Transparency International Pakistan has received a very serious complain on the misuse of Pakistan Remittance Initiative (PRI) and estimated loss to exchequer of 6.67 % by alleged collusive practice of Banks and SBP.

The complainant has made following allegations;

1. According to F.E. Circular Letter No. 40 dated November 29, 2000 , following scheme was announced;

*Keeping in view the difficulties experienced by the banks and to provide more incentive to the banks to accelerate Home Remittance, it has been decided that henceforth:*

*i) The minimum amount of remittance of US\$ 200/- to qualify for reimbursement of charges is reduced to US\$ 100/- or equivalent to other currency (per telex/swift charges).*

*ii) The reimbursement rate of SR 20/- is increased to SR 25/- for each remittance.*

2. From July 2001 to Jan 2012 the home remittance received is estimated to be about US \$ 69 Billion. The complaint has alleged that 6.67% is dished out to Banks with connivance of SBP, by each remittance received is broken into packages of above \$ 100 each without the knowledge of the remitter, and SR 25 on each remittance is being shared between the colluding officers of Banks and SBP.
3. Total amount dished out of the exchequer is about US \$ 4.8 Billion in last 11 years. **This is about Rs 400 Billion.**
4. The complainant has also stated that the incentive scheme from beginning is reported to be wrong, and the scheme should have been made for the 6.67% benefit should have been passed on to the accounts of the remitters persons.





**TRANSPARENCY  
INTERNATIONAL - PAKISTAN**

5-C, 2ND FLOOR, KHAYABAN-E-  
ITTEHAD, PHASE VII, DEFENCE  
HOUSING AUTHORITY,  
KARACHI PHONE: 35390408-  
09 FAX: 35390410 EMAIL:  
[ti.pakistan@gmail.com](mailto:ti.pakistan@gmail.com)  
WEBSITE:  
[www.transparency.org.pk](http://www.transparency.org.pk)  
**Advisory Committee**

Transparency International Pakistan request the Governor to kindly examine the allegations made by the complaint, and if the allegations are found to be correct, take immediate remedial measure to stop such illegal acts, and recover the illegal benefits availed by them and deposit it in the national exchequer account.

Transparency International Pakistan also request the Governor to get the F.E. Circular Letter No. 40 immediately amended, for the benefit to be passed on to the remitter.

This incentive to the remitters if approved, will surely increase the current level of home remittance by many fold within couple of years.

TI Pakistan is striving to have Rule of Law in Pakistan.

With Regards,

Syed Adil Gilani  
Advisor

Copies forwarded for the information of:

1. Chairman, Public Accounts Committee, Islamabad.
2. Minister, Finance, Islamabad
3. Minister, Minister for Overseas Pakistanis, Islamabad
4. Chairman, NAB, Islamabad.
5. Registrar, Supreme Court.

**A NON-PARTISAN, NON-PROFIT COALITION AGAINST CORRUPTION**

Donations exempted from tax U/S 2 (36) (c) of I. Tax Ordinance 2001



# TRANSPARENCY INTERNATIONAL - PAKISTAN

5-C, 2ND FLOOR, KHAYABAN-E-  
ITTEHAD, PHASE VII, DEFENCE  
HOUSING AUTHORITY,  
KARACHI PHONE: 35390408-  
09 FAX: 35390410 EMAIL:  
[ti.pakistan@gmail.com](mailto:ti.pakistan@gmail.com)  
WEBSITE:  
[www.transparency.org.pk](http://www.transparency.org.pk)  
Advisory Committee

F.E. Circular Letter No. 40

November 29,  
2000

All Heads / Principal Offices  
of authorized Dealers

Dear Sirs,

### Reimbursement of T.T Charges against home remittances

Please refer to our Circular letter No. 21/EPP-1(96)poly-2000 dated the 28th July, 2000 on the above noted subject.

2. Keeping in view the difficulties experienced by the banks and to provide more incentive to the banks to accelerate Home Remittance, it has been decided that henceforth:

- i) The minimum amount of remittance of US\$ 200/- to qualify for reimbursement of charges is reduced to US\$ 100/- or equivalent to other currency (per telex/swift charges)
- ii) The reimbursement rate of SR 20/- is increased to SR 25/- for each remittance.
- iii) Authorized Dealers may share the reimbursement charges at their option instead of fixed SR 6/- and remit in foreign exchange to the concerned remitting agency accordingly.
- iv) The already conveyed benchmark will continue for the future remittances.

Yours faithfully,  
-Sd-(M. R. MEHKARI)  
Director

[Back to Circular Page](#) / [Home Page](#)

A NON-PARTISAN, NON-PROFIT COALITION AGAINST CORRUPTION

Donations exempted from tax U/S 2 (36) (c) of I. Tax Ordinance 2001





Annexure<sup>SB</sup> B

STATE BANK OF PAKISTAN  
EXCHANGE POLICY DEPARTMENT  
KARACHI

No. EPD/2126 /1(24)-2012

May 7, 2012

Mr. Syed Adil Gilani,  
Advisor,  
Transparency International Pakistan  
5-C, 2<sup>nd</sup> Floor, Khayaban-e-Ittehad  
Phase VII, Defense Housing Authority  
Karachi.

Dear Sir,

**Re: Complaint on the misuse of Pakistan Remittance Initiative**

We write with reference to your letter dated February 25, 2012 on the captioned subject.

At the very outset, the State Bank of Pakistan (SBP) denies all adverse allegations and averments made in your aforementioned letter. The State Bank of Pakistan takes strong exception to the contents of your letter particularly when the allegations stated therein are unfounded and lack any basis.

Please find our response to the allegations raised by you in the said letter *in seriatim* below:

1. Please note that SBP's F.E. Circular Letter No. 40 dated November 29, 2000 referred in your letter has a specific reference to SBP Circular Letter No. 21/EPP.1(95)Poly-2000 dated the 28<sup>th</sup> July, 2000 (copy enclosed) on the subject of Reimbursement of T.T. Charges to banks on Home Remittances.

F.E. Circular Letter No. 40 dated November 29, 2000 referred in your letter is in continuation to the SBP Circular Letter No. 21/EPP.1(95)Poly-2000 dated the 28<sup>th</sup> July, 2000 and it provides guidelines on the Scheme of Reimbursement of T.T. Charges. The banks in Pakistan were advised vide this Circular Letter that the remitters should not be charged any amount for telegraphic transfer of remittances and the cost so incurred will be reimbursed to the banks by the State Bank of Pakistan on a monthly basis.

The scheme for reimbursement of T.T. Charges on Home Remittances to Banks is the Government of Pakistan scheme which is in existence since the year 1985 and was circulated to all authorized dealers by the State Bank of Pakistan vide Circular Letter No. 7174/ECP.1(95)-85 dated 3<sup>rd</sup> October, 1985. (copy enclosed).

The amount for reimbursement is allocated in the budget by the Ministry of Finance and they have advised the allocation accordingly to the SBP. The claims of the banks are paid out of the Government Account maintained with SBP-BSC (Bank), Karachi Office.

At the end of each month, the banks submit their consolidated claims for reimbursement on the specific format along with the covering letter clearly stating that the claims are in accordance with the pre-requisites of the Scheme. SBP-BSC (Bank), Karachi Office, reimburses the claims of the banks after scrutiny of the claim amounts and reconciles the figures with the AGPR, Karachi Office on monthly basis. Reconciled statements are also submitted to the Finance Division (MOF).

At present, the Government of Pakistan reimburses an amount of 25 Saudi Riyals per home remittance transaction subject to the following conditions:

a) The transaction for which charges are being reimbursed pertain to Home Remittance made by one individual to another;

Page (1) of (2)





**STATE BANK OF PAKISTAN  
EXCHANGE POLICY DEPARTMENT  
KARACHI**

- b) The transaction for which charges are being reimbursed involve a minimum remittance of USD 100 (United States Dollars One Hundred only); and
- c) The remitter and the beneficiary have not been charged any T.T. Charges in respect of such remittance.
2. Your allegation that 6.67 percent of the Home Remittance received by Pakistan Remittance Initiative ("PRI") in pursuance of the said Scheme during the period of July 2001 to January 2012 was distributed to the Banks with the support of the State Bank of Pakistan is vehemently denied.

It is, however, to explain that PRI is a separate initiative in order to provide for an ownership structure in Pakistan for remittance facilitation, the Government of Pakistan through State Bank of Pakistan, Ministry of Overseas Pakistanis and the Ministry of Finance had launched a joint initiative called Pakistan Remittance Initiative (PRI) in April 2009. This initiative has been taken to achieve the objective of facilitating & supporting faster, cheaper, convenient and efficient flow of remittances.

The amount for reimbursement of T.T Charges is in accordance with the Scheme and is allocated by the Ministry of Finance, Government of Pakistan and that the claims of the banks in this regard are paid by the State Bank of Pakistan from an account of the Government of Pakistan being maintained with the State Bank of Pakistan at Karachi. The transaction is basically between an entity to entity (SBP to Commercial Bank) and there is no chance of any individual to pocket a penny out of the money allocated for the Scheme.

3. Regarding your allegation that PKR 400 billion has been "dished out" from the exchequer in last 11 years, please be advised that complete record of these transactions are maintained with SBP and review of our records from July 2001 to June 2011 transpires that the total amount of Home Remittances received during this period amounts to USD 59.130 billion, whereas the total amount of T.T. Charges claimed by the banks and paid by the State Bank of Pakistan during this period amounts to only PKR 11.695 billion. Hence, your averment that PKR 400 billion has been misappropriated from the national exchequer on account of T.T. Charges during the said period is without any basis and is vehemently denied.
4. Please be advised that the rationale behind this Scheme is to encourage overseas Pakistanis to remit money to Pakistan through proper channels and by lawful means. In terms of the Scheme, neither the remitter nor the recipient is charged the T.T. Charges and, therefore, both the remitter and the recipient are the ultimate beneficiaries of the Scheme. This is substantiated by the growth in Home Remittances during last ten years, which indicates the effectiveness of the Scheme and substantiates the initiatives taken by the State Bank of Pakistan to streamline Home Remittances.

We trust that the above clarifies the position. It is, therefore, requested to withdraw the letter dated February 25, 2012 as contents of the same do not reflect the true and factual position.

Yours faithfully,

Encls: as above

(Muhammad Imran Khan)

Joint Director

**For and on behalf of  
State Bank of Pakistan**

Page (2) of (2)



# Banks earn Rs5.3bn illegally: report

By Shahid Iqbal

Updated about 3 hours ago



Report says amount earned by misdeclaring transactions being made as remittances, and the State Bank of Pakistan (SBP) kept accepting the false claims. —File photo

**KARACHI: Banks illegally earned Rs5.3 billion in 2012 by misdeclaring the transactions being made as remittances, and the State Bank of Pakistan (SBP) kept accepting the false claims of banks, said 2013-2014 audit report of the accounts of public sector enterprises.**

Banking sources said that no penalty was imposed on banks; neither any disciplinary action was taken to punish them for fraudulent income. They said some major banks were also involved in this illegal business.

During the audit of SBP, Banking Services Corporation (SBP-SC) accounts for the year 2011-12, it was observed that the management reimbursed an amount of Rs5.357bn to various banks on account of telegraphic transfer charges against home remittances sent by Pakistani residents abroad through banking channels, said the report.

“The banks fraudulently split the transactions into \$100 of same individual on the same date to avail undue benefits of 25 Saudi Riyals for each transaction,” said the report.

“Further details of total split transactions were not provided to the audit,” said the report.



To encourage banks and to boost remittances, Pakistan Remittance Initiative (PRI) was jointly launched by the State Bank, Ministry of Overseas Pakistanis and Ministry of Finance in 2009.

In January 2010, the State Bank issued a circular saying the government through State Bank will reimburse 25 Saudi Riyals equivalent in PKR per transaction to banks in Pakistan provided that it is home remittance with value equivalent or more than \$100.

The distribution bank and the overseas entity share the reimbursed amount as per their mutually agreed term.

The report further stated that the matter was reported to the SBP on April 18, 2013. In its reply, it stated the banks would be penalised for split transactions under the revised standard operating procedure in future.

"The reply was not tenable as recovery could not be made," said the audit report.

It further said the commission income of the SBP for the year 2012-13 decreased by 9.9 per cent and exchange gain decreased by 84.4pc from last year 2011-12.

The steep fall in the exchange gain of Rs6.7bn during 2012-13 as against Rs42.8bn during 2011-12, needs to be elucidated, said the report.

It further said that other operating loss was Rs1.02bn during 2012 compared to operating profit of Rs9bn requires explanation.

"The State Bank's share of loss payable under profit and loss sharing arrangement amounting to Rs2.4bn needed to be explained," said the report yet to be published.

*Published in Dawn, June 28th, 2014*



Date : 12-02-2015

Time : 02:47:50



## STATE BANK OF PAKISTAN

## NATIONAL BANK OF PAKISTAN

Penalty ( Inspection Report ) as of 31/12/2012

Annexure D

Sr. No	App/ Ann/ Ref No	Observations	Penalty Payable on Cases		Penalty Payable on Days/Months/Quarters		Amount
			No.	Rate	No.	Rate	
		instruments was served late to the account holders			0	0	2,550,000
80	Annexure E-32	Instances where three months notice in writing by 'Registered Post - Acknowledgement Due' were not served by the bank for unclaimed deposits / financial instruments	510	5,000	0	0	170,000
81	Annexure E-37	Instances where excess cash was transferred to commission account of the bank instead of transferring it to unclaimed account	34	5,000	0	0	12,500,000
82	Annexure E-39	Instances where a single home remittance transaction under PRI was broken into multiple transactions	2,500	5,000	0	0	270,000
83	Annexure E-40	Instances where the bank opened accounts on the basis of attested copies of NADRA receipt / token but did not obtain copies of renewed CNIC's within three months of opening of account	27	10,000	0	0	9,180,000
84	Annexure E-41	Instances where Debit Block was not marked for accounts without CNIC	918	10,000	0	0	7,044,000
85	Annexure E-42	Instances where bank did not inform / intimate its customers before marking the accounts dormant in system	14,088	500	0	0	12,500,000
86	Annexure E-43	Instances where ambiguous/incomplete/irrelevant CNIC numbers were mentioned in bank record (system) of the active account holders in violation of BPRD Letter No. BPRD/BLRD-09/2008-7/21 of August 15, 2008	2,500	5,000	0	0	130,740,000
87	Annexure E-44	Instances where ambiguous / incomplete / irrelevant CNIC expires were mentioned in the bank record (system) of active account holders in violation clause 2 b & 2 c of BPRD letter No. BPRD/BLRD-09/2009-8814 of 2010	26,148	5,000	0	0	2,380,000
88	Annexure E-45	Instances where the bank did not pay profit on PLS accounts	238	10,000	0	0	6,700,000
89	Annexure E-45	Instances where the bank did not pay profit on PLS accounts	335	20,000	0	0	2,135,000
90	Annexure E-45	Instances where the bank did not pay profit on PLS accounts	427	5,000	0	0	0
91	Annexure E-45	Instances where the bank did not pay profit on PLS accounts	0	1,000	0	0	27,473,000
92	Annexure E-46	Instances where the bank did not translate account opening forms in urdu for customers	27,473	1,000	0	0	201,530,000
93	Annexure E-47	Instances where the bank did not inform its active customers on expiry of their CNICs	40,306	5,000	0	0	1,980,000
94	Annexure E-48	Instances where cheques were returned giving ambiguous reasons	99	20,000	0	1,000	5,000,000
95	Annexure E-49	Instances where the bank did not update records / addresses of the account holders on account of undelivered half yearly statements	1,000	5,000	0	0	80,000
96	Annexure E-50	Instances where bank did not provide insurance for lockers	4	20,000	0	1,000	20,000
97	Annexure E-51	Instances where bank deducted excessive service charges from customer on minimum balance from accounts	20	1,000	0	0	68,700
98	Annexure E-67	Instances where the bank did not resolve the complaints within 45 days	9	1,000	597	100	26,000
99	Annexure E-68	Instances where the bank did not send complaint acknowledgement	26	1,000	0	0	