



STATE BANK OF PAKISTAN
PAYMENT SYSTEMS DEPARTMENT
I.I. CHUNDRIGAR ROAD
KARACHI

263
No: PSD/DIR/ /2010

November 12, 2010

Syed Adil Gilani
Chairman
Transparency International- Pakistan
Karachi

Dear Mr. Gilani,

Complaint against Commercial Banks of Pakistan

Reference is made to your Letter No. 485/78(4) dated November 02, 2010 addressed to the Governor, State Bank of Pakistan on the captioned subject.

It would be pertinent to mention here that signature of Credit and Debit Card Holders is one of the valid means of identification of the card holders and determination of customer's liability in terms of Payment Systems & Electronic Fund Transfers (PSEFT) Act 2007. This standard has been mandated by internationally operative Payment processing companies such as VISA, MasterCard and Amex (American Express) and being followed in most of the countries including USA.

State Bank of Pakistan (SBP), as a part of its comprehensive preventive strategy based on international best practices, has taken various initiatives to secure E-Banking transactions in the country. In this reference, soon after the enactment of PSEFT Act 2007, the signature verification on transaction conducted on Point of Sales (POS) terminals was mandated. Besides, optional SMS alerts on variety of transactions conducted at POS and

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ATMs is also being offered by banks to card holders, resulting in current incidents of misuse being at a fraction of a percentage point in terms of total volumes being transacted.

Lately, necessary instructions have already been issued to Pakistan Banks Association for implementing International Payment Security Standards such as EMV (*Europay, MasterCard and VISA*) and PCI-DSS (*Payment Card Industry-Data Security Standard*). The EMV standard, when implemented, will help in implementing Chip & PIN technology on all Payment Card transactions. Chip & PIN technology requires that every payment card contains customer data on a chip which is not possible to copy as against customer data on magnetic stripe. This technology will further entail entering a PIN from customer before executing the transaction and, therefore, will further fortify card transactions in the country. Since the implementation of Chip & Pin Standard requires some changes in associated communication infrastructure and business processes, and depends on the readiness of the banks, therefore, it is a gradual process which is being followed up by SBP with Pakistan Banks Associations and individual banks.

Yours sincerely,



(Abdur Rauf)
Additional Director