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LEGAL ARTICLE

FROM WET INK TO CRYPTOGRAPHIC ASSURANCE:

Why and How Banks in Pakistan Should Adopt Digital Signatures under the Electronic Transactions Ordinance, 2002

I. Introduction

Pakistan's banking sector has, for two decades, possessed a complete statutory foundation for treating electronic documents and electronic signatures as legally effective. That foundation is the Electronic Transactions Ordinance, 2002 (Ordinance No. LI of 2002) ("ETO"). The Ordinance was enacted "to recognize and facilitate documents, records, information, communications and transactions in electronic form" and to provide for the accreditation of certification service providers. Yet a large part of bank documentation — account mandates, financing agreements, internal approvals, customer instructions and vendor contracts — continues to be executed in wet ink, scanned and archived as image files. That practice is operationally expensive, evidentially weak, and increasingly out of step with the direction of the State Bank of Pakistan ("SBP").

The object of this article is twofold. First, to explain why banks may, and in many product lines now should, move from paper-based execution to a legally defensible electronic and digital signature framework. Second, to set out how that transition ought to be designed so that it survives challenge before a Banking Court, the High Court, or a consumer forum. The central proposition is a measured one: the ETO

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does not automatically abolish every wet-ink requirement; it does, however, confer legal recognition on electronic forms and signatures, subject to the Ordinance's own exclusions and to controls of authenticity, integrity, authorization, retention and proof.

II. Why Banks Should Move Now

A. The statutory case is already complete

Section 3 of the ETO is the load-bearing provision. It provides that no document, record, information, communication or transaction shall be denied legal recognition, admissibility, effect, validity, proof or enforceability on the ground that it is in electronic form and has not been attested by any witness. Section 7 then deems the legal requirement of a signature satisfied where an electronic signature or an advanced electronic signature is applied. Section 33 gives the Ordinance overriding effect notwithstanding anything to the contrary in any other law for the time being in force.

The writing requirement is separately addressed. Section 4 provides that where any law requires a document, record, information, communication or transaction to be in written form, an electronic form satisfies that requirement if it is accessible so as to be usable for subsequent reference. Section 5 permits an electronic record to satisfy an "original form" requirement where there is reliable assurance of integrity from the time the record was first generated in its final form, and the record can be displayed in a legible form. Section 6 deems statutory retention obligations satisfied

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by electronic retention if content remains accessible, form can be accurately demonstrated, and origin, destination and date and time information is preserved where required.

Taken together, these provisions answer the three questions that historically justified paper: Is the document "in writing"? Is it an "original"? Has it been "signed"? For the great majority of banking instruments that are not excluded by section 31, the answer is yes — provided the bank's system can prove what it claims.

B. The evidentiary case is stronger than paper

A wet-ink signature on a branch counter, once scanned and the paper destroyed or boxed, is a weak exhibit. It rarely carries contemporaneous proof of identity verification, device, time, IP address, document hash, or the version that was actually shown to the signatory. An electronic signature, by contrast, can be designed to generate precisely that audit trail.

Section 8 of the ETO provides that an electronic signature may be proved in any manner in order to verify that the electronic document is of the person who executed it, with the intention of verifying authenticity or integrity or both. Article 78-A of the Qanun-e-Shahadat Order, 1984, inserted by the ETO, further provides that where an electronic document is alleged to have been signed or generated through an information system and that allegation is denied, the application of a security procedure to the signature or the document must be proved. Explanations 3 and 4 to

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Article 73 treat printouts of automated systems and reproductions of electronic documents to which a security procedure was applied as primary evidence.

Section 9 then confers a rebuttable presumption of authenticity and integrity upon a qualifying advanced electronic signature. For high-value financing, corporate mandates and documents that are likely to be litigated, that presumption is not a luxury. It is the difference between the bank having to reconstruct a signing event years later, and the opposite party having to displace a statutory presumption.

C. The regulatory case is no longer optional in key product lines

SBP's digitization programme has moved from permission to expectation. Roshan Digital Accounts demonstrated that a Pakistani bank account can be opened and operated without physical presence. The Consolidated Customer Onboarding Framework, as amended by BPRD Circular Letter No. 09 of 2026, now contemplates digital onboarding of residents and non-residents, natural and juridical persons. Most directly for this article, Regulation R-14 of the updated Prudential Regulations for SME Financing requires banks and DFIs to facilitate end-to-end digital onboarding of SME customers and, in express terms, to "permit the execution of e-agreements using secure digital signature platforms." All SME credit-related documentation — including renewals, declarations and agreements — is to be accepted in digital form.

A bank that continues to insist on wet ink for SME facility documents is therefore not merely forgoing efficiency. It is falling behind a prudential requirement that the supervisor has already written into the SME rulebook. The same logic is spreading

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across digital payments, self-service channels and cashless-economy initiatives. Electronic execution is no longer an innovation project. It is becoming part of the ordinary prudential architecture.

D. The commercial and risk case

The business case is straightforward and does not depend on novelty.

- Operational: remote execution, shorter onboarding cycles, reduced branch dependency, and the removal of courier and physical file-handling bottlenecks.
- Financial: lower printing, storage, courier and reconstruction costs; fewer failed or incomplete document packs.
- Customer: the ability to sign from another city or another country, which is already the expectation of non-resident customers and of SME promoters who do not sit in the same office.
- Risk: a single, searchable, integrity-protected record is a better control than a paper file that can be misplaced, substituted or disputed as to date and version.
- Litigation posture: a complete audit trail answers the questions a court will actually ask — who signed, what was signed, when, on which version, after what authentication, and with what authority.

III. What the Law Actually Recognises: Three Things That Are Not the Same

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Much of the market confusion, and most of the legal risk, arises from treating three different artefacts as if they were one.

Feature Scanned / pasted image Electronic signature (s. 2(n), s. 7)
Advanced electronic signature (s. 2, s. 9)

What it is A picture of a wet-ink signature placed on a PDF. Letters, numbers, symbols, images or characters applied to an electronic document with the intention of authenticating or approving it. A signature unique to the signer, under the signer's sole control, capable of identifying the signer and detecting subsequent change; or one provided by an accredited certification service provider.

Legal status Not, by itself, an electronic signature architecture. Weak evidence of identity, intention and integrity. Satisfies a statutory signature requirement under section 7. Proof is by evidence under section 8 and Article 78-A. Satisfies section 7 and attracts the section 9 presumption of authenticity and integrity, unless contrary evidence is adduced.

Bank use Should be retired as a primary execution method. Appropriate for low- and medium-risk documents if identity, authority and audit trail are controlled.

Preferred for high-value financing, corporate mandates, security-adjacent documents and any instrument likely to be litigated.

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Section 2(n) defines an “electronic signature” as any letters, numbers, symbols, images, characters or any combination thereof in electronic form, applied to, incorporated in or associated with an electronic document, with the intention of authenticating or approving the same, in order to establish authenticity or integrity, or both. The definition is technology-neutral. A typed name, a stylus mark, a checked acceptance box tied to an authenticated session, or a cryptographic signature can all qualify, if intention and association are present.

An “advanced electronic signature” is defined more tightly. It is either (i) unique to the person signing it, capable of identifying that person, created by means under that person’s sole control, and attached so that any subsequent change in the document is detectable; or (ii) provided by an accredited certification service provider and accredited by the Electronic Certification Accreditation Council as being capable of establishing authenticity and integrity. Banks should not describe a scanned specimen signature as a “digital signature.” That description will not survive cross-examination.

IV. The Limits of the Ordinance: Section 31 and Adjacent Laws

The ETO is not a licence to abolish paper in every case. Section 31(1) provides that, subject to a future Federal Government notification under section 31(2), nothing in the Ordinance shall apply to:

- (a) a negotiable instrument as defined in section 13 of the Negotiable Instruments Act, 1881 — including promissory notes, bills of exchange and cheques;

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- (b) a power of attorney under the Powers of Attorney Act, 1881;
- (c) a trust as defined in the Trusts Act, 1882, excluding constructive, implied and resulting trusts;
- (d) a will or any form of testamentary disposition; and
- (e) a contract for the sale or conveyance of immovable property or any interest in such property.

These exclusions have immediate operational consequences for banks. Demand promissory notes, many trade instruments, customer and third-party powers of attorney (including those used for non-resident mortgagors), and title or conveyance documents in mortgage and finance against property, remain outside the ETO's facilitative regime unless and until section 31(2) is invoked. Electronic execution of a facility letter does not, by itself, electronicise the accompanying promissory note or the registered mortgage deed.

Nor does section 33 erase every neighbouring requirement. Stamp duty, registration under the Registration Act, 1908, company-law formalities as to board authority and common seal where still relevant, SBP's AML/CFT/CPF and onboarding regulations, and the bank's own constitutional documents and customer mandates, all continue to apply. Section 10 of the ETO created a transitional stamp-duty holiday for instruments executed in electronic form until the Provinces implemented electronic collection. That transitional design is itself a warning: electronic execution does not dissolve fiscal or registrational formalities. Before any document

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class is taken off paper, counsel must test it against the ETO exclusions and against banking, corporate, property, tax, negotiable-instrument, secured-finance, stamp, court and evidentiary law.

V. How Banks Should Implement: A Defensible Operating Model

A. Start with a legal inventory, not with a vendor

The first act is not the purchase of a signing platform. It is a document-by-document inventory of every process that today requires a physical signature: account-opening and digital-onboarding packs, corporate mandates and board resolutions, loan and trade-finance documentation, KYC refresh, customer instructions, internal credit and operational approvals, vendor and service agreements, and security documents. Each item should be classified:

- Class A — generally suitable for direct electronic execution (for example, internal approvals and many retail application forms), subject to applicable KYC and product rules;
- Class B — suitable only with enhanced or advanced electronic-signature controls and authority verification (corporate mandates, most financing agreements);
- Class C — not to be taken off paper without a specific legal opinion, because of section 31, stamp, registration, security-perfection or other constraints (negotiable instruments, powers of attorney, conveyances and many security documents).

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The output of that exercise should be a standing legal-opinion matrix, owned jointly by Legal and Compliance and reviewed whenever a product, circular or statute changes.

B. Adopt a risk-based signature policy

Section 7 recognises both electronic signatures and advanced electronic signatures. It does not require the highest technical standard for every click. A single signature level for every transaction is therefore both wasteful and legally indiscriminate. The bank should adopt a formal Electronic and Digital Signature Policy that maps signature level to risk.

Document / process	Electronic execution?	Suggested control	Additional review
Retail / digital account application	Generally	suitable,	subject to SBP onboarding and AML rules
Electronic signature + KYC / biometric or equivalent			KYC and product-regulatory review
Internal credit / operational approval	Generally suitable	Controlled	electronic signature within the authority matrix
Internal policy and maker-checker design			
Corporate account mandate	Subject to review	Enhanced or advanced signature	+ authority verification
Corporate authority, SECP record, board resolution			

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SME / commercial facility agreement Generally suitable; SBP now expects e-agreements for SMEs Advanced signature + strong authentication Financing, security and stamp analysis

Board resolution Case-specific Advanced signature where appropriate
Companies Act / constitutional documents

Security documentation; mortgage; charge Case-specific; often Class C Do not assume ETO coverage Section 31, stamp, registration, property and charge-perfection review

Promissory note / cheque / bill Not under ETO unless s. 31(2) notified
Retain wet-ink execution Negotiable Instruments Act

Power of attorney / GPA Not under ETO unless s. 31(2) notified Retain wet-ink execution and stamping / attestation as applicable Powers of Attorney Act, 1881

C. Build an electronic original, not a scanned copy

The legally relevant artefact is the electronic original generated by the signing system, not a PDF onto which a signature image has been pasted. Section 5 turns on reliable assurance of integrity from the moment the document is first generated in its final form. The bank should therefore preserve, as a single evidentiary package:

- the executed electronic document in its native form;

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- signatory identity and the KYC or authentication event that preceded the signature;
- date, time and, where appropriate, time-stamp;
- document version and hash or equivalent integrity evidence;
- signature metadata and, where used, certificate information;
- the complete audit trail of generation, presentation, authentication, signature, counter-signature and finalisation; and
- storage location and reproduction capability sufficient to satisfy section 6.

Retention must be integrated with the bank's records-management framework. An electronic signature that cannot be reproduced, or whose underlying logs have been overwritten, is an operational success and an evidentiary failure.

D. Bind signing to identity and to the authority matrix

A signature is only as good as the identification and authority behind it. For natural persons, the signing event should sit on top of the bank's KYC stack — NADRA verification, biometric where required, multi-factor authentication, device binding and session controls. For companies, the question is not only "did this individual click?" but "was this individual authorised to bind the company, alone or jointly, for this class of document?"

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Where a mandate requires two authorised signatories jointly, the platform must enforce the mandate: document generated; Signatory A authenticates and signs; authority is re-checked; Signatory B authenticates and signs; both signatures are verified; the document is finalised and locked. A system that allows a single user to complete a dual-mandate instrument is not an electronic-signature system. It is a control failure dressed in modern clothing.

E. Use accredited infrastructure where the risk justifies it

The ETO establishes the Electronic Certification Accreditation Council and a framework for certification service providers. Accreditation is not compulsory for every electronic signature. It is, however, the route to the section 9 presumption and to the higher assurance that high-value and high-risk documents require. Before selecting a provider, the bank should verify current accreditation, the certification practice statement, certificate life-cycle and revocation procedures, time-stamping standards, and the provider's ability to support litigation production years after the event.

Foreign or unaccredited solutions may still produce a valid electronic signature under section 7. They will not automatically deliver the section 9 presumption. That distinction should be written into the policy, not discovered in a witness box.

F. Write an electronic-evidence protocol before the first dispute

The bank must be able to demonstrate, from system records and without reconstructing folklore: who signed; what was signed; when; how the signer was

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authenticated; whether the signer was authorised; whether the document was altered after signature; which version was signed; what system generated the record; where it was stored; and whether it can be reproduced in a legible and complete form. That protocol should be tested in a mock production exercise with Legal, Internal Audit and Information Security before any customer-facing rollout. Section 8 and Article 78-A will not forgive a bank that cannot prove the security procedure it says it applied.

G. Governance, pilot and rollout

Implementation should be treated as a controlled change programme, not as an IT upgrade. A joint committee of Legal, Compliance, IT, Cybersecurity, Operations, Internal Audit, Risk, Information Security, Business Units and Records Management should own the policy, the matrix and the evidence protocol. Board approval of the policy is appropriate given the litigation and conduct risk.

A sensible sequence is: board approval of policy; legal document mapping; classification of signature levels; integration with identity and KYC systems; encoding of the authority matrix; selection and configuration of the platform; construction of the audit and evidence trail; secure retention; legal and cyber audit; then phased rollout — first internal approvals, then low-risk customer forms, then corporate documentation, then financing documentation, and only thereafter any high-value instrument that survives the Class C filter. After each phase, the bank should test legal validity, security, auditability and reproduction.

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VI. Recommendations

The following recommendations are offered for adoption by bank boards, legal departments and implementation committees.

1. Treat the ETO as enabling law, not as a blanket repeal of paper. Electronic execution is legally available unless a specific exclusion, statute, regulation, instrument or contract requires otherwise.
2. Retire the scanned-and-pasted signature as a primary execution method. It is not an electronic-original system and will not carry the evidential weight that sections 5, 8 and 9 and Article 78-A contemplate.
3. Approve a written Electronic and Digital Signature Policy covering scope, signature levels, identity verification, corporate authority, audit trails, integrity, retention, revocation, cybersecurity, evidentiary production, and the allocation of responsibility among Legal, Compliance, IT, Risk and Records Management.
4. Complete a document-by-document legal matrix classifying every signing process as Class A, B or C, with particular attention to section 31 instruments, stamp duty, registration and security perfection.
5. Apply a risk-based signature standard: controlled electronic signatures for low-risk internal acts; enhanced electronic signatures with strong KYC for customer onboarding; advanced electronic signatures, preferably through an accredited

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certification service provider, for high-value financing and other high-risk documents.

6. Integrate signing with the KYC stack and with the bank's authority matrix so that dual and joint mandates are enforced by the system rather than by after-the-fact checking.

7. Preserve the electronic original and a complete audit trail, and align retention with section 6 and with SBP record-keeping expectations, including those already familiar from electronic funds-transfer regulation.

8. Align the programme with SBP's digitization direction, and implement secure digital-signature execution of SME e-agreements as required by Regulation R-14 of the SME Prudential Regulations.

9. Do not electronicise promissory notes, cheques, powers of attorney, testamentary instruments, or contracts for the sale or conveyance of immovable property unless and until a section 31(2) notification so permits, and even then only after a fresh legal opinion.

10. Obtain a transaction-class legal opinion before removing wet-ink execution from any document family, and revalidate that opinion when the ETO, SBP directions, stamp rules or product terms change.

11. Pilot, test evidence reproduction, and only then scale. A signature platform that cannot be explained to a court is not a legal control.

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VII. Concluding Legal Proposition

The Electronic Transactions Ordinance, 2002 provides a statutory basis for recognising electronic documents, records, transactions and electronic signatures. Banks can therefore transition appropriate paper-based processes to electronic execution, provided that the relevant transaction is not subject to a specific exclusion or additional legal requirement, and provided that the bank implements appropriate authentication, integrity, authorization, retention, security and evidentiary controls.

That proposition is deliberately conservative. It is also, in the author's view, the only proposition that a responsible bank counsel can give. The law has been ready since 2002. The supervisor is now requiring digital execution in defined product lines. The remaining work is not legislative. It is institutional: policy, classification, identity, authority, integrity and proof. Banks that do that work will reduce cost, accelerate service and enter the courtroom with a record. Banks that merely paste a scanned signature onto a PDF will have digitised the appearance of progress and none of its legal substance.

VIII. Key Provisions for Ready Reference

- ETO, s. 2(n) — definition of electronic signature.
- ETO, s. 2 — definition of advanced electronic signature and security procedure.

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- ETO, s. 3 — legal recognition of electronic forms; no denial merely because electronic or unattested.
- ETO, s. 4 — electronic form satisfies a writing requirement if accessible for subsequent reference.
- ETO, s. 5 — original-form requirement and integrity.
- ETO, s. 6 — electronic retention.
- ETO, s. 7 — electronic and advanced electronic signatures satisfy a signature requirement.
- ETO, s. 8 — proof of electronic signature.
- ETO, s. 9 — presumption relating to advanced electronic signatures.
- ETO, s. 10 — stamp duty transitional provision for electronic instruments.
- ETO, s. 31 — exclusions (negotiable instruments, powers of attorney, trusts, wills, conveyances of immovable property).
- ETO, s. 33 — overriding effect.
- Qanun-e-Shahadat Order, 1984, Art. 73, Explanations 3 and 4; Art. 78-A — electronic documents as primary evidence and proof of security procedure.
- SBP Prudential Regulations for SME Financing, Regulation R-14 — digital onboarding and e-agreements on secure digital-signature platforms.

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Disclaimer

This article is an implementation-oriented legal analysis based on the Electronic Transactions Ordinance, 2002, the Qanun-e-Shahadat Order, 1984, and published SBP directions as they stood at the date of writing. It is not a substitute for a transaction-specific or institution-specific legal opinion. Before a bank eliminates wet-ink execution for a particular document class, counsel should verify the current text of the ETO, applicable SBP circulars and prudential regulations, the nature of the transaction, any statutory exclusions, and requirements under other applicable Pakistani laws. Views are those of the author and do not constitute legal advice to any unnamed institution.

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