

15th September, 2004

STATE BANK'S CLARIFICATION

A report which appeared in a section of the press today says that the American Express Bank has decided to close its operations in the wake of State Bank's decision to enhance the minimum capital requirement to Rs.2 billion for a banking licence and some other foreign banks are contemplating to exit from Pakistan on similar ground.

Our understanding is that American Express Bank has taken the strategic decision to exit worldwide from corporate lending business and to focus on certain key predominantly developed core markets. Accordingly, we understand that they have revisited their strategies for emerging markets and are exiting from some such markets.

The reported decision of American Express Bank is, therefore, unlikely to have been influenced by the recently announced increase in capital requirements by SBP as well reputed leading foreign banks with high international credit rating and strong head office capital base face no problems in meeting the increased capital requirements in Pakistan or any other country of the world.

The past experience of Pakistan clearly demonstrates that no foreign bank of high repute have ever exited on the grounds of capital requirements. In almost all cases, the decisions were based on the changed corporate strategy.
