



External Relations Department

ERD/M&PRD/PR/01/2020-80

July 29, 2020

SBP issues instructions for promotion of Islamic Banking

Keeping in view the significant potential of Islamic Banking Windows (IBWs) in enhancing the share and outreach of Shariah compliant financial services and increase in financial inclusion, SBP has issued today revised instructions for banks to expand the scope of operations of IBWs. IBWs can now offer all types of financing products to their customers including Corporates, SMEs, Agriculture, Housing, and Consumers. However, this facility is subject to the condition that respective IBW branch shall be converted into full-fledged Islamic banking branch within a period of three years. For details: <http://www.sbp.org.pk/ibd/2020/C2.htm>

At present, Islamic banking products and services are being offered by full-fledged Islamic banks, Islamic banking subsidiaries and Islamic banking branches of conventional banks after getting approval/license from SBP. Conventional banks can open IBWs, which are dedicated counters in conventional branches, after getting permission from SBP; however, these were not allowed to offer any financing products. With 1,400 IBWs of 11 banks currently operational in the country, their potential to improve access to finance will increase significantly. Further, it will contribute towards increase in financial inclusion through provision of Shariah compliant financing facilities to vast majority of population.

The revised instructions also incorporate different amendments or additions to existing regulations and include policy formulation on IBWs, submission of annual IBWs expansion plan, physical setup & display requirements for IBWs, opening & closure of IBWs, their fee structure, and revisions in reporting requirements. These revised instructions will supersede all previous instructions issued on IBWs by SBP from time to time.

It is expected that this new policy measure will contribute towards achieving the targets set under National Financial Inclusion Strategy for Islamic banking, which envisages attaining a share of 25% percent in total assets and deposits of the banking industry and 30% share in total branch network of the industry by the end of 2023.
