



External Communications Department

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SBP Awards In-principle Approval to Five Proposed Digital Retail Banks

In a bid to foster innovation, financial inclusion and availability of affordable digital financial services, State Bank of Pakistan (SBP) has granted In-Principle Approval (IPA) for establishing five digital retail banks, namely HugoBank Limited, KT Bank Pakistan Limited, Mashreq Bank Pakistan Limited, Raqami Islamic Digital Bank Limited and Telenor Microfinance Bank Limited. It may be recalled that SBP issued NoCs to five successful applicants for establishing digital banks in Pakistan in January 2023. After the fulfillment of the necessary requirements, these entities have now been granted in-principle approval to prepare themselves operationally to launch the digital financial services.

Today, in a momentous ceremony at SBP Museum Building in Karachi, Governor SBP, Mr. Jameel Ahmad awarded IPAs to the five proposed digital banks. This event was attended by sponsors of proposed DRBs, CEOs of incumbent banks, Payment System Operators (PSOs)/ Payment System Providers (PSPs), Electronic Money Institutions (EMIs), Fintechs and SBP's top management.

During his keynote address, Governor SBP highlighted the significance of the initiative of introducing DRBs in the country, its profound benefits to the financial system and some of the key challenges faced by such genre of financial players. Mr. Jameel also mentioned a few other important regulatory initiatives in support of building a digital financial ecosystem and assured that SBP is fully committed to support various stakeholders for a bright, innovative, and digitally empowered future of banking in Pakistan.

Mr. Jameel assured the financial fraternity of SBPs commitment to make financial system more inclusive, more innovative, and more responsive to the needs of the citizens of Pakistan. He also shared his expectations that post operational commencement, digital banks will help developing a digital ecosystem, foster a new set of customer experience, provide affordable digital financial services including credit access to unserved and underserved segments of the society.

Earlier, while welcoming the participants, Dr. Inayat Hussain, Deputy Governor, State Bank of Pakistan highlighted that these IPAs shall enable the proposed DRBs to proceed further with respect to achieving operational readiness in all their functions, including governance, risk management, capital requirements, compliance and audit, consumer protection, business continuity, cyber security, product development, deployment of technological infrastructure, formulation of relevant policies, processes & procedures.

The sponsors of proposed DRBs also shared their thoughts during the program. While welcoming SBP's landmark initiative, proposed DRBs' sponsors highlighted that SBP's framework for digital banks served as a comprehensive guidepost throughout the required journey of setting up digital banks in Pakistan. They were of the view that besides having its own challenges, Pakistan is full of investment opportunities wherein digital banks would offer a faster, cheaper and an efficient solution for meeting financial needs of the unserved and underserved segments of the society. They were confident that digital banks will become an essential part of the financial ecosystem, enhancing market efficiencies, providing access to a wider range of financial services, and thereby, advancing the broader agenda of financial inclusion.

Earlier this year, SBP issued "No Objection Certificate (NOC)" to the proposed DRBs mentioned above allowing them to incorporate as a Public Limited Company with Securities and Exchange Commission of Pakistan (SECP). These institutions were selected after a thorough and rigorous evaluation process based on a comprehensive set of parameters including fitness and propriety, experience and financial



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strength; business plan; implementation plan; funding and capital plan; IT and cybersecurity strategy and outsourcing arrangements.

Upon attaining the operational readiness, these institutions will be required to seek approval of SBP for commencement of their operations.
