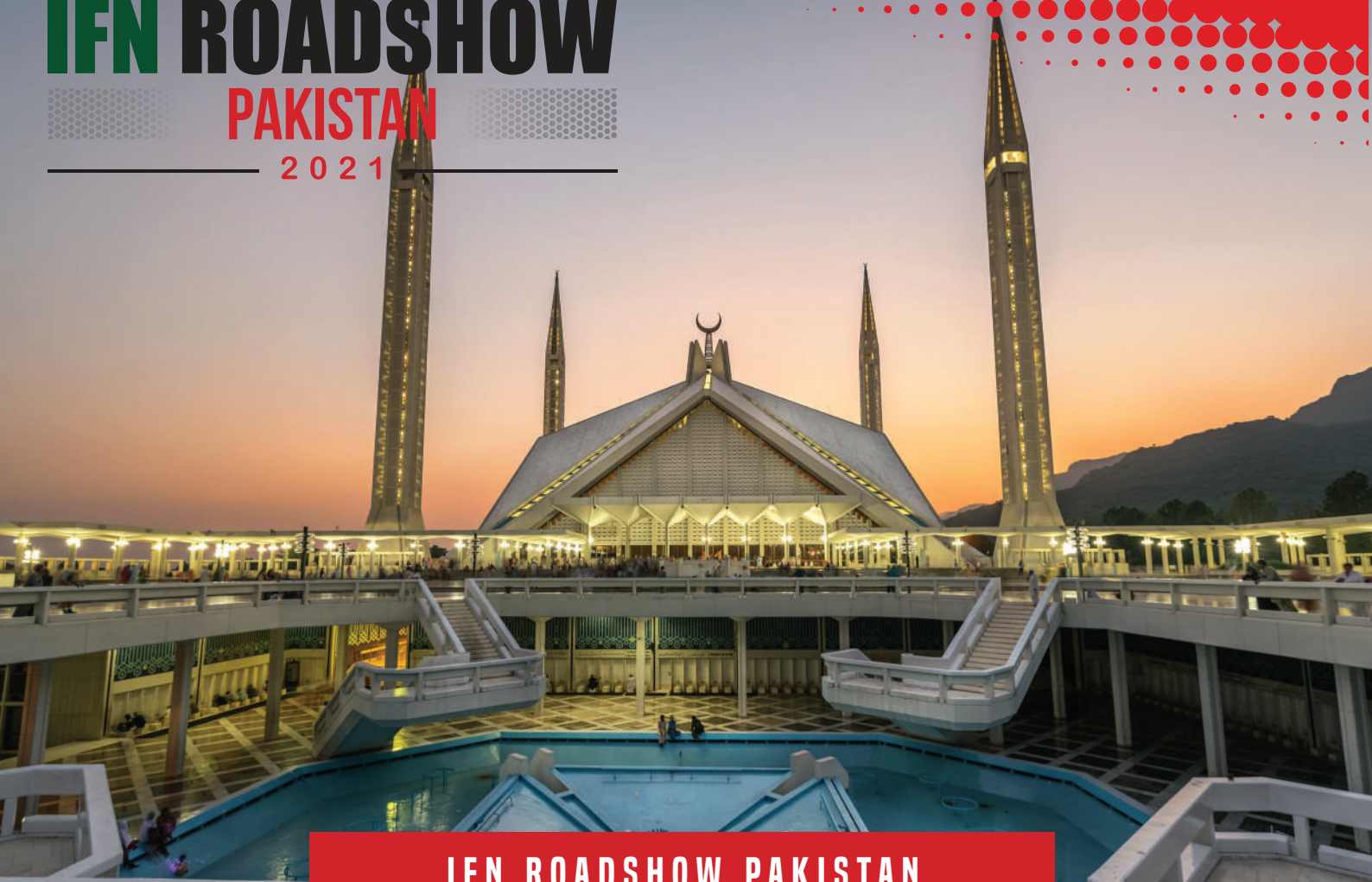


IFN ROADSHOW

PAKISTAN

2021



IFN ROADSHOW PAKISTAN

17TH JUNE 2021

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Keynote Address:



Ghulam Muhammad Abbasi —
Director Islamic Banking Department,
State Bank of Pakistan

New Opportunities for Islamic Finance in Pakistan

Panelists:



Yavar Moini — Senior Investment
Officer, International Finance
Corporation (*Moderator*)



Ahmed Ali Siddiqui — Group Head - Shariah
Compliance, Meezan Bank



Ghulam Muhammad Abbasi —
Director Islamic Banking Department,
State Bank of Pakistan



Mufti Irshad Ahmed Aijaz — Chairman, Shariah
Advisory Committee State Bank of Pakistan and
Chairman, Shariah Advisory Committee Securities &
Exchange Commission of Pakistan



Tayyaba Rasheed — Head - Investment
Banking Group, Corporate &
Investment Banking, Faysal Bank

IFN concludes its first series of the IFN Roadshows in 2021 with a highlight on Pakistan, home to the world's second-largest Muslim population. To date, there are five fully-fledged Islamic banks and 21 Islamic windows offering products and services.

The State Bank of Pakistan has set the ambitious target for the country's Islamic banking assets to reach a 30% market share by 2025 from 17% last year, an astounding growth of 76%. The five-year strategic plan, which was released in April this year, is focused on several key areas of growth. The government and the State Bank of Pakistan are working toward better supporting SMEs in the nation through providing a greater variety of products and services in this category.

Pakistan is also taking proactive steps through its existing Green Banking Guideline to turn it into mandatory instructions for all banks. This is part of its efforts in supporting the five-year strategic plan and observing the UN Sustainable Development Goals.

The discussion focused on all the key areas that will influence the growth of Islamic banking in Pakistan such as:

- Creating greater market awareness — more effort is required from all key stakeholders to further educate the market about Islamic finance and differentiate it from conventional finance.
- Developing Shariah compliant Sukuk markets — greater government issuance is required to enable Islamic financial institutions to efficiently manage their liquidity. Product innovation through the issuance of green Sukuk should also occur.
- Digital financial services — these present considerable opportunities for Islamic financial institutions to expand outreach and increase their customer base. New partnerships between Islamic financial institutions, fintechs and e-commerce platforms could be developed through embedded finance to improve access to finance for SMEs.
- Gender finance — this is consistent with the State Bank of Pakistan's focus on promoting greater financial inclusion for women and an area where there is an opportunity for Islamic financial institutions to tailor their products based on sex-disaggregated data.

Dr Scott Levy



Dr Scott Levy is CEO of Bedford Row Capital.

Islamic finance in Pakistan has become strategically significant with a market share of over 18.2% which is expected to grow to 30% by 2025. In 2020, despite the challenges posed by COVID-19, the industry grew by 30%.

One of the areas of significant growth is the area of sovereign Sukuk and quasi-sovereign Sukuk with issuances worth over PKR750 billion (US\$4.75 billion) issued from April 2020 to date. Sukuk issuance has not only helped the government to reduce the cost of borrowing but also helped in the growth of Islamic banking and financial inclusion.

Ahmed Ali Siddiqui



The intrinsic real asset-based structure of Sukuk also makes them ideal instruments to promote sectors of the real economy like housing, agriculture and SMEs. It is high time that even conventional banks need to change by stepping away from interest bonds, derivatives and toxic assets and focus on real sectors.

Innovative Sukuk structures like Salam-based Sukuk for agriculture, green Sukuk to promote green and renewable energy and hybrid structures for the promotion of tourism and SMEs will be instrumental in increasing public-private partnership.

Another emerging trend is the digitization trend in Pakistan for the Islamic banking sector. COVID-19 has proved to be a blessing in disguise and has accelerated the adoption and digitization of the economy with the use of electronic channels witnessing a growth over 100% at Islamic banks.

Islamic banks now need to focus on digital onboarding, digital credit and data analytics to enhance the reach of Islamic finance to a wider audience which is much needed in Pakistan with a 98% Muslim population.

Ahmed Ali Siddiqui is the group head of Shariah compliance at Meezan Bank.

TESTIMONIALS

HIFDZI HAMZAH, HIFDZI SALMIAH KEE HANISAH & CO “Really benefited all Islamic finance players.”		RAHMAT ULLAH, IBA CENTRE FOR EXCELLENCE IN ISLAMIC FINANCE “It was good enough.”	
MUFTI SYED ZAHID SIRAJ, AL BARAKA BANK (PAKISTAN) “It was good and well managed.”		ALIZAIN WAHAB, SINDH BANK “The forum was quite interesting and its frequency may be increased.”	
ASLAM NAVAID, INTERNATIONAL FINANCE CORPORATION (IFC) “Amazing event.”		IMRAN AHMAD, STATE BANK OF PAKISTAN “This was a very-well managed forum with experienced speakers. Various topics of current importance were discussed at large. Suggestions were also discussed. I wish IFN all the more success in future.”	
NOR NASYRIQ SALEH, HIFDZI SALMIAH KEE HANISAH & CO “Good input.”			

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Pakistan: A strong push for Islamic finance

Having the second-largest Muslim population in Asia after Indonesia, Pakistan is a key Islamic financial market in the region. NESSREEN TAMANO provides an overview of the developments in the Shariah finance industry of the country, which has revived its plan to push for a fully Islamic financial system.

Regulatory landscape

Islamic banking was formally established in Pakistan in 1977, making it one of the earliest Muslim nations to practice it. The State Bank of Pakistan (SBP) regulates both the conventional and Shariah banking sectors, while the Securities and Exchange Commission of Pakistan (SECP) oversees the Islamic capital market and the Takaful sector.

The Shariah Governance Regulations 2018, issued in November of that year, include guidelines on Shariah compliance certification, comprehensive screening for both listed and unlisted companies, internal and external auditing, income purification and a charity distribution mechanism. It also requires Shariah compliant businesses to secure approval from the SECP before running operations.

In 2019, the third iteration of the Strategic Plan 2019–25 by the SBP, which focuses on increasing the share of Islamic banking with updated legal and regulatory frameworks, was launched. Prime Minister Imran Khan also approved the five-year National Financial Inclusion Strategy, which has provisions to develop Islamic banking to broaden existing levels of financial inclusion in the country.

In 2020, the Pakistani National Assembly's Standing Committee of Finance formed a special committee to expedite the implementation of a fully Islamic financial system. A comprehensive plan to eliminate Riba from the country's largely conventional financial industry is currently in the works.

This year, the regulator issued new guidelines on Gender Bonds, to encourage the issuance of Sukuk and bonds that support and empower women as well as drive financial inclusion.

Banking and finance

There are five fully-fledged Islamic banks (Al Baraka Bank Pakistan, BankIslami Pakistan, Burj Bank, Dubai Islamic Bank Pakistan and Meezan Bank) and 16 conventional banks with stand-alone Islamic banking branches. Faysal Bank is in the process of converting into a fully-fledged Islamic bank.

Islamic banking assets and deposits in the country increased by 30% and 27.8% respectively in 2020 – the highest growth in assets since 2012 and in deposits since 2015, according to the SBP's latest report. Islamic banking assets commanded 17% of total banking assets, while Islamic banking deposits held an 18.3% market share.

The apex bank, in February 2019, launched three Islamic refinancing schemes catering to the SME, agriculture and renewable energy sectors to provide long-term, cheaper liquidity.

In 2020, it introduced Islamic Naya Certificates — sovereign investment papers reserved for non-resident Pakistanis that are available through an exclusively digital process. The Pakistan Stock Exchange also launched the country's first Shariah compliant exchange-traded fund (ETF), the Meezan Pakistan ETF.

Capital market

The Pakistani Islamic capital market is active; the SECP regularly publishes a list of Shariah compliant issuances in the Pakistani Islamic capital market. Since 2020 to date, five corporate Sukuk facilities were issued (by Pak Electron, BankIslami Pakistan, K-Electric, Hub Power Company and Pakistan Mortgage Refinance Company).

The government has also tapped the Islamic market since 2019 to help reduce the nation's circular debt, which is estimated at PKR1.4 trillion (US\$8.72 billion), issuing Sukuk through its SPV Power Holding. It is also looking at Sukuk issuances to support infrastructure projects throughout the country.

In the past year, the government has been mulling the issuance of a dollar Sukuk worth between US\$750 million and US\$1 billion that has yet to be finalized as stakeholders continue discussion on which property to use as an underlying asset for the issuance.

Takaful

The Islamic insurance sector, which includes Takaful operators and conventional insurers with Islamic units, is governed by the SECP with dedicated regulations. There are three fully-fledged Takaful operators and 21 Islamic windows in the market. In late 2018, the SECP granted approval to state-owned Pakistan Reinsurance Company to establish the first re-Takaful window in the country.

Outlook

The regulators play a major role in the development of the Islamic finance industry in Pakistan, and they have — particularly the central bank — been active in the past year in nurturing the Shariah sectors. The new committee especially formed by the government to push for a fully Islamic financial system is expected to support the government's target of having the Islamic deposit pool make up 30% of the whole pool by 2025, with Islamic banks taking a 35% share of the branch network as well.

Overall Evaluation Online Event

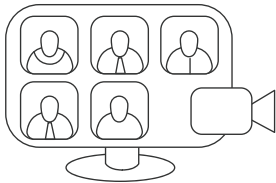


Speakers



Breakdown Delegate

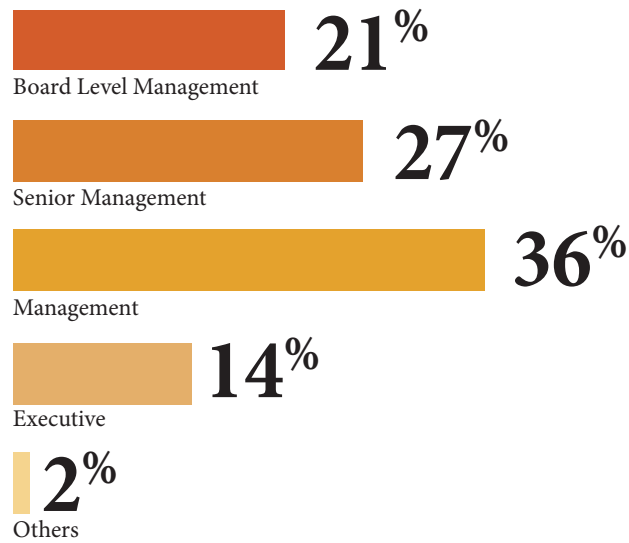
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Delegates



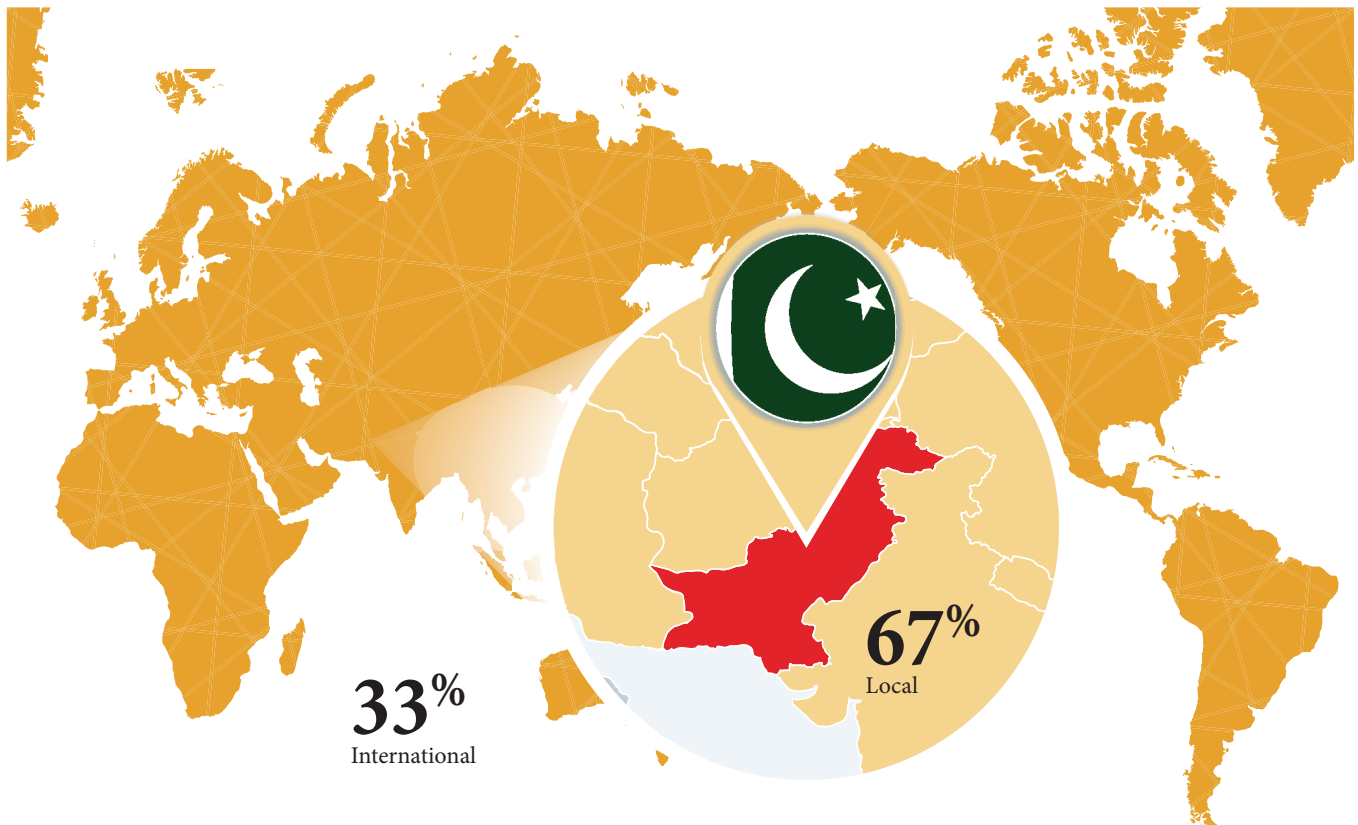
■ ONLINE CONFERENCE ■

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Speakers

Job Title

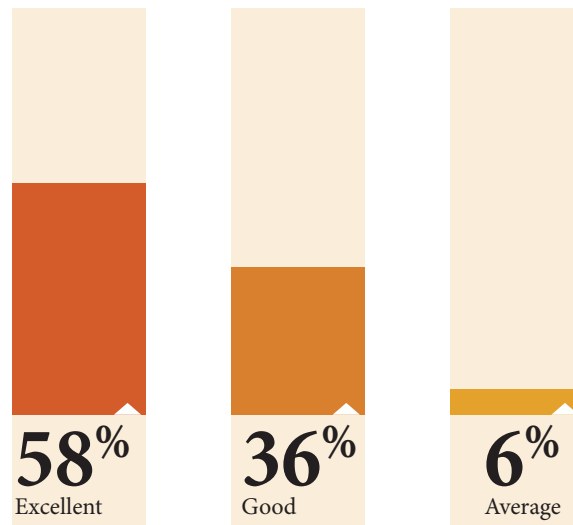


International & Local



Session Evaluation

New Opportunities for Islamic Finance in Pakistan



Delegates Who Would Like to Attend IFN Pakistan OnAir Roadshow 2022



Viewership



ABL	Habib Metroplitan Bank	Rahman Global Socioeconomic Systems
AESI	Hamad Bin Khalifa University	Riphah International University Islamabad
AH Public Accountants	Hammad & Al-Mehdar Law Firm	Sakeenah Group
Al Baraka Bank (Pakistan)	HBL	Sakher El-Jabalayen
Al Emaan Institute	HBM Sirat	SAL Group
Al Hilal Shariah Advisors	Hidaya academy	Salaam Gateway
Al Meezan Investments	Hifdzi Salmiah Kee Hanisah & Co	Salaam Takaful
Allen & Overy	Hormuud Telecom	Salim Habib University
Allied Bank	Huriya Gold	Samina Farm Products
Alliott Management Consultancy	IBA Centre for Excellence in Islamic Finance	Saudi Real Estate Refinance Co
AlMeezan Investment Management	IdealRatings	Securities and Exchange Commission of Pakistan
Apel Asset	Institute of Business Administration Karachi	Segi
Arka Projects Strategic Planning	International Finance Solutions Associates	Shariah Advisory Committee Securities & Exchnage Comission of Pakstan
ASA Philippines Foundation	International Finance Corporation (IFC)	Siemens Pakistan
Askari Bank Ikhlas Islamic Banking	Islamic Development Bank ICIEC	Sindh Bank
Azimut	Jadwa Investment	Soneri Bank
Bakht Asset Management	Jamia Anwar Ul Quran	Spektr Konsalt
Bank Al Habib	Jamia Ashraful Uloom Gaggoo Mandi	Squire Patton Boggs
Bank Alfalah Islamic Banking	KFH Capital Investment Company	Standard Chartered Bank
Bank Dhofar, Maisarah Islamic Banking Services	Kolej Universiti Islam Antarabangsa Selangor	State Bank of Pakistan
Bank of Khartoum	Kuveyt Turk Katılım Bankası	TAIF
Bankislami Pakistan	MBL	Tejara Capital
BSA Al Rashdi & Al Barwani Advocates & Legal Consultants	MBSB Bank	The Bank of Punjab (Taqwa Islamic Banking)
Bursa Malaysia	MCB Islamic bank	The Institute of Cost and Management Accountants of India
Capital Market Authority	Meezan Bank	Travel Consultant International Lahore Pakistan
CIBES	Mehr Iran Bank	Türkiye Finans
CIMB Islamic Bank	Messrs Hifdzi Salmiah Kee Hanisah Co	University Malaya
Clifford Chance	MICFIB	University of Benin
Commecs Institute of Business and Emerging Sciences CIBES, Karachi	MIDF Amanah Investment Bank	University of Management and Technology
Cykube	Mustaqeem Islamic Banking	University of Swat
Dawat-E-Islami	Mutual Funds Association of Pakistan	UzbekLeasing International
Dawood Family Takaful	National Assembly	Vakif Katlim
DDcap	National Bank of Pakistan	Van Vollenhoven Institute, Netherlands
Emaan Islamic Banking, Silkbank	NED University	Wahed Invest
Faysal Bank	Norton Rose Fulbright	Waseda University
FINEOPOLIS Consulting	NZM Solutions	Yasaar
FWU-AG Pakistan	Olivestouch Technologies	Zarai Taraqiati Bank
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