

State Bank announces facility to bolster forex

KARACHI: Overseas Pakistanis will now be able to operate digital accounts in their motherland while sitting abroad, State Bank of Pakistan (SBP) Governor Dr Reza Baqir has announced, in a move that is aimed at attracting investment from the diaspora to bolster foreign exchange reserves.

Speaking to Bloomberg on Tuesday, Dr Baqir said the new facility, called the "Roshan Digital Accounts," will be available to the nine million non-resident Pakistanis next week, allowing them to invest money in local stock markets, buy government bonds and securities, and avail basic banking services.

The SBP boss added that at present, at least eight Pakistani banks will facilitate the Roshan Digital Accounts and allow overseas Pakistanis to deposit funds in either US dollars or Pakistani rupees. Moreover, the PTI-led government is also expected to launch debt certificates with at least five different maturity periods and 5-7% and 9-11% returns on the dollar- and rupee-denominated ones, respectively.

Noting that Pakistan's diaspora constituted a large number of individuals, Dr Baqir told the publication that most of them were "outside the financial system". "We are one of the few countries in the region who have provided this digital on-boarding of the diaspora," he said. "I want to emphasize on short tenor because if somebody wants to dip their toes, test the system, and take money out.

"We want people to do it because that's the only way you will get confident" about the new system, he added.

The new initiative is different — and convenient — in the sense that a non-resident would have had to visit the consulate or embassy to open a bank account earlier. While that was possible, direct access to the Pakistan Stock Exchange was not allowed.

The foreign capital-hungry South Asian country considers remittances from its diaspora key to its economy, given that the revenue from its exports last year was just \$2 billion shy of the \$23 billion that poured in the same period, ending June.

Furthermore, overseas Pakistanis sent a record \$2.77 billion in July, indicating a \$0.74-billion, or 36.5%, improvement compared to July last year, the SBP had announced last month, terming it the "highest ever recorded workers' remittances in a single month".

The central bank had also underlined that remittances rose 14.3% since the coronavirus outbreak in February, as opposed to the comparable period last year. Interestingly, however, the latest development by Pakistan is not something unique for India already introduced such an initiative — a discounted swap window — in 1998 and 2000 in a bid to lower the pressure on the rupee