

Deposit protection mechanism for IBIs

KARACHI: Following the cyber attack on BankIslami, the SBP has formed a Shariah-compliant deposit protection mechanism for Islamic banking institutions.

The State Bank of Pakistan on Monday informed the executives of Islamic banking institutions (IBIs) that this deposit protection mechanism will perform as a subsidiary of SBP.

Its objective is to protect depositors and compensate them to the extent of their protected deposits in the event of failure of a member bank, said the SBP.

A Shariah-compliant mechanism of deposit protection with respect to Islamic banking, duly approved by SBP's Shariah Advisory Committee, is provided under the scope of Deposit Protection Waqf.

The Waqf will provide a Shariah-compliant mechanism for protected depositors of Islamic banking up to an amount prescribed under Section 7(1) of the Banking Act, said the SBP.

Its members/participants will include IBIs and Islamic subsidiaries and branches of conventional banks. Rs1 million have been allocated towards this as seed money, to be approved by the Waqf board.

Member institutions will participate in the Waqf through premium contributions which will then become the property of the new body.

The Newspaper's Staff Reporter