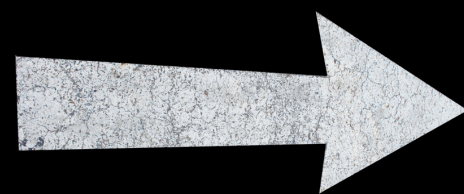




A summary of a good

DIGITAL BANK LICENSE FRAMEWORK

- A Pakistan case study
- Key-points for aspiring digital banks & talent
- How to get a digital bank license in Pakistan



SED

RED

A digital bank is a bank which offers all kinds of financial products & services primarily

THROUGH DIGITAL PLATFORMS

instead of physical branches.

LICENS



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The recipients of digital bank licenses

MUST
PROMOTE
FINANCIAL
INCLUSION,



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They must provide

CREDIT ACCESS

TO THE

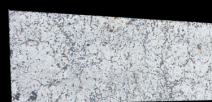
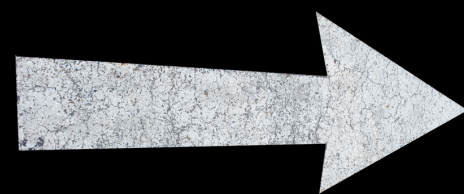
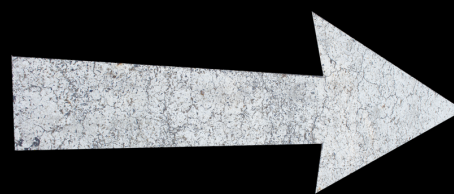
UNSERVED &

UNDERSERVED

population,



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They must provide

PROVIDE AFFORDABLE & COST- EFFECTIVE

digital financial services



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6/21



They must encourage the application of

FINANCIAL TECHNOLOGY

(FinTech), and

INNOVATION

in banking



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7/21



They must foster a new set of

CUSTOMER EXPERIENCES,

and



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They should further

DEVELOP THE
DIGITAL
ECOSYSTEM.



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The two types of digital bank licenses in this digital bank license framework are:

DRB

Digital Retail Bank

and

DFB

Digital Full Bank



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DRB

Digital **Retail** Banks focus on retail customers

DFB

Digital **Full** Banks focus on retail customers, SMEs, businesses & corporate entities.



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The Minimum Capital Requirement for DRBs is:

- 5.5m USD in the pilot phase
- It will increase to 14m USD over 3 years

This is much better than the 500m USD capital requirement digital banks face in other countries.



12/21



DRBs may graduate to receive a DFB
license subject to capital requirement
fulfillment & satisfactory two-year
progress reporting.





The framework is designed for setting-up of a new digital bank, however, based on a viable business case & satisfactory Digital Financial Services (DFS) experience, traditional banks & Micro Finance Banks (MFBs) may ask to convert their institution into a digital bank.





WHO CAN SPONSOR A DIGITAL BANK LICENSE APPLICATION IN PAKISTAN?



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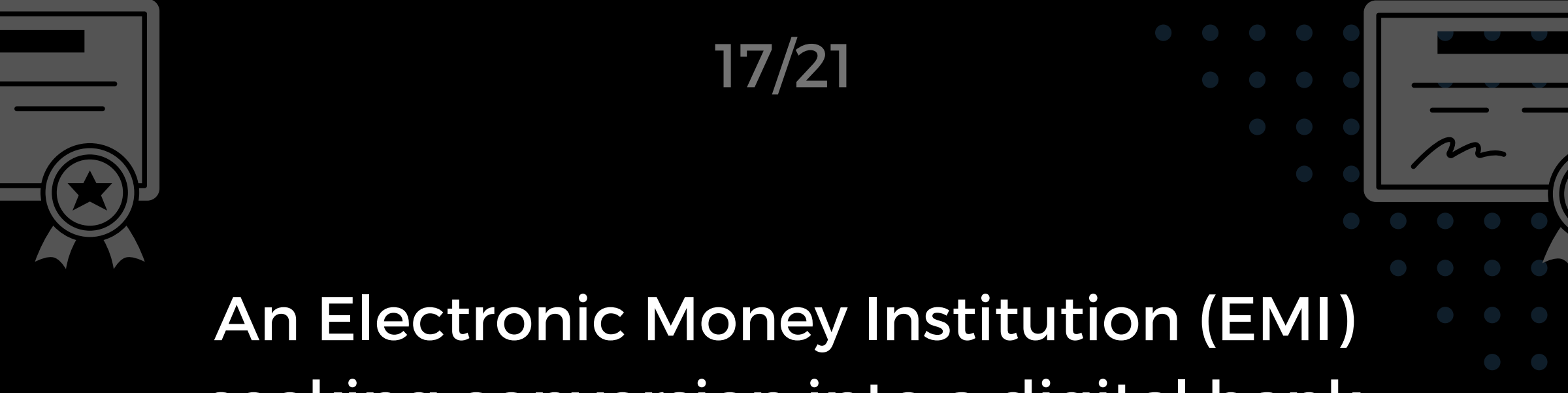
**A traditional bank with a minimum of
1 year experience in delivering Digital
Financial Services (DFS) in the retail
customer segments.**





An international bank or international DFS entity with a successful track record of 3+ years of delivering DFS in the retail customer segments.





An Electronic Money Institution (EMI) seeking conversion into a digital bank with a minimum of one-year experience in delivering DFS in the retail customer segments.

EMIs are entities that offer innovative, user-friendly and cost-effective low-value digital payment instruments like wallets, prepaid cards, and contactless payment instruments.

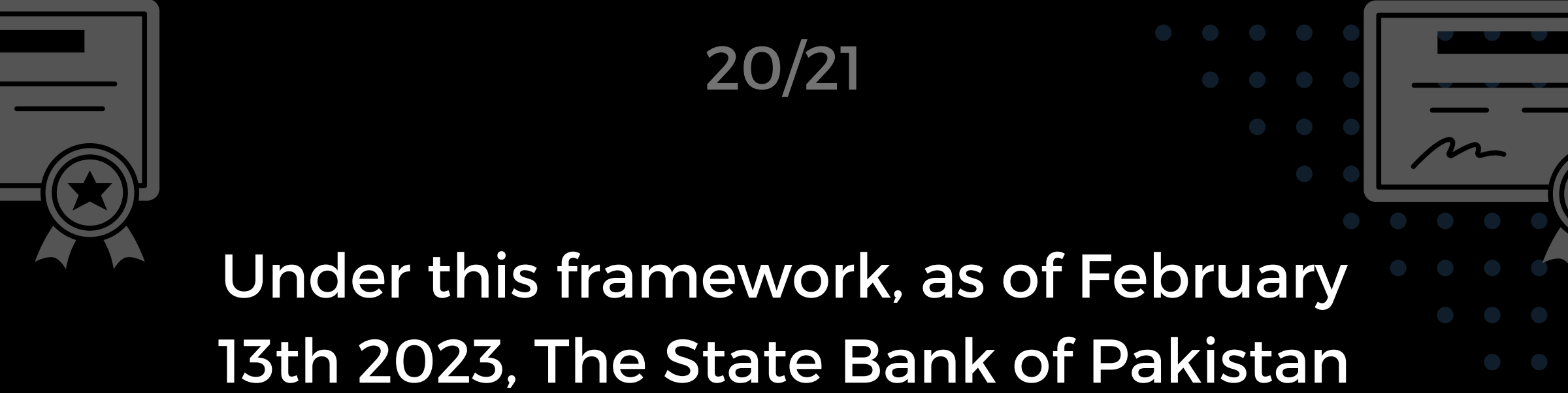


Majority stake holders in or those exercising control over a MFB (Micro Finance Bank), EMI (Electronic Money Institution), international bank or international DFS entity having a successful track record of 3+ years of delivering DFS in the retail customer segments.



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Any person with a minimum of 3 years of experience in the financial services, financial technology, telecommunication, merchant aggregation technology platforms, Information Communication Technology (ICT), or other pertinent digital or innovative financial & non-financial domains. Minimum of 5% equity in the proposed digital bank.



Under this framework, as of February 13th 2023, The State Bank of Pakistan has issued five Digital Bank licenses to Easy Paisa DB, Hugo Bank, KT Bank, Mashreq Bank, and Raqami.

Great job Pakistan.

This framework can be a reference point for countries that are yet to create their digital bank license frameworks.



If you need help building a digital bank, feel free to contact me.



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Source: <https://www.sbp.org.pk/dfs/Digital-Bank-Regulatory.html>

