

Press Release

Dr. Tariq Hassan Addresses Investment Banks Association of Pakistan

Islamabad – December 21, 2005: The Chairman, Securities and Exchange Commission of Pakistan (SECP), Dr. Tariq Hassan has stressed the need to improve the financial health and performance of Non-banking Finance Companies (NBFCs).

In his address at the lunch hosted by Investment Banks Association of Pakistan in Lahore today, Dr. Hassan said “The development of the sector is critical to enhance domestic resource mobilization and to foster competition in the financial sector. A number of Asian countries, including India, Sri Lanka and Bangladesh have achieved rapid savings growth outside the banking system by developing the NBFC sector”.

Dr. Hassan said that in view of the competition faced by NBFCs from commercial banks, development finance institutions (DFIs), brokerage firms, Islamic banking services and accountancy firms offering corporate financial services, the sector is calling for a paradigm shift to embrace the universal licensing regime. “Despite the competition, NBFCs have immense importance in the economy and they meet the credit gap in the borrowing profile,” he added.

The SECP would like to move towards integration through instituting a universal non-banking regime. This will include a universal license, under which NBFCs can undertake all the activities allowed to them simultaneously without the need for applying for separate licences. “In case if one activity is being concentrated, the NBFC will have the choice to decide for obtaining one single-activity based licence. Capital requirements for such a universal non-banking licence are currently being worked out,” he informed.

The SECP Chairman stressed on the need to address challenges posed under the proposed regime, particularly the potential impact of failure of a large organisation on the country’s economy, inflexible procedures, and conflicts of interest. From SECP’s perspective, monitoring and enforcement remained a challenge to be addressed.

Dr. Hassan urged the sector to prepare a supportive human resource development plan to identify new skill requirements for an enhanced competitive international financial services market. He assured full support to initiatives for the development of the market and to provide the necessary regulatory framework for it.