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Cyber-Prompted Frauds and AML/CFT Compliance:

Emerging Challenges for
Pakistan's Financial Sector

The Green Balance Sheet:

Integrating Sustainability
as a Driver of Corporate
Profitability in Pakistan

AI for Better Governance

*How Artificial Intelligence
Is Transforming Tax
Administration in Pakistan*



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Editor

From Digital Transformation to Digital Trust: Governing Technology in an AI-Driven World

As artificial intelligence transitions from an emerging technology to an institutional capability, it is reshaping governments, financial institutions, and businesses through improved decision-making, risk identification, personalized services, and greater operational efficiency. As digital payments, AI-enabled public services, and data-driven decision-making expand, the defining challenge is no longer technological adoption alone, but building trust, accountability, and human capability to ensure that this transformation is sustainable.

This evolution is evident in Pakistan as well. Under the leadership of the State Bank of Pakistan (SBP), initiatives such as Raast, Pakistan's instant payment system, have strengthened the country's digital payment infrastructure and expanded access to formal financial services. The SBP's *Financial Stability Review* (2025) highlights the growing importance of cybersecurity and operational resilience as digital finance becomes increasingly integrated into the financial ecosystem. These developments demonstrate that digital infrastructure is no longer merely a technological investment; it is becoming an essential component of financial stability.

Globally, however, institutions are discovering that successful AI adoption depends on more than acquiring technology. Recent research published in *Harvard Business Review* (2026), based on a study of 523 early-career professionals using AI in real business settings, found that those who created the greatest value from AI were not those who merely relied on automated outputs, but those who critically evaluated and refined AI-generated insights. The findings highlight an important lesson for organizations: AI does not eliminate the need for human judgement; in fact, it makes it even more important. It becomes a critical test of a person's ability, placing a greater onus on the individual to think critically, exercise sound judgement, and remain accountable.

This shift has significant implications for financial institutions, regulators, and public-sector organizations. The question facing institutions is not only what AI can do, but also how AI should be used, monitored, and governed. McKinsey's *State of AI* survey (2025) reflects this challenge. While AI adoption has become widespread, many organizations are still struggling to scale AI and convert experimentation into measurable value. The research indicates that successful AI implementation requires more than technology investment; it depends on redesigning processes, developing capabilities, and aligning leadership around responsible adoption.

For Pakistan, this lesson is particularly relevant. AI offers significant opportunities in areas such as tax administration, regulatory supervision, customer service, and financial crime detection. In the financial sector, these capabilities can further strengthen credit assessment, fraud monitoring, regulatory reporting, and customer protection. However, these benefits require strong governance structures that ensure transparency, accountability, data protection, and, most significantly, human oversight.

At the same time, the expansion of digital ecosystems has created new opportunities for financial criminals. Cyber-enabled fraud, identity theft, phishing attacks, ransomware, and AI-generated impersonation techniques are becoming increasingly sophisticated. The same technologies that enhance efficiency can also be exploited to scale fraud, manipulate identities, and bypass traditional controls. The Financial Action Task Force (FATF) has highlighted cyber-enabled fraud as a growing source of illicit proceeds, emphasizing the need for stronger integration between cybersecurity measures and anti-money laundering and countering the financing of terrorism (AML/CFT) frameworks.

This challenge of trust extends beyond institutions to society at large. The global adoption of AI has revealed a gap between technological use and public confidence. A global study by KPMG and the University of Melbourne (2025), covering more than 48,000 respondents across 47 countries, found that while AI adoption is increasing, trust remains a significant challenge, underscoring the need for responsible innovation, education, and effective control. For emerging digital economies such as Pakistan, building digital trust must become a strategic priority. Investments in AI, cybersecurity, and digital platforms must be accompanied by investments in people, robust governance structures, and institutional capability.

Pakistan's digital future will not be defined only by how quickly institutions adopt new technologies, but by how responsibly they govern them. The institutions that succeed will be those that intelligently synthesize digital innovation with integrity, efficiency with security, and technological advancement with public confidence. In the AI-driven economy, trust will not be a consequence of digital transformation, but the very foundation upon which transformation succeeds. Technology can enhance intelligence, but accountability remains human.

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Contents

THE CONTRIBUTORS



Dr. Zehra Farooq is an economist specializing in tax policy, enforcement design, and the application of machine learning to tax administration. She serves as Secretary, Strategic Transformation, at the Federal Board of Revenue, Pakistan, where she has played a key role in developing the Compliance Risk Management system and the evidence program built around it, including randomized evaluations of AI-based compliance interventions conducted with the World Bank. Her research uses Pakistan's complete administrative tax records to study audit effectiveness and taxpayer behavior. Her work has appeared with the International Growth Centre and Vox Dev.



Owais Ahmed Qureshi is MBA Banking and Finance from KUBS (Karachi University Business School) and has experience of more than 12 years in various Financial Institutions. He is currently serving as Head of Compliance in an insurance company in Pakistan. He is actively engaged in writing articles related to Anti-Money Laundering and its regime globally.



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COVER STORY

12

AI for Better Governance

How Artificial Intelligence Is Transforming Tax Administration in Pakistan

NEWS CORNER

- 05** NIBAF Pakistan CEO
Featured in APABI Focus
- 06** NIBAF Pakistan Highlights
April-June 2026
- 08** NIBAF Pakistan, WWF-Pakistan
Conclude Green Financing Programme



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SNAPSHOT

- 10** NIBAF Pakistan Impact:
FY 2025-26 at a Glance



CYBERSECURITY & FINANCIAL CRIME

- 20** Cyber-Prompted
Frauds and AML/CFT
Compliance:
Emerging Challenges
for Pakistan's
Financial Sector

ESG & SUSTAINABLE ECONOMY

- 28** The Green Balance
Sheet: Integrating
Sustainability as a
Driver of Corporate
Profitability in Pakistan

SBP POLICY REGIME ADD-ONS

- 35** Add-ons to SBP
Policy Regime
(April-June 2026)

READING ROOM

- 40** Rich State, Poor State:
Why Some Countries
Succeed and Others Fail

- 41** Banking as a Service:
Opportunities, Challenges,
and Risks of New Banking
Business Models

- 42** Coming into View:
How AI and Other
Megatrends Will Shape
Your Investments

- 43** World of Opportunity:
Bringing Sustainable
Business to Fragile
Economies

- 44** Think Like a Mathematician:
Simple Tools for Complex
Everyday Problems

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NIBAF PAKISTAN CEO FEATURED IN APABI FOCUS

APABI Focus, the online quarterly newsletter of the Asian-Pacific Association of Banking Institutes (APABI), recently featured a video interview with Ms. Lubna Farooq Malik, Chief Executive Officer, NIBAF Pakistan, in its Q2 2026 edition.

In the interview, Ms. Malik shared insights into the organizational merger of NIBAF Pakistan and its significance in strengthening the Institute's role in banking and financial sector capacity development. She also highlighted NIBAF Pakistan's focus on developing a future-ready financial sector workforce through continuous learning, innovation, and professional development.

The interview further covered NIBAF Pakistan's expanding international cooperation and knowledge-sharing initiatives, particularly in cybersecurity and Islamic banking, and highlighted the importance of strategic partnerships in addressing the evolving needs of the financial sector.

The feature provided an overview of NIBAF Pakistan's evolving institutional direction and its growing engagement with regional and international banking institutes.

The Asian-Pacific Association of Banking Institutes (APABI) is a non-profit regional association established in 1986, bringing together banking and financial sector training institutes across the Asia-Pacific region. It provides a platform for regional cooperation, knowledge sharing, professional exchange, and collaboration in banking education, training and publications. NIBAF Pakistan is a member institution of APABI and actively participates in its regional initiatives and knowledge-sharing activities.

The APABI Focus Q2 2026 edition also featured an article titled 'From Cash to Digital: The Growing Role of EMIs in Pakistan,' originally published in the *Journal of the National Institute of Banking and Finance Pakistan* and contributed to APABI by NIBAF Pakistan.

Watch the Interview

APABI Member Interview – **Ms. Lubna Farooq Malik**, CEO, NIBAF Pakistan

[Watch the interview on APABI Focus](#)

Full Interview on YouTube

[Watch the full interview on YouTube](#)

MEMBER INTERVIEWS



National Institute of Banking and Finance Pakistan (NIBAF, Pakistan)

Lubna Malik gives updates on the recent organizational merger of NIBAF Pakistan, as well as its international cooperation initiatives in cybersecurity and Islamic banking.



Mr. Mark McKenzie

Senior financial sector specialist Mark McKenzie describes the different tradeoffs programmatic money creates for countries with different types of financial systems and priorities.



NIBAF PAKISTAN HIGHLIGHTS APRIL – JUNE 2026

Customized Training

During April–May 2026, the Marketing, Communication and Strategic Alliances (MC&SA) Department successfully delivered 11 customized training programs for various financial institutions, including PPCBL, Faysal Bank, Bank of China, and Pak Brunei, across Lahore, Karachi, and Rawalpindi. These programs covered topics such as SME & Trade, Currency Management, Leadership, Islamic Banking, and Gender Sensitization, training a total of 286 participants. The initiatives reflect NIBAF Pakistan's continued commitment to providing targeted capacity-building solutions to meet the diverse learning needs of the banking sector.

In April 2026, the MC&SA Department conducted ISQ Fast Track Coaching Classes for MCB Bank at MCB Learning & Development, Lahore, from April 6–14, 2026. The program was attended by 27 participants and was designed to support candidates in preparing for the ISQ certification. This initiative reflects NIBAF's commitment to enhancing professional knowledge and certification readiness within the banking sector.

Certification Program

During April–June 2026, the Marketing, Communication and Strategic Alliances Department successfully delivered customized certification programs for Bank of Azad Jammu and Kashmir (BAJK) and HBL Microfinance Bank (HBLMFB), including Branch Manager Certification

batches and IBCC Modules II & III. These programs were conducted in Islamabad over multiple days and benefited at least 79 participants, strengthening managerial and certification-based competencies within the banking sector.

ISQ Fast Track

During April–June 2026, the Marketing, Communication and Strategic Alliances Department conducted ISQ Fast Track examination programs for MCB Bank and Bank AL Habib (BAHL) across Lahore, Islamabad and Karachi. The initiatives engaged 290 participants and provided focused preparation and assessment support for ISQ certification. These programs underscore NIBAF Pakistan's commitment to strengthening professional qualifications and enhancing the capacity of banking professionals nationwide.

Assessment Services

During May and June 2026, five assessment programs were conducted for Faysal Bank, BAHL, and NBP across Lahore, Karachi, Rawalpindi, Islamabad and Quetta. The assessments covered SME & Trade competency evaluations, Operation Manager Certification Program (OMCP), and NBP's Overseas Testing, engaging a total of 125 participants. These initiatives reflect NIBAF's continued support in evaluating professional competencies and strengthening talent management within the banking sector.

Recruitment Test

During May and June 2026, the Marketing, Communication and Strategic Alliances Department successfully delivered a series of recruitment assessment and interview services for Exim Bank and ZTBL across multiple locations in Pakistan. Nationwide online recruitment tests were held for Exim Bank in Islamabad, Lahore, Karachi, Peshawar, and Quetta, followed by 190 Management Trainee Officers (MTO) candidate interviews held in Islamabad and Karachi.

In addition, the MC&SA Department managed the large-scale ZTBL Mobile Credit Officer (MCO) recruitment interview process, facilitating interviews for 3,690 candidates at NIBAF-P, Islamabad. These engagements highlight NIBAF-P's strong capability in executing nationwide recruitment, assessment, and talent acquisition initiatives for the financial sector.



SBP Currency Management Strategy Guidelines & Penalty Structure for Banks: Training Program for officials of The Punjab Provincial Cooperative Bank Ltd.



Islamic Banking Professional Development Program (IBPD-46)



Leadership in the Age of Knowledge, conducted by Mr. Sirajuddin Aziz (Banking Mohtasib Pakistan)



NIBAF PAKISTAN, WWF-PAKISTAN CONCLUDE GREEN FINANCING PROGRAMME

NIBAF Pakistan, in collaboration with WWF-Pakistan, has successfully completed the project 'Study on Exploring Green Financing Potential for Regenerative and Sustainable Agricultural Production Systems in Pakistan'. The project, undertaken under WWF-Pakistan's RPLC framework, assessed the readiness and opportunities of Pakistan's financial sector to support regenerative agriculture through green finance solutions.

The study reviewed the agricultural credit landscape, policy and regulatory frameworks, institutional capacities, and financing needs of farmers and value-chain actors in cotton and rice production systems. It highlighted the need for dedicated financial products supporting soil health, water efficiency, bio-input, regenerative machinery, advisory services, and climate-resilient agriculture.

As part of the project, a consultative workshop was also convened, bringing together banks, policymakers, development partners, and sector experts to validate findings and discuss practical financing pathways.



WWF-Pakistan expressed high satisfaction with the successful completion of the project and highly appreciated NIBAF Pakistan's efforts, technical contribution, and institutional support. WWF-Pakistan also reaffirmed its commitment to continue collaboration with NIBAF Pakistan.

As a follow-up, WWF-Pakistan, in collaboration with NIBAF Pakistan, will arrange six awareness workshops across the country on regenerative agriculture finance for banks, financial institutions, policymakers, and relevant stakeholders. The initiative aims to build awareness and capacity within the financial sector to support sustainable and regenerative agricultural practices in Pakistan.



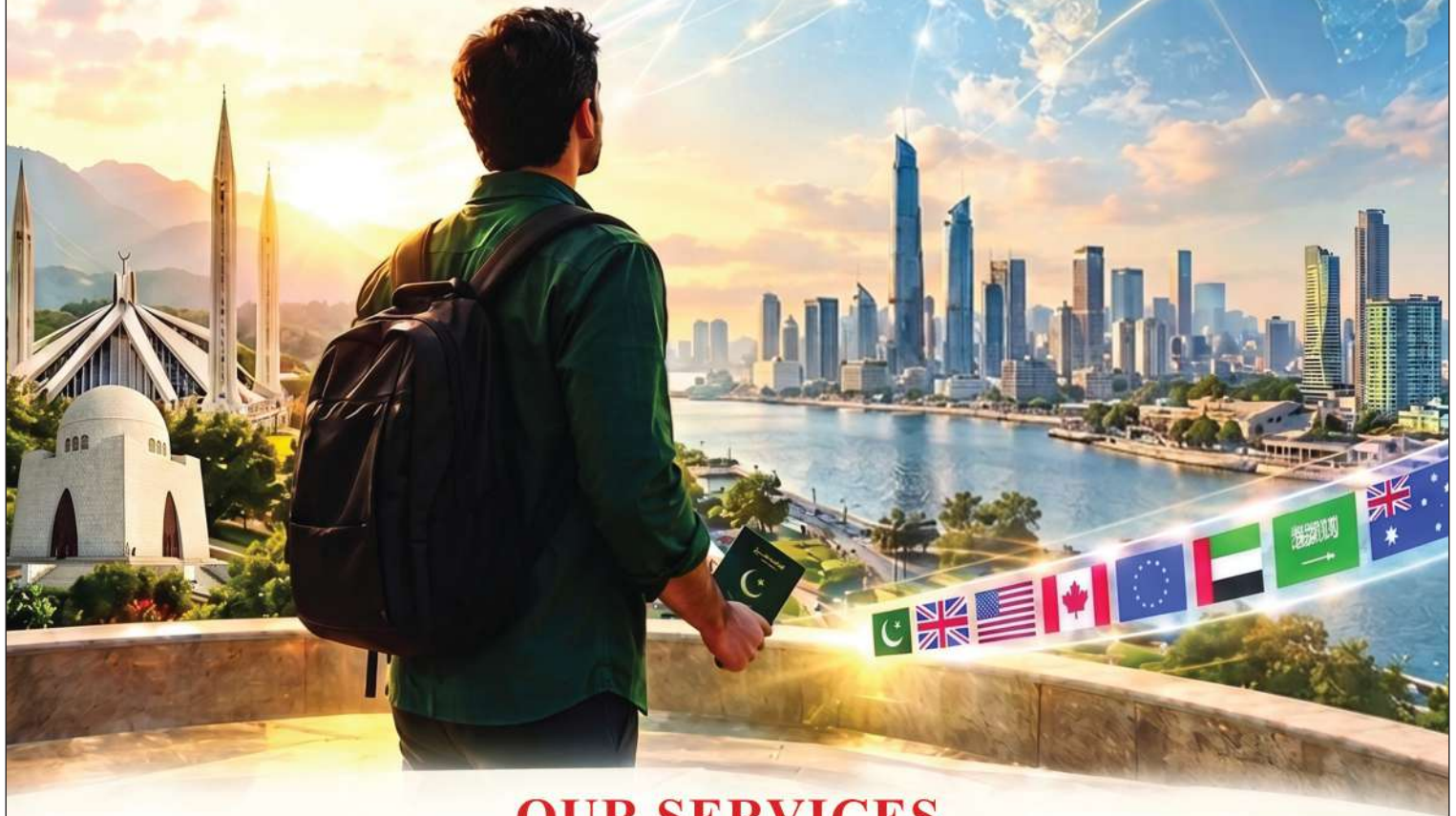


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NIBAF PAKISTAN IMPACT FY 25-26 AT A GLANCE

We are proud to share the annual impact snapshot of NIBAF Pakistan, highlighting our commitment to capacity-building, innovation, and professional excellence in Pakistan's financial sector.



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8,981

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1,288

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300

TRAINERS ENGAGED

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19,957

E-LEARNING ENROLMENTS

Nearly 20,000 learners reached through digital platforms



79

ISLAMIC FINANCE TRAININGS

Expanding expertise with 79 Islamic Finance sessions



8,404

ISLAMIC FINANCE PERSON-DAYS

8,404 person-days devoted to Islamic Finance capacity building

ASSESSMENT & EXAMINATION (July 2025 - June 2026)

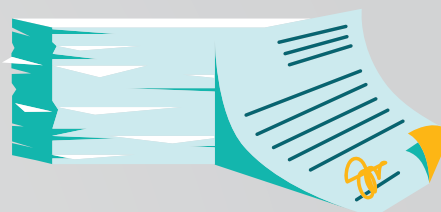
Overall



44,058

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255

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PAPERS DELIVERED**

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with 255 examinations conducted.*

Online via LMS (Subtotal)



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ASSESSED ONLINE**

*Digital-first assessments
reached over 21,000
participants via our LMS.*



229

**ONLINE PAPERS
CONDUCTED**

*229 structured assessments
delivered seamlessly online.*

Paper Based (Subtotal)



22,459

**PARTICIPANTS
ASSESSED ON PAPER**

*Paper-based assessments
engaged over 22,459
participants across banks.*



26

**PAPERS CONDUCTED
ON PAPER**

*26 in-person assessments
conducted across
multiple banks.*

AI for Better Governance

*How Artificial Intelligence
Is Transforming Tax
Administration in Pakistan*

Dr. Zehra Farooq

Tax administrations are undergoing the most consequential redesign in their modern history. In 2020, the OECD's Forum on Tax Administration set out a vision it called Tax Administration 3.0: a future in which taxation is built into the systems that taxpayers already use, such as payment platforms, invoicing software, and banking channels, so that compliance becomes a byproduct of ordinary economic activity rather than a separate annual obligation. Artificial intelligence sits at the center of that vision. Data from the International Survey on Revenue Administration (ISORA) show that by 2023, over 90% of the 50+ member administrations of the Forum on Tax Administration had implemented AI solutions or were in the process of doing so, up from just over 40% in 2018. Adoption, in other words, has more than doubled in five years and is approaching universality among advanced administrations.

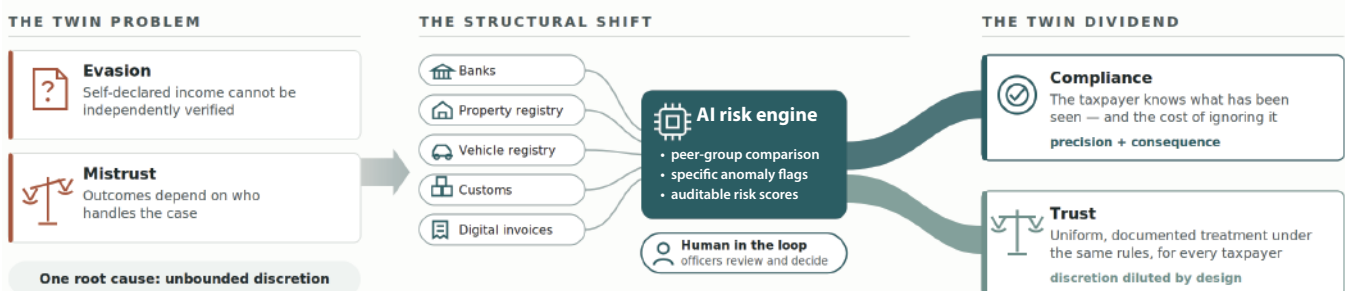
This means the interesting question is no longer whether a tax administration uses artificial intelligence. Nearly all of them do, or soon will. The question that separates administrations is a harder one: can they demonstrate, with evidence, that their use of AI actually changes taxpayer behavior? Very few administrations anywhere, advanced or developing, can answer that question with experimental data. Pakistan's Federal Board of Revenue (FBR) is one of them.

The Global Turn In Tax Administration

PAKISTAN'S NEW TAX OPERATING MODEL

From discretion to design

One structural shift addresses both evasion and mistrust



Federal Board of Revenue – Compliance risk management and the faceless operating model.

This article describes traces the diagnosis that motivated FBR's turn to machine learning; the sequence of interventions through which the administration tested, learned, and redesigned its compliance instruments; the experimental evidence generated along the way; and the new operating model, built around algorithmic risk assessment and faceless, technology-mediated proceedings, that this evidence now underpins. Throughout, a few terms recur and are worth defining at the outset. *Third-party data* means information about a taxpayer that comes from someone other than the taxpayer: banks, property registries, vehicle registration authorities, customs records. *Risk-based enforcement* means directing scarce enforcement attention toward cases where the likelihood of non-compliance is highest, rather than spreading it uniformly or selecting cases by individual judgment. And *compliance risk management* (CRM) is the institutional framework that organizes this: identifying where the risks to revenue lie, and matching the administration's response to the nature and severity of each risk.

The Diagnosis: Capacity, Information, and the Limits of the Conventional Audit

Pakistan's revenue challenge is usually described in terms of outcomes: a tax-to-GDP ratio among the lowest in the world, a narrow base, and widespread informality. Less often described is the administrative arithmetic underneath those outcomes.

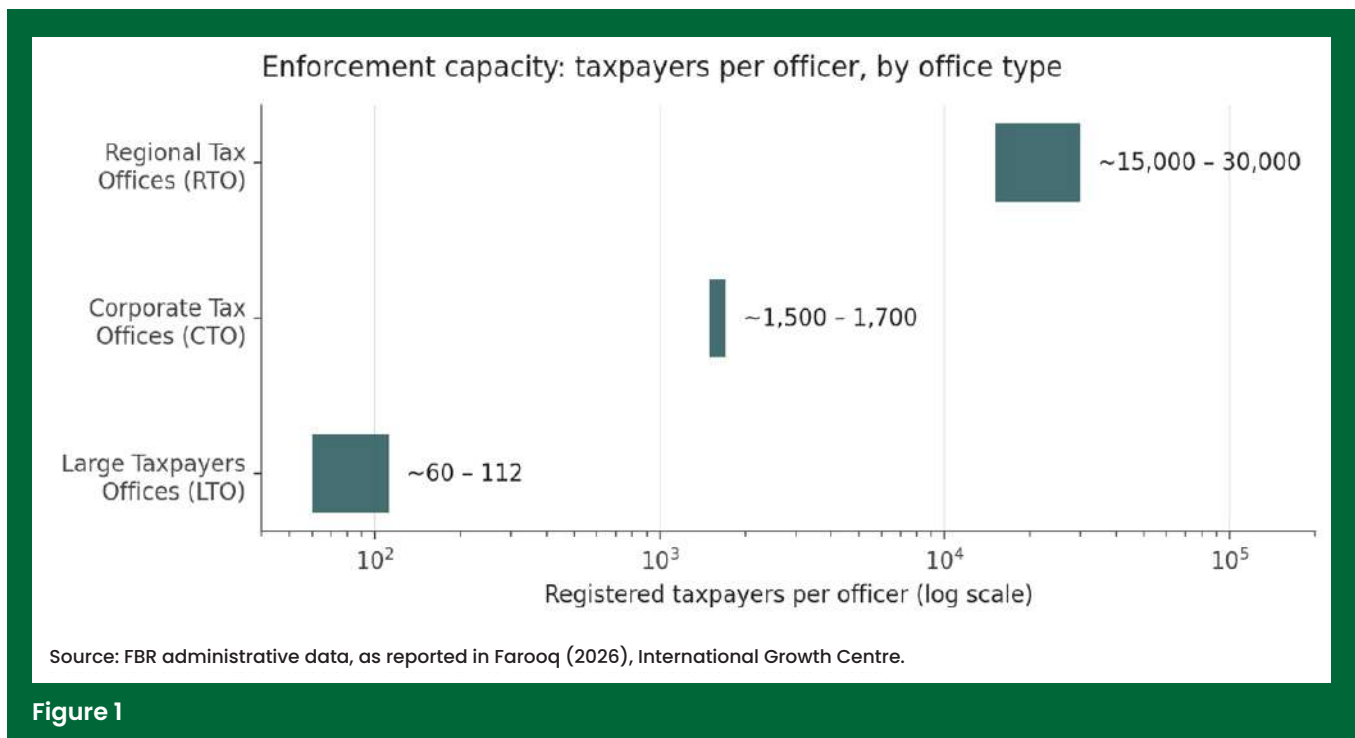
“The failure of conventional enforcement, in other words, was not a failure of will or of severity. It was a failure of precision. That diagnosis, reached through evidence rather than assumption, is what shaped everything FBR built next”.

Consider enforcement capacity. At FBR's regional tax offices, a single officer is responsible for between 15,000 and 30,000 registered taxpayers. In corporate tax offices the ratio improves to roughly one officer per 1,500 to 1,700 taxpayers, and only in the large taxpayers' offices, covering the small population of the country's biggest firms, does it fall to a level, around one to a hundred, at which genuinely individualized scrutiny is possible. An internal survey of tax officers adds a second layer to this arithmetic: officers report spending as much as sixty percent of their working time on tasks other than substantive audit work, including notices, reconciliations, procedural correspondence, and administrative reporting. The scarce resource in tax enforcement is not officer effort. It is officer judgment, and the system, as historically designed, consumed that *judgment* on work that did not require it, while spreading what remained across caseloads that no individual could meaningfully assess.

Deterrence rests on a taxpayer's belief that the authority knows what they, specifically, are doing wrong. Under the conventional model, that belief was rarely justified and taxpayers knew it. Selection criteria were static and often anticipated; the officer handling a case frequently did not know why it had been selected; and by the time an audit concluded, the behavior that triggered it might long since have changed. The failure of conventional enforcement, in other words, was not a failure of will or of severity. It was a failure of precision. That diagnosis, reached through evidence rather than assumption, is what shaped everything FBR built next.

First Step: Third-Party Information at Scale

Why begin with third-party information? Because the international evidence on where evasion lives is remarkably stark. In Denmark's landmark study, in

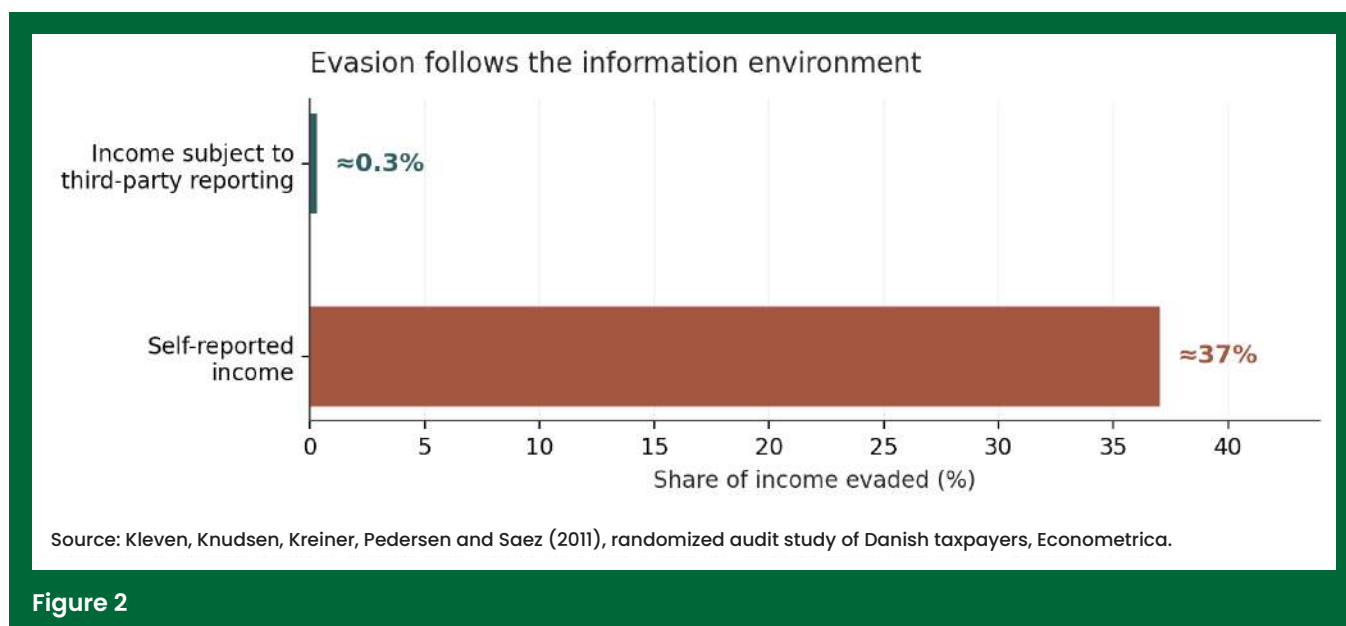


Under these constraints, case selection historically relied on static criteria, such as sector averages and turnover thresholds, supplemented by officer discretion. The results of that model have now been carefully measured, and the findings are sobering. Research using the universe of Pakistan's administrative tax records finds that while audits raise reported taxes in the year they occur, the improvement does not persist: audited firms revert to prior behavior once scrutiny ends (Farooq, 2024). A separate study exploiting a program of randomized audits of Pakistani firms found something starker still: audits detected substantial evasion yet produced no measurable deterrent effect on subsequent behavior at all, a result its authors called "detection without deterrence" (Best, Shah and Waseem, 2021).

Why would detection fail to deter? The explanation that emerges from this research is informational.

which a national tax authority audited a large random sample of taxpayers and researchers measured what the audits found, evasion was detected on barely 0.3 percent of income that employers and banks had reported directly to the authority, against roughly 37 percent of income that taxpayers reported about themselves (Kleven et al., 2011). The lesson generalizes across countries and instruments: where a third party independently tells the administration what happened, evasion nearly disappears; where the taxpayer alone holds the information, it flourishes (Figure 2). The binding constraint on compliance is not the honesty of taxpayers but the information environment in which they declare.

Acting on that lesson, and before investing in more sophisticated instruments, the administration tested the simplest one available: telling people, at very low cost, what was already known about them.



“The binding constraint on compliance is not the honesty of taxpayers but the information environment in which they declare. Acting on that lesson, and before investing in more sophisticated instruments, the administration tested the simplest one available: telling people, at very low cost, what was already known about them.”

Drawing on five categories of third-party information, namely vehicle purchases, property transactions, bank credit entries, bank profit on debt, and credit card payments, FBR identified a large population of persons who exhibited clear markers of economic activity but had not filed income tax returns. These persons were sent text messages noting the information held about them; successive rounds of messages were progressively more explicit about the consequences of remaining outside the filing net. This was an administrative enforcement exercise, not a controlled experiment. Later rounds of messages were delivered to the entire identified population, and the figures that follow are therefore descriptive rather than causal.

The observed turnaround was nonetheless substantial. At the start of the exercise, filing rates within the identified groups ranged from roughly 6 to 11%, depending on the information category. By the latest update, they had risen to between one-third and nearly two-thirds: around 40% among identified vehicle purchasers, a third among property buyers, and around 60% among those identified through

banking channels (Figure 3). Part of this movement reflects the seasonal concentration of filing around statutory deadlines, and no claim is made here about how much of it the messages themselves produced. The exercise established two operationally important facts regardless. First, third-party information could locate economically active non-filers at a scale no officer-driven process could match. Second, communication grounded in specific, verifiable information, this vehicle, this account, this transaction, was administratively feasible at negligible cost.

What the exercise could not establish was which features of such communication actually change behavior, or whether the approach could improve the accuracy of what existing taxpayers declare, which is the deeper and fiscally larger problem. Answering those questions required a different kind of instrument and a different standard of evidence.



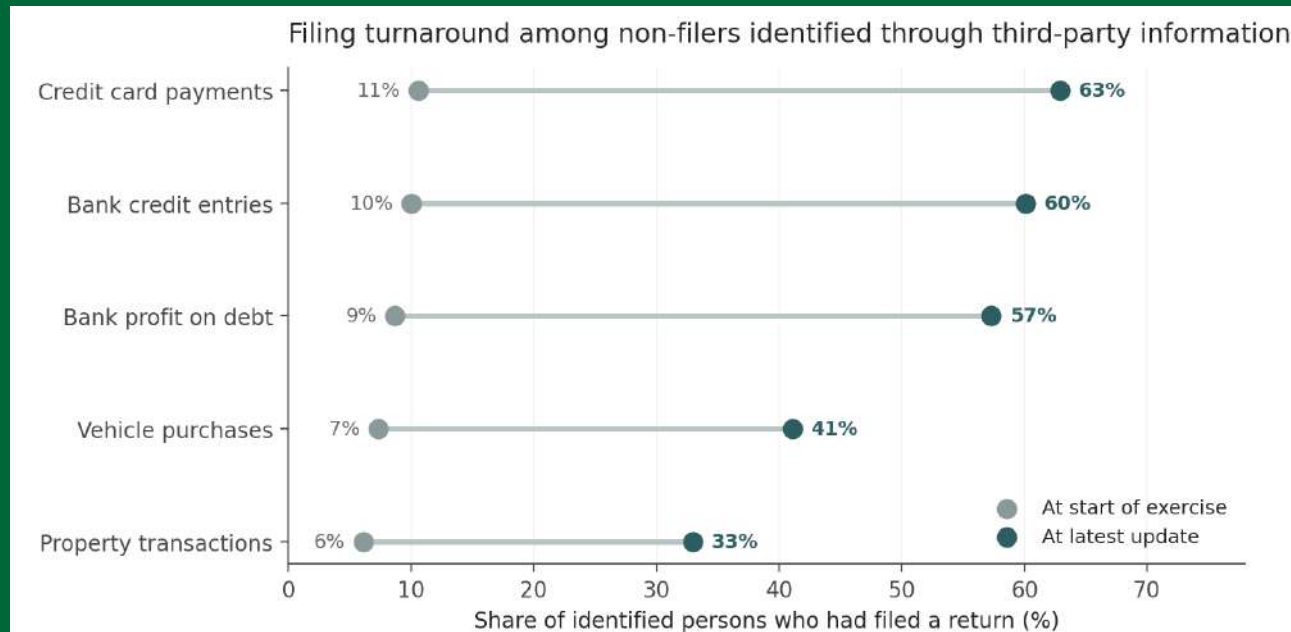


Figure 3

Building the Instrument: Machine Learning in the Compliance Risk Management System

The Compliance Risk Management system, developed by FBR in 2023–24 in line with IMF, World Bank, and international good-practice guidance, applies machine learning to the full breadth of the administration's data, spanning tax declarations, withholding records, customs declarations, and third-party information, to identify, for each taxpayer, specific patterns of reporting that stand apart from comparable businesses.

Its design reflects three deliberate choices. The first is *peer-group comparison*. Taxpayers are grouped with genuinely comparable businesses, in the same sector and the same tax office, and anomalies are defined relative to that group, not to an economy-wide average. A ratio that is unremarkable for a textile exporter may be highly anomalous for a food manufacturer; the system is built to know the difference. The detection boundary is also dynamic: as a sector's behavior shifts, so does the definition of what stands out, addressing the gaming and staleness that undermined static selection criteria.

The second is *specificity*. The system does not merely score a taxpayer as risky. It identifies the anomaly, for instance a share of sales to unregistered persons far outside the peer-group norm, and records the months in which it appears. The risk parameters themselves were designed in consultation with senior field officers from formations across the country, so that what the algorithm flags corresponds to patterns experienced officers recognize as characteristic of deliberate non-compliance rather than industry reporting quirks. The system also closes the loop between declaration and verification: what a taxpayer reports is reconciled against independent data

sources, discrepancies surface automatically, and the taxpayer is given the opportunity to explain them before any formal action follows.

“The system is built as *decision support, with the human firmly in the loop*. The models generate prioritization signals, delivered through dashboards that show officers where risk is concentrated in their jurisdiction and which taxpayers and parameters drive it.”

The third, and for governance purposes the most important, is that the system is built as *decision support, with the human firmly in the loop*. The models generate prioritization signals, delivered through dashboards that show officers where risk is concentrated in their jurisdiction and which taxpayers and parameters drive it. Officers review, assess materiality, and determine the response. The algorithm proposes; it does not dispose. This division of labor is not a concession to caution but the point of the design: it returns officer judgment to the cases that need it, by removing from officers the screening work that machines do better.

The economics of this reallocation have been quantified. Research on optimal audit targeting using Pakistan's administrative data estimates that AI-based case selection generates approximately Rs 285,000 in expected net revenue per audit, against a loss of roughly Rs 173,000 per audit under the previous selection policy once administrative costs are counted,

and delivers several dollars of welfare gain for every dollar spent on enforcement (Lacoste and Farooq, 2025). The gain comes precisely from the machine's ability to identify taxpayers likely to change behavior when credibly identified, which points to a further possibility. If the deterrent power lies in credible identification, might a well-designed communication achieve compliance without an audit at all?

“Under the faceless model, cases are selected algorithmically on risk, allocated to assessing teams without regard to geography, and conducted through documented digital channels in which the taxpayer and the assessing officers do not know one another's identity”.

The Experiment: Testing What Actually Changes Behavior

In 2024, FBR embedded a randomized evaluation inside the CRM system to test that proposition rigorously (Farooq, Sarwar, Karver and Chaudhry, 2026). Taxpayers flagged by the system for anomalous reporting were randomly assigned to receive one of several message types, or no message, allowing the effect of each design to be measured against a genuine comparison group, which is the same standard of evidence used in clinical trials.

Every message communicated the specific risk the system had detected. What varied was the framing built around that risk. Some messages appealed to the taxpayer's social motivations, citing peers' compliance in the same sector. Others confronted the taxpayer with the cost of non-compliance: the administration regarded the detected anomaly as a deliberate choice and specified the penalties that would follow if it was not corrected.

The results, tracked in monthly declarations over the following fourteen months, were unambiguous. Taxpayers who received the consequence-framed messages increased their declared taxes by on the order of ten to sixteen percent relative to the comparison group, and the effect did not fade. It persisted, undiminished, across the entire fourteen-month window, in contrast to the international nudge literature, where effects typically decay within a few months. Socially framed appeals produced no significant change. The response was concentrated among taxpayers with the strongest risk signals, meaning where the system's identification was most precise. And the pattern of the response indicated genuine formalization rather than suppressed activity: declared activity and taxes paid rose together, consistent with previously undocumented transactions entering the formal record rather than business contracting.

The mechanism these results reveal deserves emphasis, because it resolves the puzzle with which this article began. Deterrence requires that the taxpayer believe two things at once: that the authority knows specifically what they are doing, and that ignoring this knowledge carries a real cost. Precision without consequence is information; consequence without precision is noise. Together, delivered in a single message costing effectively nothing, they achieved what resource-intensive conventional audits measurably had not. Early implementation of the CRM system, combining AI-guided selection with this communication program, is associated with additional revenue estimated at approximately Rs 155 billion from the targeted populations in its first year (Farooq, 2024), collected largely without initiating formal proceedings.

Just as important as the results is what generating them says about the institution. The near-universal instinct of administrations everywhere is to deploy and declare. FBR instead built measurement into deployment, with randomization, comparison groups, and long observation windows, so that each round of intervention taught the design of the next. The text-message exercise suggested information at scale was feasible; the experiment established which design converts information into behavior. This is what evidence-based policymaking means in practice: not citing evidence, but generating it, on one's own systems, and being bound by what it shows.

From Risk Detection to a Faceless Operating Model

The findings above carry an institutional implication that extends well beyond messaging. If an algorithm can identify the case, name the anomaly, and communicate it credibly, and if uniform, rule-bound treatment is precisely what makes the signal credible, then the role of individual discretion at the *initiation* of enforcement shrinks by design. Pakistan's new tax operating model, currently being implemented, follows that logic to its institutional conclusion: faceless, technology-mediated audit and assessment.

Under the faceless model, cases are selected algorithmically on risk, allocated to assessing teams without regard to geography, and conducted through documented digital channels in which the taxpayer and the assessing officers do not know one another's identity. Every step leaves a record; every decision has a documented basis. The design removes the physical interface in which negotiation, differential treatment, and rent-seeking have historically lived, and in doing so addresses both sides of Pakistan's compliance problem at once. The evader loses the ability to negotiate; the honest taxpayer gains the assurance of uniform treatment. The same architectural change that hardens enforcement also builds trust, because both problems share a root in unbounded discretion.

Pakistan is deliberately a second mover here, and that is a strength. India's Faceless Assessment Scheme, launched in 2020, is the most prominent precedent, and its experience, including early quality problems in algorithmically selected cases and litigation over taxpayers' right to be heard, offers exactly the lessons a careful successor should absorb.

FBR's sequencing responds to both. Risk identification was built and *validated experimentally* before the faceless assessment was scaled around it, so that case selection quality is a measurable quantity rather than a hope. And the model preserves structured opportunities for the taxpayer to explain discrepancies before formal action, with human review embedded at each decision stage. More broadly, the design draws on the accumulating international evidence base, from the electronic invoicing systems pioneered in Latin America to the prefilled returns now offered by many advanced administrations, while contributing to it something most of these systems lack: causal evidence of behavioral impact.

Governance, Trust, and the Honest Caveats

Seen in governance terms, the model pursues three goods at once. It pursues *legitimacy* by applying rules uniformly rather than through relationships and negotiation. It pursues *effectiveness* because compliance rises and the base broadens. And it pursues *accountability*, because algorithmic decisions leave records that can be audited and outcomes that can be measured, in a way that individual discretion never could.

Even so, it would be a mistake to present any of this as a solved problem, and a disservice to present AI as self-justifying. Three caveats belong in any honest account.

First, an algorithm is only as good as the data beneath it and the design around it. The returns to machine learning documented above were concentrated where risk signals were strong; where signals are weak, no framing of any message produced significant change. Extending data coverage matters more than refining models.

Second, algorithmic systems in tax administration carry their own governance obligations. The OECD's work on trustworthy AI in tax administration rightly emphasizes interpretability, privacy, and safeguards proportionate to the power of these tools. FBR's choices, including risk parameters designed with field officers and therefore explainable to them, human review at every consequential decision, and documented decision trails that make the system more auditable than the discretionary model it replaces, are responses to those obligations, not exemptions from them. The standard a faceless system must meet is that a taxpayer can understand why they were selected and be heard before consequences attach; sustaining that standard requires continuing institutional investment, not a one-time design.

Third, open questions remain and should be named. Whether taxpayers habituate to risk communications over repeated rounds; whether improvements in one tax instrument shift behavior elsewhere; how compliance effects evolve beyond the fourteen-month horizon so far observed: these are subjects of ongoing measurement, and the answers will shape the system's next iteration, as previous answers shaped this one.

What Forward-Looking Means

The measure of a forward-looking tax administration is the discipline of its evaluation: whether the administration tests its instruments against genuine comparisons, publishes what it finds, and lets the findings, including the inconvenient ones, govern the next design. On that measure, Pakistan's experience of the past three years places FBR in unusual company. The Federal Board of Revenue has moved, in sequence and on evidence, from discretionary enforcement it had measured to be failing, through low-cost information campaigns at scale, to experimentally validated AI-driven risk communication, and now to a faceless operating model that embeds those validated mechanisms in institutional architecture, with human judgment repositioned where it matters most, rather than removed.

The experience also travels. Any administration with administrative data and the capacity to deploy machine learning risk scoring can implement precision risk communication of the kind described here, and the returns documented in Pakistan suggest the investment repays itself quickly. For tax administrations across the region, many of which face the same arithmetic of capacity that Pakistan does, the relevant lesson is less any specific technology than the sequencing: information first, precision second, institutional redesign third, with measurement at every step.

The direction of travel is toward the vision the OECD sketched: compliance supported at the time of filing, risk profiles that draw on the full picture of a taxpayer's economic life, and interventions proportionate to the risk they address. Pakistan will not arrive there in one step, and the evidence generated along the way will continue to force adjustments. That, precisely, is the point. ■

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Cyber-Prompted Frauds and AML/CFT Compliance

Emerging Challenges for
Pakistan's Financial Sector

By: Owais Ahmed Qureshi

Pakistan's financial sector has recently crossed a structural threshold. Digital channels now carry 92% of retail payment volume, up from 78% just three years ago, and the country's SBP backed instant-payment rail, RAAST, has helped push annual digital retail transactions from roughly 2.2 billion in 2021 to an estimated 8 billion in 2025. While, this shift has been good for financial inclusion, tax documentation, and investor confidence, it has been equally good for the fraudsters, as well. The National Cyber Crime Investigation Agency (NCCIA) and its predecessor, the FIA Cybercrime Wing, together received over 639,000 complaints between 2020 and 2025, with banking and digital fraud surging an estimated 62% in 2025 alone, against a backdrop of an overall 35% rise in cybercrimes.

Cyber fraud is not limited only to posing consumer-protection and balance-sheet related problems; it is increasingly recognized by the Financial Action Task Force (FATF) as a precursor to money-laundering and, in a growing number of documented typologies, a terrorist-financing risk. FATF's 2025 document/ publication, *Comprehensive Update on Terrorist Financing Risks*, found that terrorist actors are shifting toward decentralized, self-financed models that rely on low-value, high-frequency, technology-enabled funding streams the exact profile of proceeds generated by digital scams. For a country with Pakistan's terrorism and complexed terrorism-financing history, a near-zero cybercrime conviction rate (0.038% across 523,749 NCCIA complaints between 2023 and 2026), and an under-regulated virtual-asset sector only now being brought under a licensing regime, this is not a hypothetical concern. It is, as the subtitle of this piece suggests, a haunting threat that digital financial institutions can no longer treat as someone else's problem.

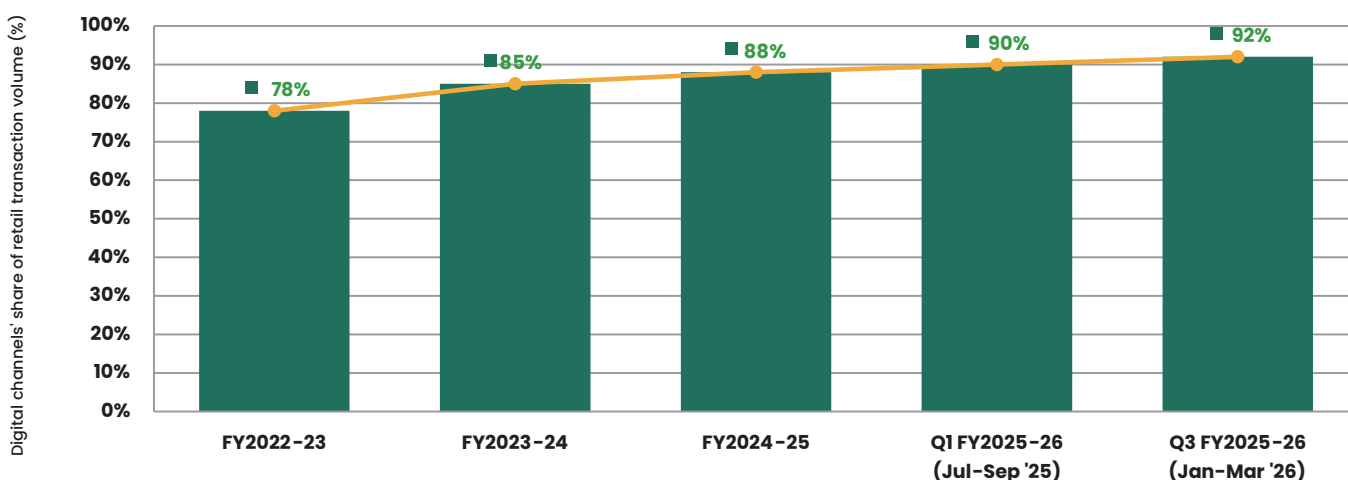
Pakistan's Digital Pivot: From a Cash Economy to a Cash-Light, Higher-Risk Economy

Pakistan has long been recognized as one of the world's largest cash-based economies, where physical currency dominated almost every layer of economic activity from household spending and wage payments to large commercial transactions. That dependence created a deeply undocumented economy: financial activity that left no audit trail, complicated tax collection, limited access to formal credit, and gave money launderers, tax evaders, and terror financiers room to operate largely undetected. It also excluded millions of

Pakistanis, particularly women, rural households, and small businesses, from formal financial services.

Over the past five years, that picture has changed faster than at any point in the country's financial history. The State Bank of Pakistan's (SBP) Electronic Money Institution (EMI) licensing framework along with newly awarded licenses for fully Digital Banks (NEO Banks) after a comprehensive digital framework and the RAAST instant-payment system have given Pakistan the regulatory and technological scaffolding for a digital-first financial ecosystem. The shift is no longer aspirational; it is measurable, quarter by quarter, in SBP's own payment-systems data.

Pakistan's Cash-to-Digital Transition Digital Share of Retail Payment Volume, FY2023 – Q3 FY2026



Source: SBP Annual & Quarterly Payment Systems Reviews (FY2023-Q3 FY2026); Raast launched Jan 2021.
Note: Comparable digital-share % is not published for FY2021-22; cash still dominates by transaction VALUE (~70%+ of value moves OTC/cash).

Figure 1: Pakistan's Cash-to-Digital Transition, FY2023–Q3 FY2026

Digital channels carried 78% of retail transaction volume in FY2022-23, rising to 85% in FY2023-24, 88% in FY2024-25, and 92% by the third quarter of FY2025-26 (Jan-Mar 2026), a trajectory reinforced by the RAAST Person-to-Merchant (P2M) rollout, the SBP Regulatory Sandbox, and the August 2025 go-live of PRISM+, Pakistan's modernized RTGS and central securities depository infrastructure. Annual retail transaction volume crossed 9.1 billion by FY2024-25. Every one of those milestones is, in compliance terms, a double-edged sword: each new digital rail is also a new attack surface. Remote onboarding, instant payment finality, and interconnected wallets have widened the field for phishing, social engineering, account takeover, identity theft, SIM-swap fraud, mule accounts, and AI-enabled scams risks which we will discuss further ahead.

Creating a Documented Economy

The shift from cash to digital is more than a technology upgrade; it is the foundation of a documented economy. Every digital transaction leaves an electronic record payer, recipient, amount, time, and purpose that did not exist in a cash transaction. For government, this means better visibility into economic activity and stronger tax collection. For AML/CFT purposes specifically, it means banks, EMIs, and regulators can deploy AI- and machine-learning-based transaction monitoring to flag unusual patterns and file timely Suspicious Transaction Reports (STRs) capabilities that simply do not exist over a cash counter. Every transaction that moves from cash to a regulated digital rail is, in effect, a transaction added to Pakistan's financial-crime visibility, not removed from it. The flip side, addressed later in this article, is that visibility is only useful if it is matched by investigative and prosecutorial capacity; a gap that still needs to be narrowed down in Pakistan.

“Every transaction that moves from cash to a regulated digital rail is, in effect, a transaction added to Pakistan's financial-crime visibility, not removed from it. The flip side, is that visibility is only useful if it is matched by investigative and prosecutorial capacity; a gap that still needs to be narrowed down in Pakistan.”

Pakistan's Population: A Strategic Asset and a National Exposure

With more than 240 million people nearly two-thirds under the age of 30 Pakistan's population could be one of its greatest digital-economy assets. Every new digital-wallet user adds value to the payment's ecosystem; every new EMI customer extends financial inclusion to someone previously locked out of formal finance. That scale seems to attract real investor interest in Pakistan's fintech sector and may emerge

into the rapid growth of EMIs, digital wallets, digital accounts, payment gateways, and merchant-acquiring platforms.

But scale cuts both ways. Millions of first-time digital users are entering the financial system every year with limited digital literacy, and Visa's 2024 consumer research found that approximately 55% of surveyed Pakistani consumers had been the target of a scam attempt, a figure that illustrates just how exposed a digitally inexperienced, digitally on-boarded population has become. Fraudsters exploit this gap through phishing, smishing (a form of cyberattack where scammers use deceptive text messages to trick you into clicking malicious links, revealing sensitive information, or sending money), vishing ('voice phishing') is a cybercrime where scammers use phone calls or voice messages to impersonate trusted organizations or individuals, manipulating victims into revealing sensitive personal or financial information), fake investment schemes, and increasingly AI-generated content that imitates banks, regulators, and trusted brands. Organized criminal networks recruit students, unemployed youth, and financially vulnerable people as money mules through fake job advertisements circulated on social media the same demographic and recruitment channel that extremist groups have historically used.

Global Milestones in Digital Payments: Lessons for Pakistan

Pakistan's digital transformation is not happening in isolation. India's Unified Payments Interface (UPI) has become a global benchmark for instant account-to-account payments; China's Alipay and WeChat Pay embedded digital payments into daily life; Brazil's Pix, Singapore's PayNow, the UK's Faster Payments Service, and Kenya's M-Pesa each demonstrate how digital infrastructure expands financial inclusion and reduces cash dependence. Open Banking, Central Bank Digital Currencies (CBDCs), and the global migration to the ISO 20022 messaging standard are the next layer of this evolution, promising richer transaction data and stronger AML/CFT screening for cross-border flows, a particularly relevant development for Pakistan as one of the world's largest remittance-receiving countries.



These international experiences carry a consistent lesson: sustainable digital-payment growth depends on more than technology. It depends on interoperability, merchant acceptance, consumer trust, and critically for this article's argument, a regulatory architecture that keeps pace with the speed of innovation. Pakistan has built much of the infrastructure (RAAST, the EMI framework, NADRA's digital-identity system). The open question, examined in the sections that follow, is whether it's supervisory and law-enforcement capacity has kept pace with the same speed.

When Innovation Attracts Crime: The Boom in Cyber-Enabled Fraud

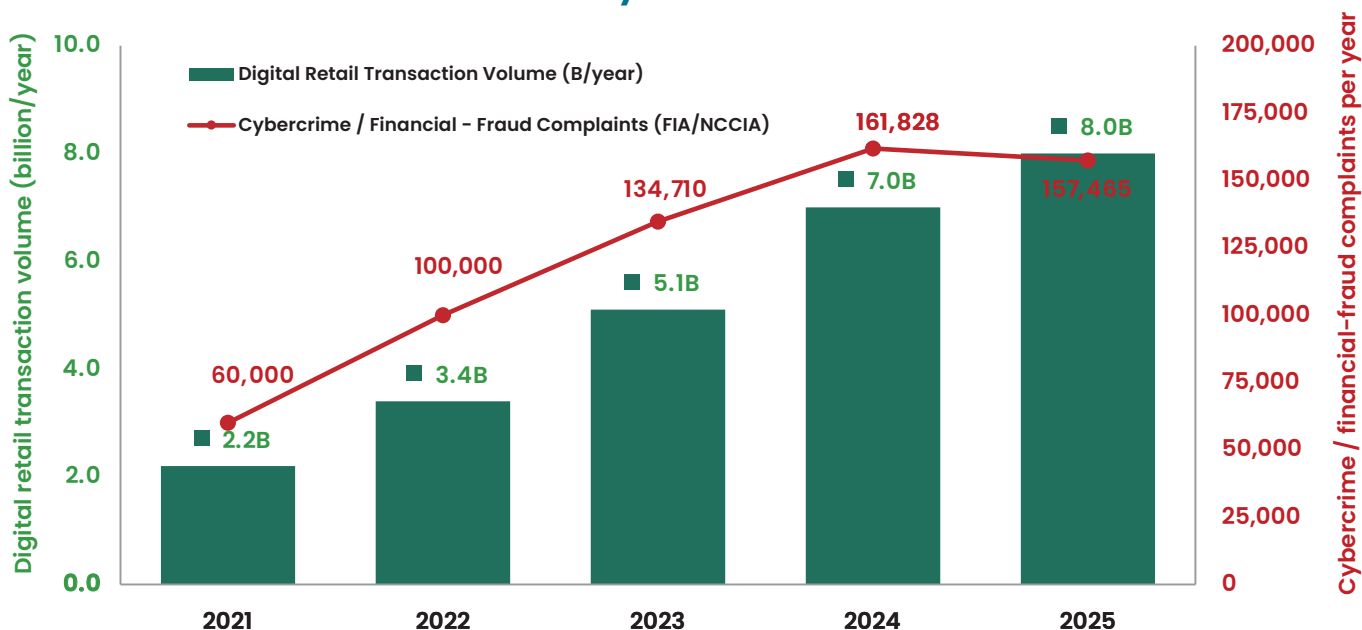
Financial crime has evolved in lockstep with digitalization. Today's criminals operate remotely through phishing, smishing, vishing, malware, QR-code manipulation, account takeover, identity theft, SIM-swap fraud, synthetic identities, investment and romance scams (when a fraudster creates a fake online identity to

build trust and affection with a victim, ultimately manipulating them into sending money or sensitive personal information), and Business Email Compromise. Generative AI has intensified the threat on both sides: criminals now produce convincing deep fake videos, cloned banking websites, and synthetic voice calls, while institutions deploy AI-driven transaction monitoring and behavioral analytics in response; an "AI-versus-AI" contest that the FATF itself has flagged as a defining feature of modern financial crime.

The scale of this is not a Pakistan-specific anomaly, it is a global pattern that Pakistan happens to be experiencing acutely. FATF's dedicated paper, Cyber-Enabled Fraud Digitalization and Money Laundering, Terrorist Financing and Proliferation Financing Risks, found that 156 jurisdictions 90% of those it assessed now identify fraud as a major money-laundering risk; that fraud accounts for more than 40% of all recorded crime in the United Kingdom; and that cyber-enabled scam cases in Singapore rose 61% in just two years.

Digitalization vs Fraud: Pakistan, 2021–2025

Growth in Digital Transactions Has Outpaced Pakistan's Capacity to Contain Cyber-Enabled Fraud



Sources: SBP Annual/Quarterly Payment Systems Reviews; FIA Annual Administration Reports (2021–22); NCCIA complaint data (2023–25). Digital volume figures are approximate annualised totals derived from SBP quarterly reviews. 2025 fraud dip reflects reporting/registration backlog, not reduced incidence – NCCIA officials cite a 35% surge in cybercrime and SBP reports a 62% rise in banking fraud in 2025.

Figure 2: Digitalization vs. Fraud – Pakistan, 2021–2025



Pakistan's fraud problem is not occurring despite digitalization, or merely alongside it; it is being generated by the same growth that is documenting the economy."



In Pakistan, reported cybercrime and financial-fraud complaints rose from an estimated 60,000 in 2021 to 134,710 in 2023 (the year the NCCIA, National Cyber Crime Investigation Agency was established), 161,828 in 2024, and 157,465 in 2025 tracking almost exactly the same curve as the digital transaction volumes shown in Figure 1. This is the core observed link this article wants to draw out: Pakistan's fraud problem is not occurring despite digitalization, or merely alongside it; it is being generated by the same growth that is documenting the economy. Every successful fraud also produces a pool of illicit, low-trace proceeds that has to go somewhere.

Digital Scams Lead to Terror Financing: A Haunting Threat for Digital Financial Institutions

Terrorism doesn't need millions, it needs stealthy, frequent micro-payments that can support localized insurgencies or radicalization cells, and that is precisely the profile of proceeds a digital scam generates.

For most of its history, cyber-enabled fraud has been analyzed through a single lens: financial loss to the victim. That lens is no longer sufficient. The FATF has now formally and explicitly recognized cyber-enabled fraud as a money-laundering, terrorist-financing, and proliferation-financing risk in its own right, not an indirect concern, but a named category in its own typology paper. Its companion publication, the July 2025 Comprehensive Update on Terrorist Financing Risks, goes further: it documents a structural shift away from large, centrally-organized terrorist financing flows and toward decentralized, self-financed cells and lone actors who rely on "microfinancing strategies drawn from licit sources and petty crimes, as well as technology-enabled methods, including gaming and social media features." The report identifies trade-enabled fraud through social media and informal crowdfunding as standalone typology chapters —the same channels that now generate the bulk of Pakistan's own fraud complaints.

The financing pattern terrorist financiers increasingly prefer small, frequent, decentralized, hard-to-trace, is structurally identical to the proceeds a phishing campaign, a fake investment app, or a romance scam generates. Where a conventional AML system is tuned to flag a single large, unusual transfer, this typology is engineered to defeat exactly that kind of monitoring. It moves in volume, not in size.

Why Pakistan Cannot Treat This as a Distant Risk

Pakistan's own record gives this risk a concrete, rather than theoretical, shape. The country was placed on the FATF's grey list three separate times 2008–2010, 2012–2015, and again from June 2018 until October 2022 each time explicitly for terrorist-financing deficiencies. Exiting the 2018 listing required a combined 34-point action plan (27 points from 2018, plus 7 added in 2021) and a formal FATF/Asia Pacific Group on-site verification visit in September 2022. Yet even after its October 2022 removal, the APG's own follow-up assessment rated Pakistan's effectiveness as "low" on 10 of the 11 international AML/CFT outcomes it measures, despite Pakistan being technically

compliant or largely compliant on 38 of 40 FATF Recommendations. In other words: Pakistan can pass the paperwork test and still fail the operational test—precisely the gap FATF's 2025 global report says now exists in 69% of jurisdictions worldwide when it comes to investigating, prosecuting, and convicting terrorist-financing cases.

That operational gap is visible in Pakistan's cyber-crime enforcement data specifically, not just its terrorist-financing data. Figures presented in the National Assembly show that the NCCIA received 523,749 cybercrime complaints between 2023 and 2026 but secured only 199 convictions, a conviction rate of approximately 0.038%. Year by year, the trend has worsened even as complaints have stayed high: 92 convictions against 134,710 complaints in 2023; 60 convictions against 161,828 complaints in 2024; 39 convictions against 157,465 complaints in 2025; and just 8 convictions against 77,023 complaints in the first part of 2026. The predecessor FIA Cybercrime Wing's longer record is similar: over 639,000 complaints since 2020 produced only 222 convictions, a rate of 3.16%. An environment where fewer than four in ten thousand cybercrime complaints end in conviction is, by definition, an environment where illicit proceeds fraud-derived or otherwise can move with very little fear of consequence. That is the same permissive environment terrorist financing requires.

Cyber-enabled fraud is rising sharply across South Asia, and rising fraud volumes regionally widen the pool of illicit, low-trace funds moving through porous cross-border financial and informal corridors that have historically also carried terrorist-financing flows into and out of Pakistan."

Pakistan's security establishment has already documented technology-enabled financing channels reaching active militant groups. Intelligence briefings described cross-border handlers using illegal telecommunications spectrum to direct financial transactions to the band outfits. Separately, NACTA's own risk-rating exercise found that 6.75% of Pakistan's non-profit organizations (NPOs) carry a high terrorist-financing risk rating and 43.64% carry a medium rating part of why NACTA has banned few organizations, and why Pakistan froze several unregistered bank accounts under the 2015 National Action Plan. These are not digital-fraud cases but they establish, beyond doubt, that the technical capability, the cross-border handler networks, and the institutional appetite to route funds to designated terrorist organizations through non-traditional channels risk can be raised more in Pakistan, if counter measures are not implemented correctly. The remaining question for digital financial institutions is whether fraud-proceed laundering pipelines mule accounts, unlicensed crypto off-ramps, social-media crowdfunding are being or could be tapped by the same networks.

That question is not abstract. In one of the clearest illustrations of the underlying vulnerability, the FIA built a case alleging that a major international cryptocurrency exchange's platform was used to defraud more than 100,000 Pakistanis of over \$100 million through fake trading schemes funds that moved through largely unregulated, pseudonymous, borderless virtual-asset rails with no licensed Pakistani AML/CFT gatekeeper in the chain. It is exactly this class of exposure that the Pakistan Virtual Assets Ordinance, 2025, and the new Pakistan Virtual Assets Regulatory Authority (PVARA) are designed to close, by requiring virtual asset service providers to be licensed and supervised under SBP-aligned AML/CFT rules rather than operating, as much of the sector has to date, through offshore wallets and informal exchanges.

Red Flags Digital Financial Institutions Should Treat as Converged Risk

FATF's typology work and Pakistan's own enforcement record point to a consistent set of indicators that fraud-control and AML/CFT teams should monitor jointly rather than separately:

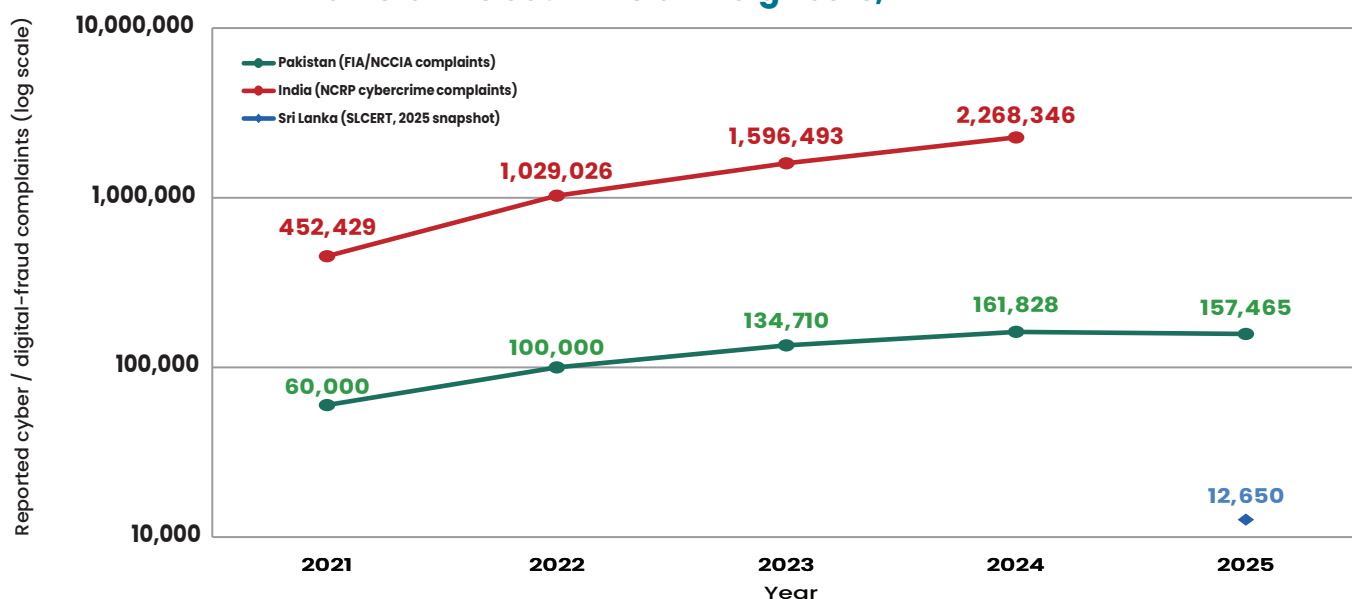
- High-frequency, low-value peer-to-peer transfers structured just beneath reporting thresholds, fanning out from a single source account to multiple recipients in a short window.
- Mule-account chains that terminate in rapid cash withdrawal or onward transfer near border regions or areas with a documented militant presence.
- Social-media or messaging-app crowdfunding campaigns using vague humanitarian or religious framing, consistent with FATF's "informal crowd-funding" and "trade-enabled fraud through social media" typologies.

- Rapid conversion of fraud proceeds into virtual assets and off-ramping through unlicensed or offshore platforms, rather than SBP/PVARA-licensed VASPs which is currently under implementation phase.
- Donation mechanisms (digital collection boxes, QR codes, NPO accounts) tied to entities that fall within NACTA's medium- or high-risk NPO categories, or that resemble previously banned organizations operating under a new name.
- Accounts opened through e-KYC using synthetic or stolen identities that subsequently receive irregular inbound transfers from multiple unrelated fraud-victim accounts, before rapid onward movement.

None of these indicators, on its own, proves a terrorist-financing link the overwhelming majority of fraud proceeds are laundered for ordinary criminal profit. The point is structural, not accusatory: Pakistan's digital financial institutions are now generating, in real time, exactly the kind of decentralized, low-trace transactional data that FATF says terrorist financiers are migrating toward globally, inside a domestic enforcement environment that secures a conviction in roughly 4 of every 10,000 cybercrime complaints. Closing that gap should not be just reducing fraud losses, rather it should be treated as a national-security priority by FIs, and their regulators alike.

This pattern is also not unique to Pakistan, which is part of why it deserves regional attention rather than purely domestic remediation. Cyber-enabled fraud is rising sharply across South Asia, and rising fraud volumes regionally widen the pool of illicit, low-trace funds moving through porous cross-border financial and informal corridors that have historically also carried terrorist-financing flows into and out of Pakistan.

Digital Fraud & Cybercrime Complaints: Pakistan vs South Asian Neighbors, 2021-2025



Pakistan growth: 2022 to 2025 approx. +57% cumulative (with a 35% surge reported by NCCIA for 2025 alone; banking fraud specifically up 62%).

India growth: 2021 to 2024 approx. +401% cumulative (NCRP), driven by UPI-linked scams & 'digital arrest' fraud (+210% in 2024 alone).

Bangladesh: no centralised annual complaint count is published; CCAF survey work shows financial-loss share of cybercrime victims rising. Sri Lanka:

SLCERT logged 12,650+ complaints in 2025, a sharp rise versus prior years (no comparable pre-2025 published baseline).

Sources: FIA Annual Administration Reports; NCCIA; India NCRP/14C (Lok Sabha disclosures, Dec 2025); Sri Lanka CERT (2025).

Note: Absolute counts are not population-adjusted - India's population (~1.45bn) is ~6x Pakistan's (~245m); use trend direction, not raw scale, for comparison.

Figure 3: Digital Fraud & Cybercrime Complaints — Pakistan vs. South Asian Neighbors, 2021-2025

India's National Cybercrime Reporting Portal recorded complaints rising from 452,429 in 2021 to 2,268,346 in 2024 a cumulative increase of over 400% driven substantially by UPI-linked scams and so-called "digital arrest" fraud, which alone grew an estimated 210% in 2024. Sri Lanka's CERT logged over 12,650 complaints in 2025, a sharp rise versus prior years. Bangladesh has no single, centralized annual complaint count, but independent survey work by the Cyber Crime Awareness Foundation shows a rising share of cybercrime victims reporting direct financial loss. None of this is offered as equivalence; each country's institutional capacity and terrorist-financing risk profile differs. However, it underlines that the underlying criminal infrastructure (mule networks, crypto off-ramps, social-engineering scripts) is increasingly regional, and that any Pakistani institution's CFT controls that stop at the country's border are, by definition, incomplete.

What This Means in Practice

FATF's own recommended response to cyber-enabled fraud payment transparency mechanisms such as confirmation-of-payee, faster cross-border asset-freezing and non-conviction-based confiscation tools, closing gaps in virtual-asset regulation, and stronger beneficial-ownership transparency to unmask the shell companies fraud rings use to hide proceeds, should be read by Pakistani digital financial institutions as counter-terrorist-financing measures, not merely as fraud-loss-reduction measures. The two are now, in FATF's own framing, the same control set.

AML/CFT Challenges in Instant Digital Payments

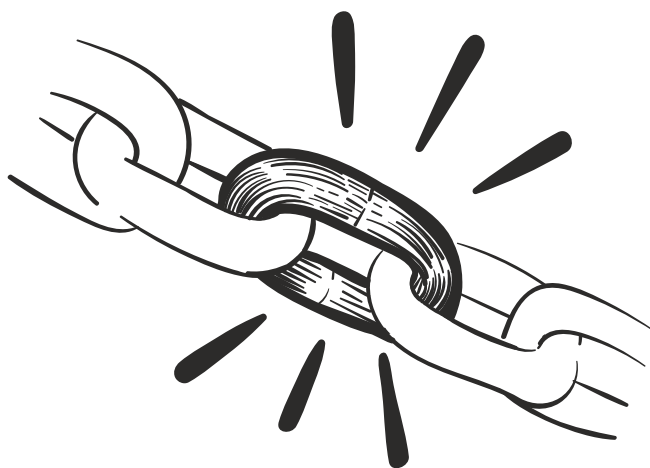
Instant digital payments have revolutionized financial access remote account opening, instant transfers, QR payments, and round-the-clock service but they have also compressed the window available for manual AML/CFT intervention to nearly zero. Digital onboarding and remote e-KYC, while efficient, create openings for stolen identities, forged documents, and increasingly convincing synthetic identities built with generative AI. Real-time transaction monitoring is no longer a nice-to-have; it is the only practical control left once funds can move and settle in seconds through RAST.

The clearest institutional lesson is that fraud prevention, cybersecurity, and AML/CFT compliance can no longer be run as three separate functions within a FI."

Money-mule accounts and complex ownership structures remain the connective tissue between fraud and money laundering and, potentially terrorist financing. Cross-border digital payments add sanctions-screening and high-risk-jurisdiction complexity on top. The clearest institutional lesson is that fraud prevention, cybersecurity, and AML/CFT compliance can no longer be run as three separate functions within a FI.

Pakistan's financial institutions need a single, integrated financial-crime framework that combines real-time fraud detection, transaction monitoring, digital-identity verification, and AML/CFT screening because the criminal flows themselves no longer respect those internal departmental boundaries. This can only be done by creating synergy between Fraud Dept. teams and Compliance AML Teams within FIs. Discussions on the cases between teams, sharing of findings can lead for a better Suspicious report generations and instant action against culprits.

Regulatory Technology (RegTech) and Supervisory Technology (SupTech) are the practical instruments for closing this gap: automated e-KYC, biometric and liveness verification, AI-driven sanctions and PEP screening, behavioral analytics, and machine-learning-based supervisory reporting that lets SBP, the SECP, and the Financial Monitoring Unit (FMU) assess emerging typologies, including the fraud-to-terror-financing convergence described above, far earlier than periodic on-site inspections fruitfulness.



Collaboration: The Missing Link

Cyber-enabled financial crime does not respect institutional boundaries, and neither does its potential terrorist-financing endpoint. Criminals and, per FATF's 2025 findings, an increasing number of self-financed extremist actors exploit weaknesses across banks, EMIs, telecom networks, payment systems, social media platforms, and international financial channels simultaneously. No single Pakistani institution holds enough information to see the full picture alone.

Effective prevention requires structured collaboration among the NCCIA, SBP, the SECP, the FMU, NACTA's CFT Wing, the Pakistan Telecommunication Authority (PTA), NADRA, commercial banks, Digital banks, EMIs, Fintech companies, and telecom operators. NACTA's CFT Wing already performs much of the terrorist-financing-specific risk assessment and federal-provincial coordination function; what is missing is a routine, two-way information bridge between that CFT-specific machinery and the fraud and cybersecurity teams inside FIs, who are often the first to see the transactional patterns NACTA and the FMU need. Shared fraud-

intelligence databases, real-time account-freezing mechanisms tied to PVARA-licensed virtual-asset platforms, and joint public-private incident response would close much of the gap so far described.



Cyber-enabled fraud should be reclassified inside Pakistan's financial institutions and regulatory bodies, from a compliance obligation and a customer-protection issue into a national resilience imperative that sits alongside counter-terrorism policy".

Sustainable Growth Strategies for FIs

Pakistan's FIs including Digital Financial Service industry's long-term health depends on diversifying beyond pure payment-transaction revenue; merchant acquisition across retail, transport, and SME segments; embedded finance integrated into e-commerce, ride-hailing, and logistics platforms; alternative credit scoring built on transaction-history data for underserved borrowers; and API banking / Banking-as-a-Service (BaaS) models that let licensed institutions extend regulated infrastructure to fintech startup partners. None of this growth is inconsistent with the risk, in fact, an EMI sector built on diversified, transparent, well-documented revenue streams is structurally easier to supervise than one dependent on opaque, high-volume micro-transaction flows alone.

Islamic Fintech: Opportunity with a Governance Caveat

Pakistan's demand for Shariah-compliant digital finance Islamic digital wallets, Murabaha- and Musharakah-based financing, digital Takaful, and Islamic crowdfunding represents a genuine growth opportunity. Digital Zakat and Waqf platforms in particular can make charitable giving more transparent and efficient than the cash-collection-box model NACTA has already flagged as a historical NPO-abuse channel. That is precisely why these platforms need Shariah governance and AML/CFT controls built in from day one, rather than added retroactively: a digital Zakat platform with weak beneficiary verification simply digitizes the same NPO-diversion risk NACTA's describes in its publications, at greater speed and scale. Strong Shariah governance, AAOIFI-aligned product approval, and routine digital Shariah audits should be treated as AML/CFT controls, not separate compliance tracks.

Consumer Awareness: The Strongest Firewall

No technology stack fully substitutes for an informed customer. Criminals succeed most often not because security systems fail but because individuals are persuaded to disclose an OTP, click a link, or trust a

fake customer-service call. Financial and digital literacy campaigns delivered through schools, universities, workplaces, television, and financial institutions themselves remain the cheapest and most scalable control available to Pakistan's regulators. Given the argument above, these campaigns now carry a second, less obvious payoff: every consumer who avoids becoming a fraud victim is also one less innocent contributor to the pool of illicit funds that can be diverted toward financing violence.

The Road Ahead: From Compliance Obligation to National Resilience Imperative

Pakistan has built multipronged digital-payments infrastructure in a short period: RAAST, the EMI framework, NADRA's digital identity system, PRISM+, and now upcoming implementation on PVARA and the Virtual Assets Ordinance, 2025. Digital channels carry 92% of retail payment volume; annual digital transactions have roughly magnified since 2021. These are genuine achievements, and they should not be undersold.

Although the proportionate growth in cyber fraud cases is less than the growth in the use cases of digital finance, still there exist a glaring need in Pakistan to create awareness among the masses about its growing instances in addition to segmenting the institutional capability and support. FATF's own global research finds that 69% of assessed jurisdictions have major or structural deficiencies in investigating, prosecuting, and convicting terrorist-financing cases, and that terrorist financiers are migrating toward exactly the decentralized, low-value, technology-enabled funding patterns that digital scams generate. Pakistan's own data a three-time FATF grey-listing history rooted in terrorist-financing deficiencies, a 0.038% cybercrime conviction rate against 523,749 NCCIA complaints since 2023, documented technology-enabled financing channels reaching banned organizations, and a \$100 million unregulated crypto-fraud case affecting over 100,000 citizens shows this is not an imported warning. It is a description of present conditions.

Cyber-enabled fraud should therefore be reclassified inside Pakistan's financial institutions and regulatory bodies, from a compliance obligation and a customer-protection issue into a national resilience imperative that sits alongside counter-terrorism policy. The institutions that integrate fraud detection, AML/CFT screening, and CFT-specific typology awareness into one framework supported by RegTech, SupTech, NACTA-FMU-bank information sharing, and a digital-identity system that closes rather than widens the e-KYC gap will be the ones equipped to manage this risk. Pakistan's transition from a cash-based to a digitally connected financial ecosystem is a milestone which is irreversible. Whether that transition strengthens or undermines the country's security will depend on how quickly its AML/CFT framework, cybersecurity capability, and prosecutorial capacity can close the gap. ■

The Green Balance Sheet

Integrating Sustainability as a Driver of Corporate Profitability in Pakistan

By: Muhammad Yaseen



Global management literature no longer treats sustainability as a philanthropic obligation. It is increasingly presented as a driver of financial performance. This article tests that claim in Pakistan, a market where environmental, social and governance (ESG) adoption is still emerging and where regulators, banks and listed companies have only started to build the institutional infrastructure for sustainable finance. The analysis draws on recent empirical studies of Pakistan Stock Exchange (PSX)-listed firms, the regulatory frameworks issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP), and two local case studies: WAPDA's Indus Bond and Interloop Limited's sustainability programme.

Its central argument is that sustainability works as a strategic asset with measurable, if uneven, financial returns. ESG practices tend to raise returns on assets, yet they can squeeze returns on equity in the short run. That second effect is largely missing from the popular business narrative. The article ends with evidence-based recommendations for regulators, financial institutions and corporate managers who want to turn sustainability commitments into lasting financial performance.



For most of its history, corporate sustainability was treated as a cost centre. It sat as a line item under corporate social responsibility (CSR), something that competed with the bottom line rather than adding to it (Alshehhi, Nobanee, & Khare, 2018). That assumption has weakened over the past decade. A growing body of empirical research now links environmental, social and governance (ESG) practices to firm financial performance (FFP). One meta-analysis of more than 2,000 empirical studies found that the large majority reported a non-negative relationship between ESG and corporate financial performance (Friede, Busch, & Bassen, 2015). This body of work broadly supports what this article calls the “Green Balance Sheet”: the idea that environmental stewardship and financial performance can reinforce one another instead of competing.

Most of that testing has taken place in developed markets. Emerging economies such as Pakistan sit in a very different institutional environment, marked by weaker enforcement of environmental regulation, limited ESG literacy among corporate boards, shallow capital markets for green instruments, and heavy exposure to climate risk (Bashir et al., 2025). Pakistan ranks among the countries most vulnerable to climate change worldwide and is projected to face substantial temperature increases over the coming decades (Pakistan Stock Exchange, n.d.). Since 2017, its regulators have also started to build a formal architecture for sustainable finance, ranging from the SBP's Green Banking Guidelines to SECP's green bond and ESG mutual fund frameworks. This combination makes the country a useful setting in which to ask whether the Green Balance Sheet thesis holds.

The article revisits five value drivers that are commonly said to link sustainability to profitability: operational efficiency, talent retention, innovation, customer trust and risk mitigation. Each one is grounded in empirical evidence from Pakistan's financial and regulatory context and illustrated with two local case studies. The final section sets out policy recommendations for regulators, financial institutions and corporate managers.

Evidence on the relationship between environmental, social and governance (ESG) practices and firm financial performance (FFP) remains inconclusive at the international level. While some studies report a positive association, others find little or no effect, and a few even report negative outcomes (Bashir et al., 2025). Differences in findings are often attributed to variations in ESG measurement approaches: whether ESG is treated as a composite construct or examined through its individual environmental, social and governance dimensions, as well as differences in the institutional, regulatory and market environments of developed and emerging economies.

Against this backdrop, emerging evidence from Pakistan provides a more nuanced understanding of the ESG–FFP relationship. Using hand-collected ESG disclosure data for 95 companies listed on the PSX-100 Index, Jamil and Siddiqui (2020) found that stronger ESG performance was associated with higher return

on assets (ROA), indicating improved operational efficiency. However, the relationship with Tobin's Q, a market-based measure of firm valuation, was not statistically significant, suggesting that financial markets may not immediately reflect the value of ESG initiatives.

“Oversubscribed six times, Pakistan's first Green Eurobond demonstrated the potential of credible green financing to attract international capital.”

More recent survey evidence from non-financial firms listed on the Pakistan Stock Exchange (PSX) reinforces the positive association between ESG practices and operational performance. Bashir et al. (2025) reported that each of the environmental, social and governance dimensions was positively and significantly associated with ROA. However, the study also found a significant negative direct relationship between these ESG dimensions and return on equity (ROE), indicating that sustainability-related investments may temporarily reduce shareholder returns even as they improve the efficient utilization of corporate assets. These findings suggest that the financial effects of ESG vary depending on the performance measure employed and the time horizon over which benefits materialize.

Importantly, Bashir et al. (2025) further demonstrated that green innovation through new products, processes, resource-efficient technologies, certified products and environmentally responsible organizational practices, positively mediated the relationship between all three ESG dimensions and both ROA and ROE. In other words, firms that translate sustainability commitments into tangible innovation derive greater financial value from ESG than those that view it primarily as a disclosure or compliance exercise. This finding is consistent with the natural resource-based view of the firm, which argues that environmentally oriented capabilities can become a source of sustained competitive advantage (Hart & Dowell, 2011).

Other Pakistan-focused studies reinforce these conclusions while also highlighting persistent implementation challenges. Research covering the top 100 PSX-listed companies during 2018–2022 reported a significant relationship between ESG performance and both ROA and ROE, yet found that overall ESG compliance among Pakistani non-financial firms remained below 50% across most disclosure indicators, substantially lagging behind firms in developed markets. Taken together, the available evidence indicates that ESG is financially material in Pakistan. However, its benefits are neither immediate nor automatic. Rather, they depend on the depth of ESG implementation, firms' ability to translate sustainability commitments into innovation, and the strength of the country's regulatory and disclosure framework. Collectively, these findings provide a strong conceptual foundation for examining how ESG practices influence corporate financial performance within the Pakistani context. One feature sets the Pakistani market apart: its sustainable finance infrastructure remains nascent. This is an important consideration when interpreting firm-level ESG outcomes.

The State Bank of Pakistan's Green Banking Guidelines

In October 2017 the SBP issued its Green Banking Guidelines (GBG), the country's first regulatory framework that required banks and development finance institutions to build environmental and social risk into credit assessment (State Bank of Pakistan, 2017). The GBG cover three areas: environmental risk management in lending, green business facilitation, and reduction of banks' own environmental footprint. Roll-out has been slow. Working with the International Finance Corporation (IFC), the SBP later developed an Environmental and Social Risk Management (ESRM) Implementation Manual, launched in 2022 and kept voluntary for an initial three-year adoption period running through 2025 (International Finance Corporation, 2023; Resources Future, 2026). In December 2025 the SBP went further and adopted a Green Taxonomy that provides a science-based definition of eligible green investments (Spectreco, 2026).

SECP's Capital Market Reforms

On the capital-markets side, the SECP issued Green Bonds and Sukuk Guidelines in 2021, aligned with the International Capital Market Association's Green Bond Principles. These let corporates and government-owned entities raise debt earmarked for eligible green projects (Securities and Exchange Commission of Pakistan, 2021). The SECP then introduced an ESG Mutual Funds Framework. It requires ESG-labelled funds to hold at least 50% of net assets in ESG-aligned investments and adds disclosure and governance requirements designed to curb greenwashing (Spectreco, 2026). Equity ESG funds are expected to draw on the PSX Sustainability Index, a benchmark for listed companies that manage financially material ESG risk. As of mid-2026 that index is still under consultation (Spectreco, 2026).

Implications for Firms

These developments show a regulator that is actively laying the plumbing for green finance, including taxonomies, disclosure guidelines, bond frameworks and fund rules. Yet mandatory enforcement is still limited, and voluntary compliance remains the norm. This helps explain the empirical pattern from Section 2. ESG investment in Pakistan can lift operational metrics such as ROA, where efficiency gains land inside the firm. At the same time it drags on ROE in the short run, because the market infrastructure that usually rewards ESG performance, through a lower cost of capital or a valuation premium, is still maturing.

"ESG investments can improve operational efficiency, but stronger shareholder returns may emerge only as Pakistan's sustainable finance ecosystem matures."

The Green Balance Sheet: Five Value Drivers Re-examined

Five mechanisms are usually proposed as the channels through which sustainability improves profitability. Each is reassessed below against Pakistani evidence.

(i) Operational Efficiency and Cost Reduction

The most direct channel is operational efficiency. Spending on energy, water and materials efficiency lowers recurring costs. Interloop Limited, Pakistan's largest listed textile exporter, is a concrete example. Its Hosiery Plant 5 and Denim facility, certified LEED Gold and LEED Platinum respectively by the U.S. Green Building Council, were designed to deliver roughly 26% energy savings and a 51% cut in potable water use against conventional facilities under the LEED v4 rating system (The Textile Magazine, 2021). The company's 2023 sustainability report adds more detail. A heat-recovery system at its filament yarn dye house cuts around 140 tonnes of CO₂-equivalent emissions a year, and waste-heat-recovery boilers supply about 17% of total steam generation while avoiding more than 8,000 tonnes of CO₂-equivalent emissions in 2023 alone (Interloop Limited, 2023). These figures are not abstractions. They show up as avoided utility and fuel spending that feeds straight into operating margins, in line with the positive ROA effect reported by Jamil and Siddiqui (2020) and Bashir et al. (2025).

(ii) Talent Attraction and Retention

Social ESG initiatives, such as fair pay, occupational health and safety, and diversity and inclusion, are linked in the literature to stronger employee commitment and lower turnover (Bashir et al., 2025). Interloop reports a near-even gender split in its talent-acquisition mix and has been recognized as a preferred employer in Pakistan's textile sector (Interloop Limited, 2022). This shows how social investment can double as a recruitment and retention tool in a labour-intensive, export-oriented industry where losing skilled workers is expensive. The evidence here is thinner than for the environmental dimension, so the social channel needs more sector-specific research before any strong causal claim is justified.

(iii) Innovation as the Transmission Mechanism

The strongest empirical support in the Pakistani literature is for innovation as the bridge between ESG and financial performance. Bashir et al. (2025) found that green innovation significantly and positively mediated the link between all three ESG dimensions and both ROA and ROE among PSX-listed firms, even where ESG had a negative direct effect on ROE. Interloop's experience matches this. Pressure to cut water and energy intensity pushed the firm toward recycled and organic-cotton inputs, with organic cotton use reportedly rising about four-fold since 2016, along with biomass boilers and proprietary traceability technology. What began as compliance pressure became differentiated, exportable products for global apparel brands (Interloop Limited, 2022, 2023).

“Green innovation is the missing link between ESG and financial performance. Firms that turn sustainability commitments into innovative products, processes and technologies are more likely to realize financial gains than those that view ESG as a compliance exercise.”

run, especially where firms lack the innovation capacity to turn ESG spending into differentiated products or process savings (Bashir et al., 2025). This is an important nuance for Pakistani boards and finance managers, since a Green Balance Sheet narrative that ignores the short-term ROE effect risks setting unrealistic expectations for shareholders and could undermine internal support for sustainability investment if returns are not communicated accurately.

The practical implication is clear. Green innovation, not ESG compliance on its own, is what determines whether sustainability investment pays off financially. Firms such as Interloop that have embedded sustainability into product development and operational design appear better positioned to capture financial returns than firms pursuing ESG primarily as a reporting or reputational exercise. This is consistent with the broader finding that the ESG–FFP relationship is context- and mechanism-dependent rather than automatic (Friede, Busch, & Bassen, 2015).

Policy Recommendations

The findings discussed above point to several practical recommendations for three key stakeholder groups: regulators, financial institutions and corporate managers.

For Regulators (SBP and SECP)

- Move the ESRM Implementation Manual and the Green Taxonomy from voluntary to mandatory status for systemically important banks, on a phased timeline that gives smaller institutions enough time to adjust, in line with the SBP's own stated approach of phased implementation (State Bank of Pakistan, 2017; Resources Future, 2026).
- Finalize and operationalize the PSX Sustainability Index so that ESG-labelled equity funds have a credible, standardized benchmark rather than relying on proprietary screening methodologies (Spectreco, 2026).

For Financial Institutions

- Widen concessional and blended-finance instruments for green lending. At present these cluster around

large infrastructure transactions such as the Indus Bond. Extending green financing products to small and medium enterprises matters, because their access to affordable sustainability financing remains limited despite the SBP's 2016 renewable-energy financing scheme (Resources Future, 2026).

For Corporate Managers

- Favour sustainability investments that have a clear innovation or efficiency pathway, such as cutting energy and water intensity, using certified sustainable materials or redesigning processes, over disclosure-only initiatives.

The empirical evidence indicates that green innovation, not ESG reporting on its own, is what converts sustainability spending into measurable financial return (Bashir et al., 2025). Communicate sustainability performance to shareholders using both operational metrics (ROA, cost savings) and equity-level metrics (ROE), to avoid overstating short-term shareholder returns while sustainability investments are still maturing.

Conclusion

In Pakistan, the shift from seeing sustainability as a cost to seeing it as an investment is well under way, supported by a maturing, if still voluntary, regulatory architecture from the SBP and SECP and illustrated by concrete cases such as WAPDA's Indus Bond and Interloop's export-oriented sustainability programme. The empirical literature on PSX-listed firms confirms that ESG practices are financially material, improving asset efficiency in particular. The same evidence cautions against an uncritical Green Balance Sheet narrative. Financial returns are uneven across performance metrics and depend heavily on whether firms convert sustainability commitments into genuine innovation. For Pakistan's regulators, financial institutions and corporate managers, the strategic question is therefore not simply whether to invest in sustainability, but how to design that investment, and the supporting institutional infrastructure, so that it reliably converts into long-term financial performance rather than short-term cost.

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Add-ons to **SBP POLICY REGIME** April–June 2026

The primary objective of this feature is to highlight changes, or ‘add-ons’ to the SBP policies, on a quarterly basis to provide the readers better comprehension and analysis of the central bank’s policy regime, as well as being an easily accessible time-lined reference guide.

All circulars are easily accessible in the PDF of the Journal, available on the following link on the NIBAF Pakistan website: <https://nibaf.sbp.org.pk>



01

Rate of Remuneration on Special Cash Reserve Account Maintained with SBP against Deposits Raised under FE-Circular 25 of 1998

DMMD Circular Letter No. 9 of 2026/ June 30, 2026

<https://www.sbp.org.pk/circulars/dmmd-circular-letter-no-9-of-2026>

02

Outright Purchase and Sale of GOP Sukuk by Government of Pakistan (GOP)

DMMD Circular Letter No. 08 of 2026/ June 22, 2026

<https://www.sbp.org.pk/circulars/dmmd-circular-letter-no-8-of-2026>

03

Informal Income Estimation Models

SH&SFD Circular Letter No. 04 of 2026/ June 17, 2026

<https://www.sbp.org.pk/circulars/shsfd-circular-letter-no-04-of-2026>

04

Facilitation in Conversion of Conventional Banking Branches into Islamic Banking Branches

IFPD Circular Letter No. 03 of 2026/ June 16, 2026

<https://www.sbp.org.pk/circulars/ifpd-circular-letter-no-03-of-2026>

05

Wazir-e-Azam Apna Ghar Program (AGP) - Ghar Ho Tu Apna Multi-Channel Implementation Strategy

SH&SFD Circular Letter No. 03 of 2026/ June 15, 2026

<https://www.sbp.org.pk/circulars/shsfd-circular-letter-no-03-of-2026>

06

Instructions on Islamic Banking Windows (IBWs) Operations

IFPD Circular Letter No. 02 of 2026/ June 10, 2026

<https://www.sbp.org.pk/circulars/ifpd-circular-letter-no-02-of-2026>

07

Rate of Remuneration on Special Cash Reserve Account Maintained with SBP against Deposits Raised under FE-Circular 25 of 1998

DMMD Circular Letter No. 7 of 2026/ May 29, 2026

<https://www.sbp.org.pk/circulars/dmmd-circular-letter-no-7-of-2026>

08

Revision in Reporting and Settlement Timeline Of SSC/DSC Sale Proceeds by Commercial Banks

CMD Circular No. 01 of 2026/ May 25, 2026

<https://www.sbp.org.pk/circulars/cmd-circular-no-01-of-2026>

09

Delegation of Functions: Registration of Shares/Units on Repatriable Basis Issued/ Transferred to Non-Residents and Designation of Authorized Dealer

FE Circular No. 02 of 2026/ May 25, 2026

<https://www.sbp.org.pk/circulars/fe-circular-no-02-of-2026>

10

Implementation of Non-Resident Shareholding Registration System

FE Circular No. 03 of 2026/ May 25, 2026

<https://www.sbp.org.pk/circulars/fe-circular-no-03-of-2026>

11

Distribution of Services by Intermediaries/Aggregators

FE Circular No. 01 of 2026/ May 22, 2026

<https://www.sbp.org.pk/circulars/fe-circular-no-01-of-2026>

12

Instructions for Legacies and other Distribution of Assets of Deceased Persons

EPD Circular Letter No. 11 of 2026/ May 12, 2026

<https://www.sbp.org.pk/circulars/epd-circular-letter-no-11-of-2026>

13

Permission for Import of Crude Oil/ Petroleum Products on CIF Basis

EPD Circular Letter No. 10 of 2026/ May 07, 2026

<https://www.sbp.org.pk/circulars/epd-circular-letter-no-10-of-2026>

14

Selection of Primary Dealers/Preliminary Primary Dealers/Special Purpose Primary Dealers for Fiscal Year 2026-27

DMMD Circular Letter No. 06 of 2026/ May 07, 2026

<https://www.sbp.org.pk/circulars/dmmd-circular-letter-no-06-of-2026>

15

Rate of Remuneration on Special Cash Reserve Account Maintained with SBP Against Deposits Raised under FE-Circular 25 of 1998

DMMD Circular Letter No. 05 of 2026/ April 30, 2026

<https://www.sbp.org.pk/circulars/dmmd-circular-letter-no-05-of-2026>

16

Facilitation in Implementation of Wazir-e-Azam's Apna Ghar Program-Ghar Ho Tu Apna

SH&SFD Circular No. 02 of 2026/ April 28, 2026

<https://www.sbp.org.pk/circulars/shsfd-circular-no-02-of-2026>

17

SBP's Policy Rate and Overnight Repo / Reverse-Repo Facilities

DMMD Circular No. 02 of 2026/ April 27, 2026

<https://www.sbp.org.pk/circulars/dmmd-circular-no-02-of-2026>

18

Assumption of Charge as Director, Banking Supervision Department -1

BSD-1 Circular Letter No. 02 of 2026/ April 27, 2026

<https://www.sbp.org.pk/circulars/bsd-1-circular-letter-no-02-of-2026>

19

Amendments in Instructions regarding 'Imports under Pakistan Single Window (PSW)-Financial Instrument Details' and 'Guarantees on behalf of Residents of Pakistan in favor of Non-Residents'

EPD Circular Letter No. 09 of 2026/ April 23, 2026

<https://www.sbp.org.pk/circulars/epd-circular-letter-no-09-of-2026#>

20

Revised Crop Loan Insurance Scheme 'CLIS+'

ACFID Circular Letter No. 01 of 2026/ April 20, 2026

<https://www.sbp.org.pk/circulars/acfid-circular-letter-no-01-of-2026>

21

Operating Rules for Pakistan Real-Time Interbank Settlement Mechanism Plus (PRISM+)

DI&SD Circular No. 1 of 2026/ April 16, 2026

<https://www.sbp.org.pk/circulars/disd-circular-no-1-of-2026>

22

Assuming Charge as Director - Financial Institutions Resolution Department

FIRD Circular No. 01 of 2026/ April 10, 2026

<https://www.sbp.org.pk/circulars/fird-circular-no-01-of-2026>

23

Assuming Charge as Director, Domestic Markets & Monetary Management Department

DMMD Circular Letter No. 4 of 2026/ April 10, 2026

<https://www.sbp.org.pk/circulars/dmmd-circular-letter-no-4-of-2026>

24

Amendment in Instructions Related to Inward Home Remittances

EPD Circular Letter No. 08 of 2026/ April 10, 2026

<https://www.sbp.org.pk/circulars/epd-circular-letter-no-08-of-2026>

25

Revision of Form "R", "IRV" and Form "M"

EPD Circular Letter No. 07 of 2026/ April 06, 2026

<https://www.sbp.org.pk/circulars/epd-circular-letter-no-07-of-2026>

26

Facilitation for IT Companies and Freelancers

EPD Circular Letter No. 06 of 2026/ April 06, 2026

<https://www.sbp.org.pk/circulars/epd-circular-letter-no-06-of-2026>

27

Teenager Account / Wallet

BPRD Circular No. 01 of 2026/ April 01, 2026

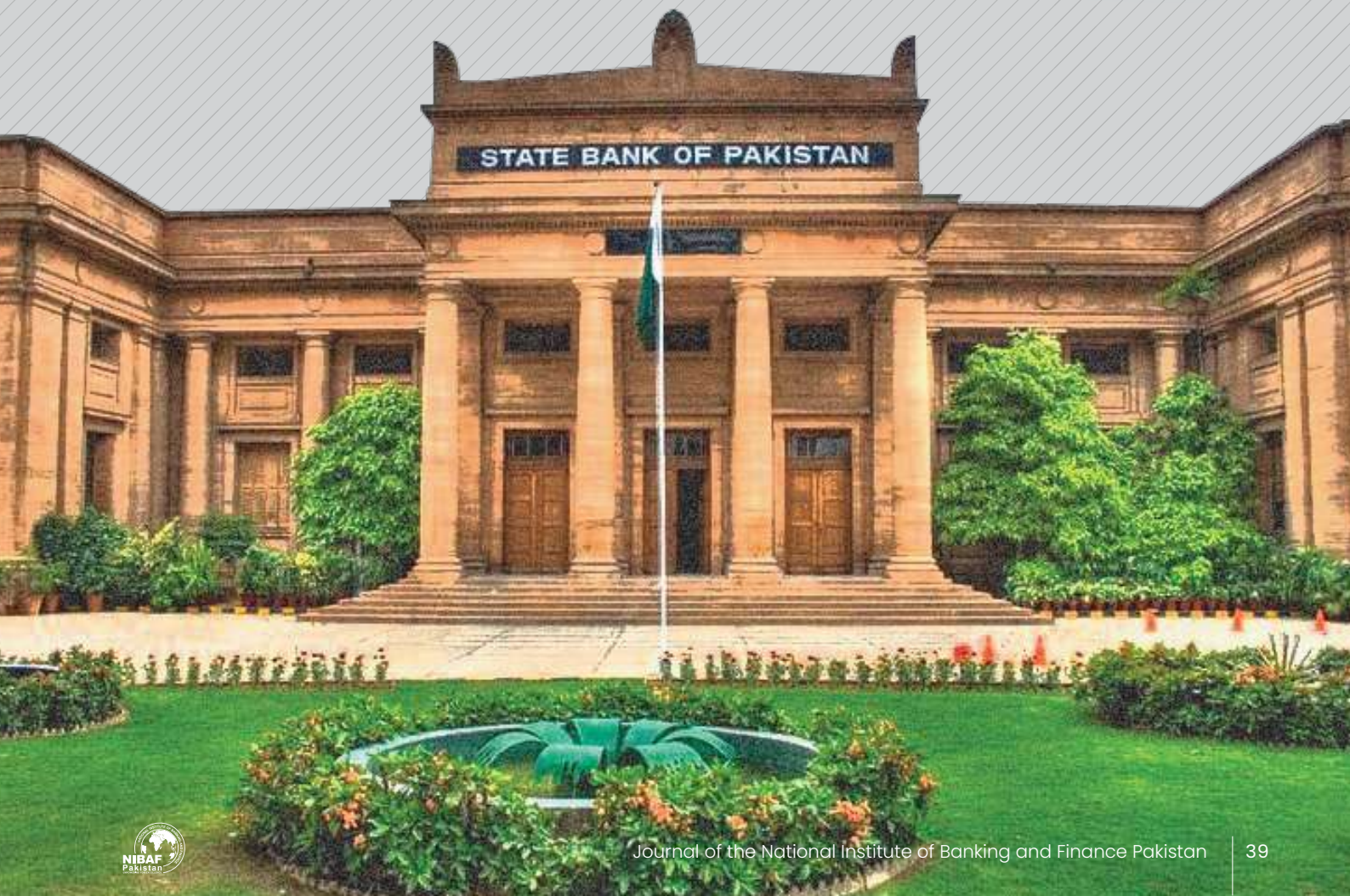
<https://www.sbp.org.pk/circulars/bprd-circular-no-01-of-2026>

28

Renaming of Markup Subsidy and Risk Sharing Scheme for Affordable Housing Finance

SH&SFD Circular Letter No. 02 of 2026/ April 01, 2026

<https://www.sbp.org.pk/circulars/shsfd-circular-letter-no-02-of-2026>



RICH STATE, POOR STATE

Why Some Countries Succeed and Others Fail

By: Greg Mills

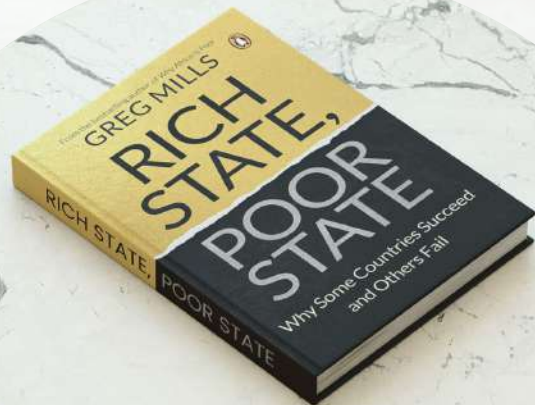
Synopsis

Why do some states thrive, grow their economies and uplift their people, while others, facing similar challenges, slide into low growth, social dysfunction and failure? After decades of work on the ground in Africa, Latin America, Asia, Europe and the Middle East, bestselling author Greg Mills seeks to provide answers in *Rich State, Poor State*. On each continent he traverses, Mills interrogates the how and why. How did Botswana go from being one of the least-developed and poorest nations at independence to enjoying the highest rate of per capita growth of any country in the world? Why has South Africa failed to attain similar heights? How did the Baltic states achieve reforms that have positioned them among the best-performing economies in Europe? How did Vietnam overcome a traumatic past in favor of a rapid and positive development transformation? Why is Mexico the only large developing economy that competes with China in manufacturing?

Drawing from interviews with current and former presidents, prime ministers and key government officials across the globe, as well as research from leading institutions to enrich his fieldwork, Mills contrasts the successes and the failures, and in so doing, seeks to determine a path for the next generation of leaders. Insightful and inspiring, *Rich State, Poor State* shows that with better choices, the right policies and the will to implement them, it is entirely possible to travel the road from poverty to prosperity.

About the Author

Dr Greg Mills heads the Johannesburg-based Brenthurst Foundation, established in 2005 by the Oppenheimer family to strengthen African economic performance. Before this he was the national director of the SA Institute of International Affairs. He has directed numerous reform projects in Africa and sat on the Danish Africa Commission and the African Development Bank's high-level panel on fragile states. On the advisory board of the Royal United Services Institute, he is the author of the best-selling books *Why Africa Is Poor* and *Africa's Third Liberation*, and together with President Olusegun Obasanjo, *Making Africa Work: A Handbook for Economic Success*. His writings have won him the Recht Malan Prize. His latest books, *Expensive Poverty* and *The Ledger: Accounting for Failure in Afghanistan*, were published in 2021 and 2022 respectively.



BANKING AS A SERVICE

Opportunities, Challenges, and Risks of New Banking Business Models

By: Jason Mikula

Synopsis

This book provides a comprehensive look at Banking-as-a-Service (BaaS), equipping readers with an understanding of the origins, evolution, future and applications of BaaS and the key differences across global markets.

BaaS is a game changer in the financial services sector, radically transforming both how consumers experience financial products and the business models delivering them. *Banking as a Service* cuts through the hype to provide a measured overview of BaaS, helping readers to demystify a complex evolving field and understand its key opportunities, challenges and risks. It provides a framework for understanding where BaaS came from, how BaaS changes the economics and business models of banking products and services, its impact on key stakeholders, and its key regulatory implications.

Review

"Jason Mikula's experience as an operator in fintech and banking, combined with his incredible reporting on the banking-as-a-service space over the last few years, makes him the best person to write the definitive book on the past, present, and future of BaaS. He's done just that."

— **Alex Johnson, Founder, Fintech Takes**

"Jason Mikula does a phenomenal job of cataloguing the rise and importance of the BaaS movement. This book is such a timely and excellent piece of research!"

— **Brett King, Author of *Bank 4.0*, Founder of Moven and Breaking Banks podcast**

About the Author

Jason Mikula is the publisher of *Fintech Business Weekly*, a newsletter going beyond the headlines to analyze the technology, regulatory, and business model trends driving the rapidly evolving financial services ecosystem at the intersection of traditional banking, payments, fintech, and crypto. He also advises and consults for and invests in early-stage startups. Previously, he spent over a decade building and scaling consumer finance businesses, including at Enova, LendUp, and Goldman Sachs. He is based in Amsterdam, the Netherlands.



COMING INTO VIEW

How AI and Other Megatrends Will Shape Your Investments

By: Joseph H Davis

Synopsis

In *Coming Into View: How AI and Other Megatrends Will Shape Your Investments*, Vanguard's Global Chief Economist and head of its Investment Strategy Group, Joe Davis, makes a simple and profound argument: that the "status quo" view of the United States economy – one of predictable and relatively constant measures of growth, inflation, and financial returns – is actually deeply unlikely to hold true in the future. The book demonstrates how the promise of artificial intelligence and technological advancement may push against the daunting headwinds of slowing population growth, rising geopolitical tensions and growing national debt, to reshape the economy in ways that conventional thinking overlooks. Davis presents an innovative and original, data-driven framework to consider the probabilities of the coming tug-of-war between AI-fueled growth and inflationary structural fiscal deficits, that can help guide investors as they build investment portfolios to weather uncertain years ahead.

About the Author

Joseph H. Davis, Ph.D., is Vanguard's global chief economist and global head of the Investment Strategy Group. He leads a global, 100-person team that is responsible for Vanguard's thought leadership agenda, the development and oversight of the firm's investment methodologies and Vanguard's economic and market outlook. Dr. Davis is the author of the 2025 best-selling book *"Coming into View: How AI and Other Megatrends Will Shape Your Investments."* He chairs the firm's Strategic Asset Allocation Committee, which governs multi-asset-class investment solutions and is a member of the Senior Investment Committee for Vanguard's Fixed Income Group. He also holds roles on global advice and product committees.



World of Opportunity

Bringing Sustainable Business to Fragile Economies

By: Yusuf Amdani

Synopsis

Not one to shy away from developing countries, Yusuf Amdani has laid a path for other investors to follow. Originally from Pakistan, Amdani moved to Honduras at a time when few international players paid attention to the Central American country. Amdani's quick eye and keen business savvy paid off. Today his company has grown and expanded into other Central American countries, along with the Caribbean, United States, Pakistan, and beyond.

Moreover, Amdani's initiatives provide an example of how to create opportunities in developing countries. In his book, he relates lessons he's learned along the way and extends an invitation to anyone interested in investing in fragile economies. His methods paint a roadmap designed to grow the middle class, reduce migration, promote sustainability, improve healthcare, and provide education to all.

Reviews

"The work that Yusuf is doing in the world of sustainable development represents his commitment not only to the preservation of our planet, but to the preservation of our natural resources and providing equitable communities for all. He is equal parts humanitarian as he is innovator."

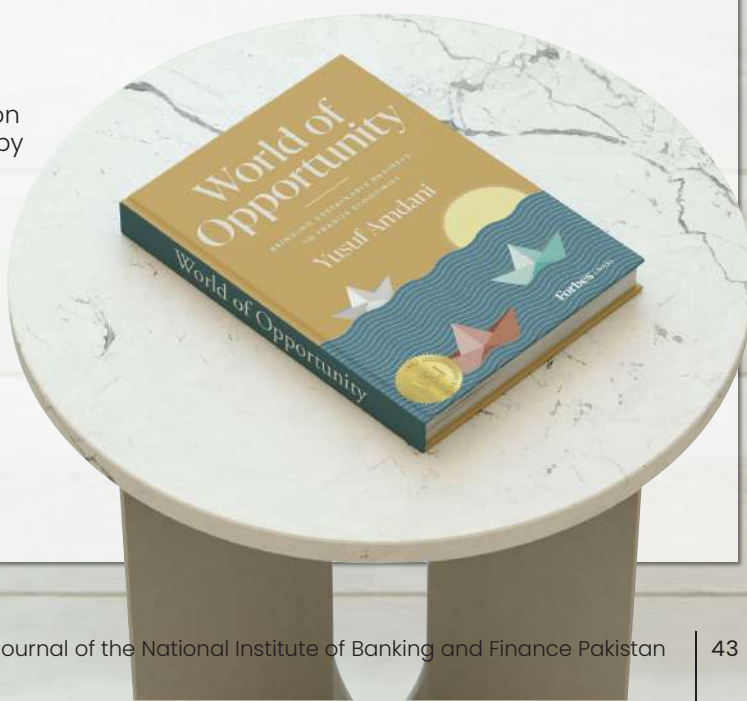
—Peter Tokar, President and CEO of McKinney Economic Development Corporations

"Yusuf Amdani has been a part of ChildLife Foundation from the time when this organization was just an idea. His generosity and philanthropy have been crucial in realizing this dream to provide healthcare to the underprivileged. Today, ChildLife is treating 1.5 million children every year, free of charge, and this has changed the entire landscape of healthcare in the field of pediatrics."

—Sohail Tabba, Entrepreneur, Leading Businessman and Philanthropist, Founding Trustee and Vice Chairman of ChildLife Foundation, Director of Tabba Heart Institute and Aziz Tabba Foundation

About the Author

Mohammed Yusuf Amdani Bai is a businessman, visionary, entrepreneur, and investor. Originally from Pakistan, Amdani traces his roots to a background in the textile and yarn spinning industry. In the early 1990s, he expanded the family business to Honduras. Upon first arriving in Honduras, Amdani set up a company to produce apparel for export to the US. Today the organization, known as GK Global, has an international presence, extending into Central America, the Caribbean, Mexico, and the US. The corporation operates in the textile, lifestyle, technology, agriculture, and real estate industries. Amdani founded GK Foundation, an organization with initiatives in health, education, nutrition, and sustainability. Its high-impact programs focus on low-income and vulnerable populations specifically in countries and communities where GK operates. Amdani is a naturalized Honduras citizen, and divides his time between San Pedro Sula, Honduras, and Campeche, Mexico.



Think Like a Mathematician

SIMPLE TOOLS FOR COMPLEX EVERYDAY PROBLEMS

By: Junaid Mubeen

Synopsis

When we learn about abstract mathematical concepts—from prime numbers and fractals to aspects of calculus—the most common question is often: when on earth will I need this? To many of us, so-called "pure" mathematics is downright baffling. Yet these concepts are what underpin the world we live in, from internet security to the transmission of radio waves. When you start to think like a mathematician, the secrets of technology and modern life suddenly make sense.

Junaid Mubeen regards mathematics as a collection of thinking tools that can enrich the way we approach our everyday lives. In *Think Like a Mathematician*, he presents a catalogue of enlightening mathematical concepts. Some will be familiar from school, but the majority are ideas that readers will not have encountered before. And anyone—from mathematicians to self-proclaimed mathophobes—can learn from them. In Mubeen's clear prose, all of these ideas are easy to grasp, and may even reshape the way you see the world.

Reviews

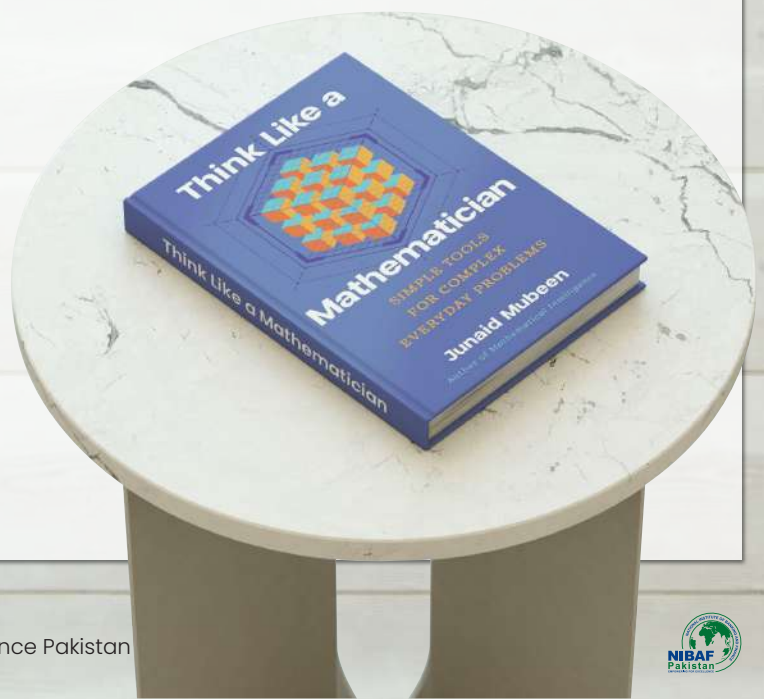
"Drawing on a wide range of fascinating examples, Junaid Mubeen shows that mathematics is so much more than just a set of numerical rules. *Think Like A Mathematician* elegantly reveals how to tackle familiar problems in a smarter way—from logic and learning to predictions and politics. An essential toolkit for understanding the world around us."

— **Adam Kucharski, author of *The Rules of Contagion***

"An accessible and innovative trip through some of the deepest and most influential concepts in the mathematician's mental toolkit, inspired by issues we face every day. Highly recommended!"
— **Ian Stewart, author of *What's the Use?***

About the Author

After a decade of working on innovative learning technologies, **Junaid Mubeen** now develops virtual math initiatives for students from disadvantaged backgrounds. He is the author of *Mathematical Intelligence* (also available from Pegasus Books) and has a PhD in Mathematics from Oxford University and a Master's in Education from Harvard University, where he studied as a Kennedy Scholar. He lives in England.





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