

بَيْتُكَ إِسْلَامِي



Is there anything unique in the Central Bank providing subsidized credit to bail out a failing Bank?

- Not at all! As a part of their mandate, Central Banks around the world have been providing subsidized credit lines to bail out a failing bank to the acquirer or the institution itself. Such facilities are made available to keep the confidence in the system intact and pay the depositors. In fact even in Pakistan, BankIslami was not the first bank when it received a subsidized credit line to bail out the defunct KASB Bank.
- In the UK, the government through the Bank of England committed £ 1.1162 Trillion to bail out the banking sector in general. It consisted of outright equity investments, share re-purchase, subsidized loans, guarantees and indemnities to name a few. Banks such as Royal Bank of Scotland (£ 123.93 Billion), Lloyds (£ 20.54 Billion), Northern Rock (£ 22.99 Billion) were some of the recipients. Additionally a further £ 26.05 Billion was given as 'loans to support deposits'. *The National Audit Office pointed out these loans were made at rates less than at which the Government itself was borrowing.*
- Similarly in the USA only in 2008, the Federal Reserve spent US \$ 247 Billion in providing liquidity to institutions such as AIG, Bank of America etc. The Congressional Budget Office estimated the cost of this liquidity (the difference at which the Treasury borrowed and lent to these institutions & market value of investments) totaled US \$ 64 Billion.
- In Canada, where the financial sector drew global praise, banks received CAD \$ 114 Billion to support the liquidity. In a few cases, it even exceeded the market value of the banks and carried no interest at all.
- Numerous such examples exist in other countries including India.
- While in most of the above cases, the credit was made available without collateral and even written off subsequently, BankIslami provided its own assets to State Bank of Pakistan so that each and every depositor of the defunct KASB Bank can be paid. There are not many examples of a more stringent bail out package in recent history.

BankIslami has viewed the unsubstantiated, biased, misleading media coverage of the amalgamation of the Defunct KASB Bank into it very seriously. In addition to serving legal notices to those involved and complaint with PEMRA, we have also initiated contempt of court proceedings. Discretion in coverage is recommended.

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