



# REGULATORY WATCH

By ICMA Research and Publications Department

## **SBP Keeps Interest Rate at 11% to Support Economic Stability**

The State Bank of Pakistan (SBP) maintained the policy rate at 11% in its June 16 meeting, noting that inflation remains within expectations and economic growth is gradually recovering. The central bank highlighted concerns over the widening trade deficit and slow financial inflows, but pointed out that the current account remains stable and reserves rose to \$11.7 billion after a \$1 billion IMF disbursement. The SBP emphasized the need for continued fiscal discipline, timely foreign inflows, and structural reforms to ensure long-term macroeconomic stability and sustainable growth.

## **SECP Unveils Draft Framework for Regulating Algorithmic Trading**

The Securities and Exchange Commission of Pakistan (SECP) has released a concept paper proposing a regulatory framework for algorithmic trading based on global best practices. The framework outlines roles for exchanges, brokers, and third-party providers to ensure oversight, risk control, and market integrity. Initially, algorithmic trading access will be limited to institutional investors, with phased expansion planned.

## **SECP Proposes Reforms to Expand Employer Access to Pension Funds**

The SECP has released a consultation paper proposing key amendments to the Voluntary Pension System (VPS) Rules, 2005, to enhance pension coverage and operational efficiency. A major reform allows Employer Pension Funds (EPFs) to serve multiple employers under a common fund structure, enabling cost savings and greater access for SMEs. The changes aim to address structural limitations, align with global best practices, and foster a broader retirement savings culture. Public comments are invited to help shape the final amendments.

## **SBP Reports Strong Growth in Digital Payments in Q3-FY25**

The State Bank of Pakistan (SBP) reported continued growth in digital payments during Q3-FY25, with retail transactions rising 12% to 2.41 billion and value

increasing 8% to PKR 164 trillion. Mobile and wallet-based platforms processed 1.69 billion transactions worth PKR 27 trillion. E-commerce payments rose 40% in volume and 34% in value, driven largely by digital wallets. Raast processed 371 million transactions worth PKR 8.5 trillion, while RTGS handled PKR 347 trillion in large-value payments. The SBP highlighted strong momentum toward a digital economy supported by banks, fintechs, and its strategic initiatives.

## **SBP Seeks Feedback on Revised SME Financing Regulations**

The State Bank of Pakistan has released draft Prudential Regulations for SME Financing to promote responsible and inclusive lending. The revised guidelines aim to remove structural barriers, promote fintech partnerships, and encourage tech-driven solutions. Public consultation is open until June 20, 2025, and feedback can be submitted via the SBP website to help refine the regulations in line with market needs.

## **FBR Misses Revised FY25 Revenue Target by Rs163 billion**

Despite revising its annual target twice, the FBR fell short by Rs163 billion in FY25, collecting Rs11.737 trillion against the revised Rs11.9 trillion goal. The shortfall was mainly due to lower imports, weak sales tax compliance, and sluggish economic growth. However, revenue still grew 26% year-on-year. Income tax, sales tax, and customs duty all missed targets, while Federal Excise Duty exceeded expectations. In June, the FBR collected Rs1.499 trillion, up 26% from last year but Rs166 billion below the monthly target.

## **FBR Targets 18% Tax-to-GDP Ratio by FY2028**

The Federal Board of Revenue (FBR) aims to raise Pakistan's tax-to-GDP ratio to 18% by FY2027–28, with the federal share reaching 15% and provinces contributing 3%. In FY2024–25, revenue collection rose by 26%, driven by Rs865 billion from improved enforcement—an eightfold increase over last year. Despite missing its revised target, the FBR achieved a 12.1% tax-to-GDP ratio, the highest in a decade.