

News

Commercial Banks

Habib Bank Limited

As per Bloomberg News titled: “**Largest Bank in Pakistan Faces Liability for Terrorist Attacks**” ([link](#)), Habib Bank Limited (HBL) has failed to shake-off claims of funding of terrorist organisations. As per the news, HBL, faces secondary liability under the Justice against Sponsors of Terrorism Act as a party that “aids and abets, by knowingly providing substantial assistance, or who conspires with the person who committed such an act of international terrorism”. This led to sharp panic selloff of the stock and is currently down by 7.5% from its opening price this morning.

The case relates to violation of U.S Anti-terrorism Act (ATA) and had been put forward to US Department of Justice by 237 plaintiffs.

However we opine this is separate from the regulatory penalties HBL settled earlier in matters related to NY branch. To recall, back in 2020 HBL closed its NY branch on claims related to regulatory shortfalls and settled at monetary penalty of ~US\$ 225mn against a claimed amount for US\$ 630mn. As per management, “The successful closure and liquidation of HBLNY satisfied or suspended all remaining terms of the September 7, 2017 Consent Order between NYSDFS, HBL, and HBLNY [...].HBL does not expect any further actions or proceedings from NYSDFS or the Federal Reserve.”

Having said that, HBL in its management notes (2020 Annual Reports) highlighted of not knowing whether the US Department of Justice (DOJ) will have further questions about the documents relating to NYSDFS consent order. In terms of monetary penalties, we refer to the news report whereby the District Court Judge Schofield dismissed plaintiffs’ claims of primary liability as the bank was not involved in acts of terrorism.

Back when NYDFS case related news surfaced, HBL stock took a beating as both local and foreign investor’s offloaded considerable shareholding. As of Dec-21, foreign companies hold roughly 108mn (7.4%) and 748mn (51%) by Aga Khan Foundation (AKFED).

We await management remarks on the aforesaid news article.

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