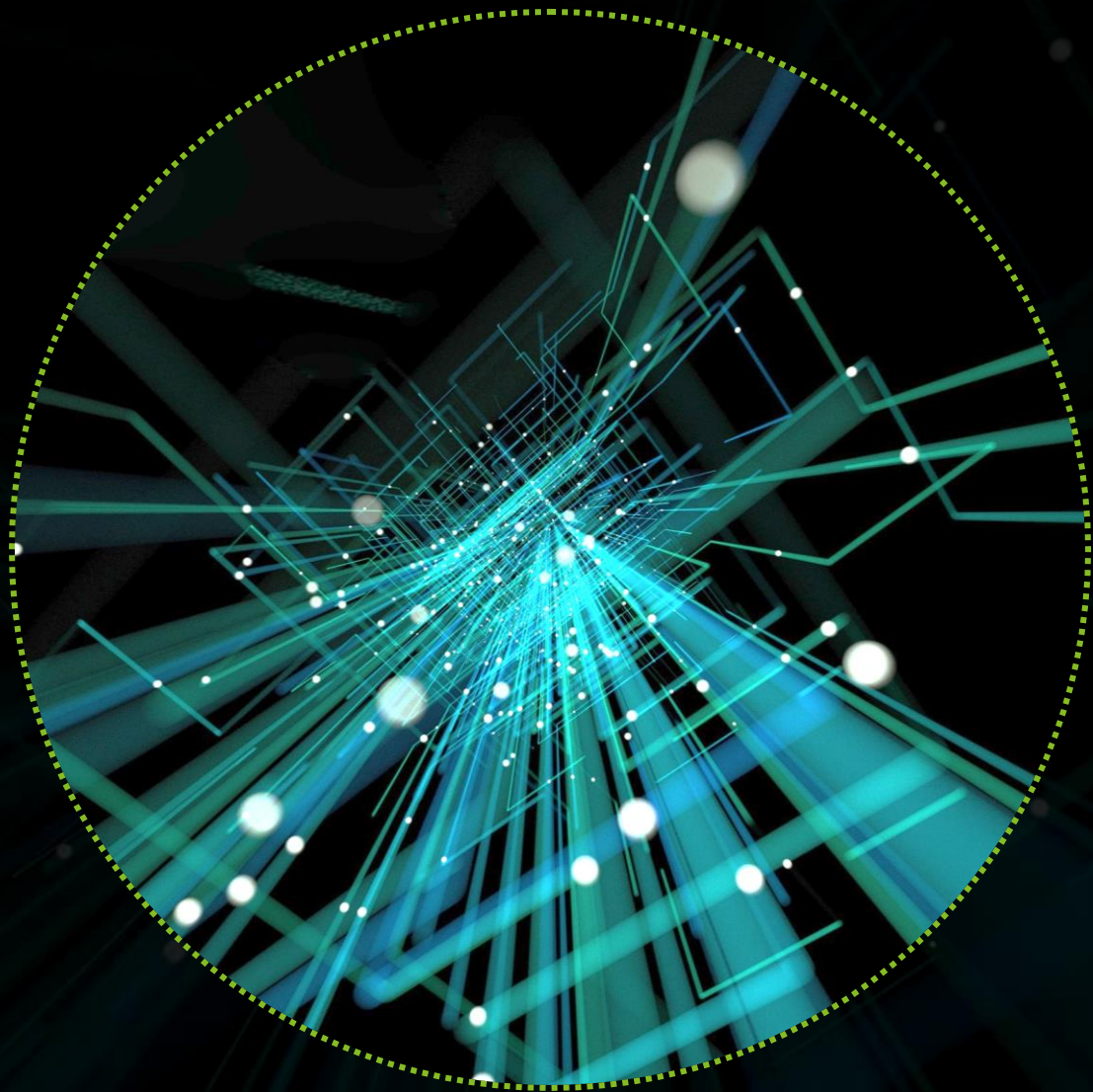


**Deloitte.**



Digital bank licensing  
in the Middle East  
What you need to know



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## Background

Digital-only banks have been emerging over the last decade. Referred to as neo banks or challenger banks, they offer banking services primarily through digital channels such as mobile apps and websites, instead of physical branches.

Digital Banks have become increasingly popular globally, as well as across the Middle East (ME) due to their convenience, accessibility, and attractive fees compared to traditional banks. These banks offer fully digitized services including instant online account opening, loan applications, credit card applications, P2P and bill payments, money transfers and innovative saving products.

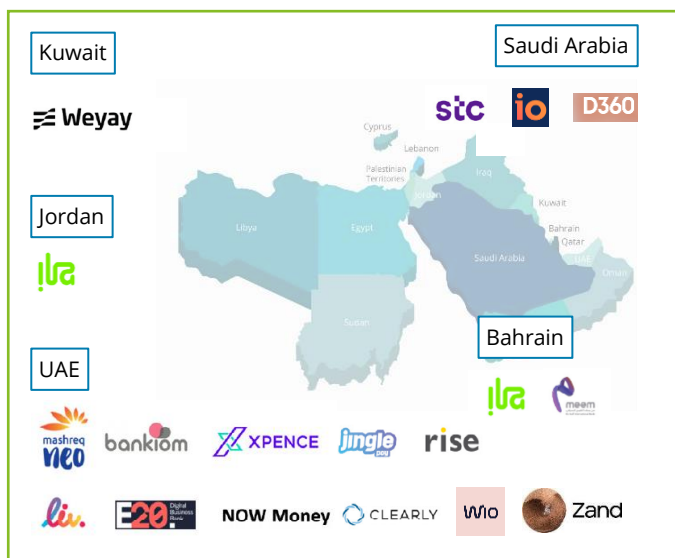


## Push towards digitization

Globally, the growth of digital banks has been driven by the increasing adoption of smartphones, rise of Fintech companies and changing consumer behavior.

Overall, the global banking sector has increased digitalization in every customer journey step with a focus on the development of authorization methods, card management, bancassurance and investment functionalities<sup>1</sup>.

Players in the ME market are moving away from traditional banking status quo to end-to-end banking platforms to compete with both digitally mature banks and Fintechs. Further, the opportunity gap widens as Middle Eastern countries seek to diversify their economies, engage the private sector and accelerate foreign direct investment in relevant sectors.



Some of the current players\*

<sup>1</sup>Deloitte Digital Banking Maturity Report 2022 \*Non exhaustive

## Digital banking landscape

Over the last 5 years, the ME digital banking sector has seen entry of new players, expansion of existing Fintech and telecommunication players into digital banking, and incumbent traditional banks carving out specific digital banking platforms.

Key highlights of the development in digital bank licensing within ME:

- In **Saudi Arabia**, the Central Bank licensed 3 digital-only banks while other applications are in the pipeline as of 2024. The rise of incumbent banks setting up fully digital arms has been observed
- In the **UAE**, both main-land and free zone regulators are licensing digital banks. Wio and Zand received their license from the Central Bank during 2022 and 2023.
- The **Qatar** Central Bank is currently looking to license digital banks while developments within regulations like e-KYC to regulate online banking continue to be introduced.
- The Central Bank of **Egypt** released digital bank and branch licensing regulations in 2023, and approval to set-up a Digital Bank was granted to Banque Misr, while other applicants enter the pipeline in 2024
- The Central Bank of **Kuwait** started accepting digital only bank license applications in 2022. While new entrants are in the pipeline, the National Bank of Kuwait (NBK) pioneered digital transformation, through the launch of Weyay as Kuwait's first Digital Bank.
- The National Bank of **Bahrain** launched its digital banking arm. Bank ABC launched Ila Bank and Singapore Gulf Bank was granted a digital bank license by the Central Bank of Bahrain in 2024.
- **Oman's** Fintech ecosystem is in its early stages but is gradually developing with a strong focus on economic diversification and digital transformation. Bank Nizwa had introduced its first digital-only branch in 2022

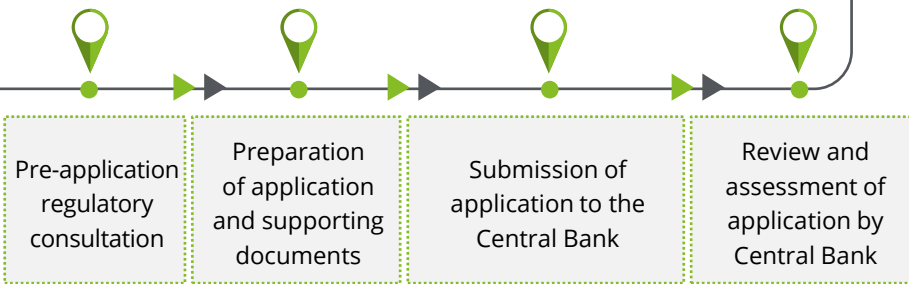
## Regulatory landscape

Central Banks across the ME have been issuing regulatory frameworks for licensing of digital banks such as Saudi Central Bank's Additional Licensing Guidelines 2020, the Central Bank of Kuwait (CBK) issued similar guidelines in 2022 and the Central Bank of Egypt issued guidelines in July 2023.

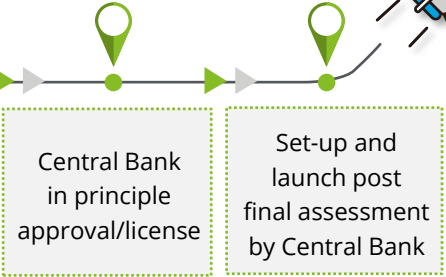
Potential applicants are expected to understand the specific digital banking market and customer expectations, offer unique and innovative value proposition, meet required capital and liquidity requirements and ensure compliance to the applicable risk and compliance regulatory framework.

### Licensing journey

The licensing journey involves meeting the regulator to proceed with preparation, submission and regulatory assessment of digital bank license application. The specific licensing journey differs between different regulators. However, typically, the journey to obtain regulatory approval could be broadly classified into the below stages:



ME regulators have been leading the 'digital revolution' in the region and have already issued licensing guidelines on the requirements for establishing Digital Banks.



### Regulatory requirements

Individual regulator or country specific nuances aside, digital banking regulatory regimes in the region broadly follow a similar set of expectations.

Regulators expect digital banks to be set-up and operate in compliance with the existing prudential and regulatory framework applicable to traditional banks along with further requirements that may be specific to all digital banks or may also be determined on a case-by-case basis during evaluation and assessment.

### Focus areas\* while designing and building a digital bank

Value proposition	Market and feasibility study
Targets segment	Technology blueprint
Business strategy	Go to market approach
Financial projections	Risk and compliance
Operating model	Capital/Liquidity management
Digital channels	Cybersecurity and resilience
Customer journeys	Exit plan

\*Non exhaustive

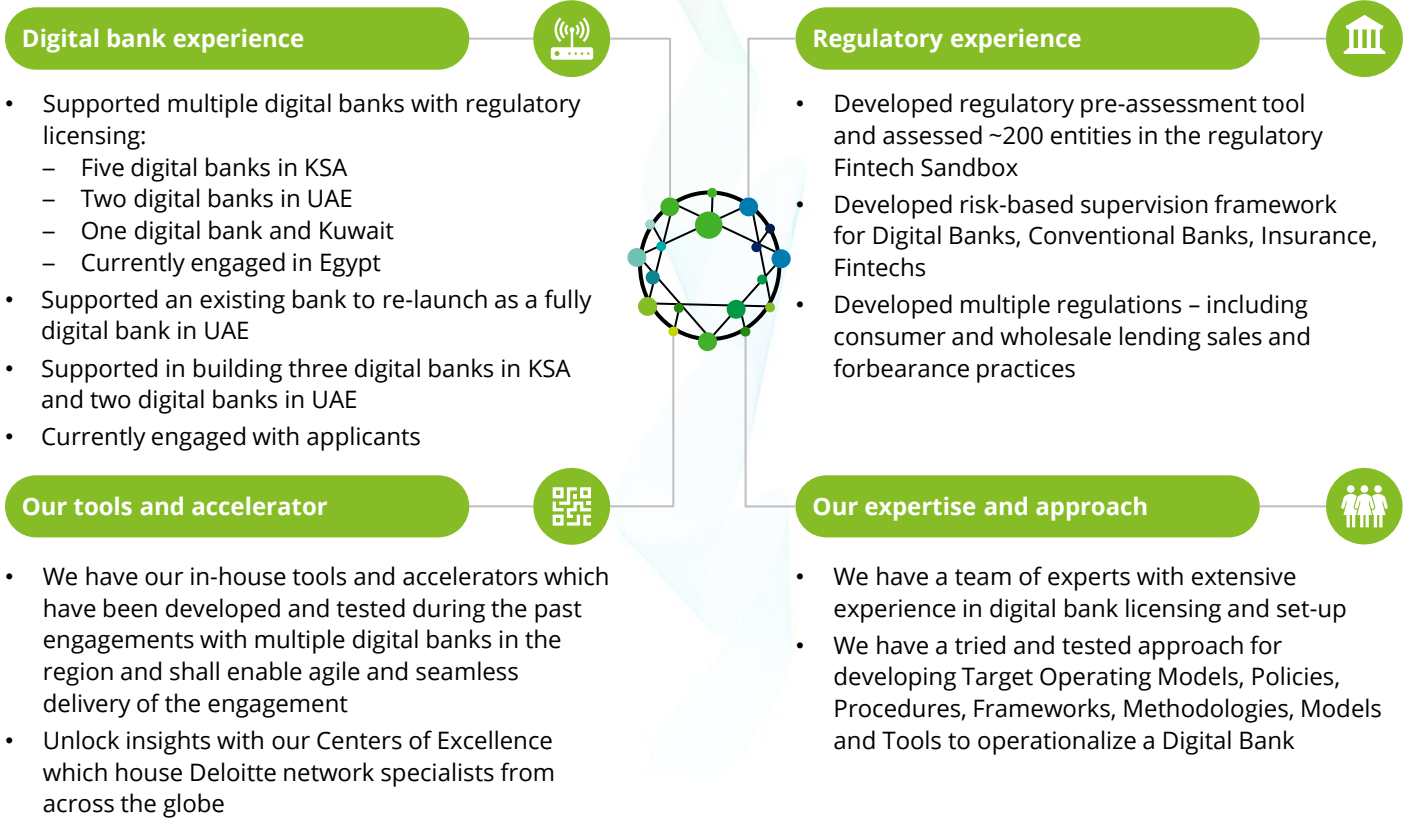
## Key challenges to consider

- Regulatory landscape:** Regulatory requirements for digital banks are stringent and evolving, wherein applicable requirements are updated and changed frequently during licensing, set-up and launch.
- Technology:** Building a robust and secure technology infrastructure in compliance with data privacy, cybersecurity and overall risk management requirements and integrating with various banking systems require extensive knowledge of the local landscape.
- Investment:** Significant amount of capital required to meet minimum regulatory capital requirements, coupled with time and resource heavy licensing, set-up, testing and launch
- Readiness assessment:** Appropriately assessing regulatory and other requirements for going-live/launch
- Customer trust:** Addressing concerns regarding data security, privacy, absence of physical branches, and reliability to foster client acceptance and urge customers to move from traditional banks to digital banking services.

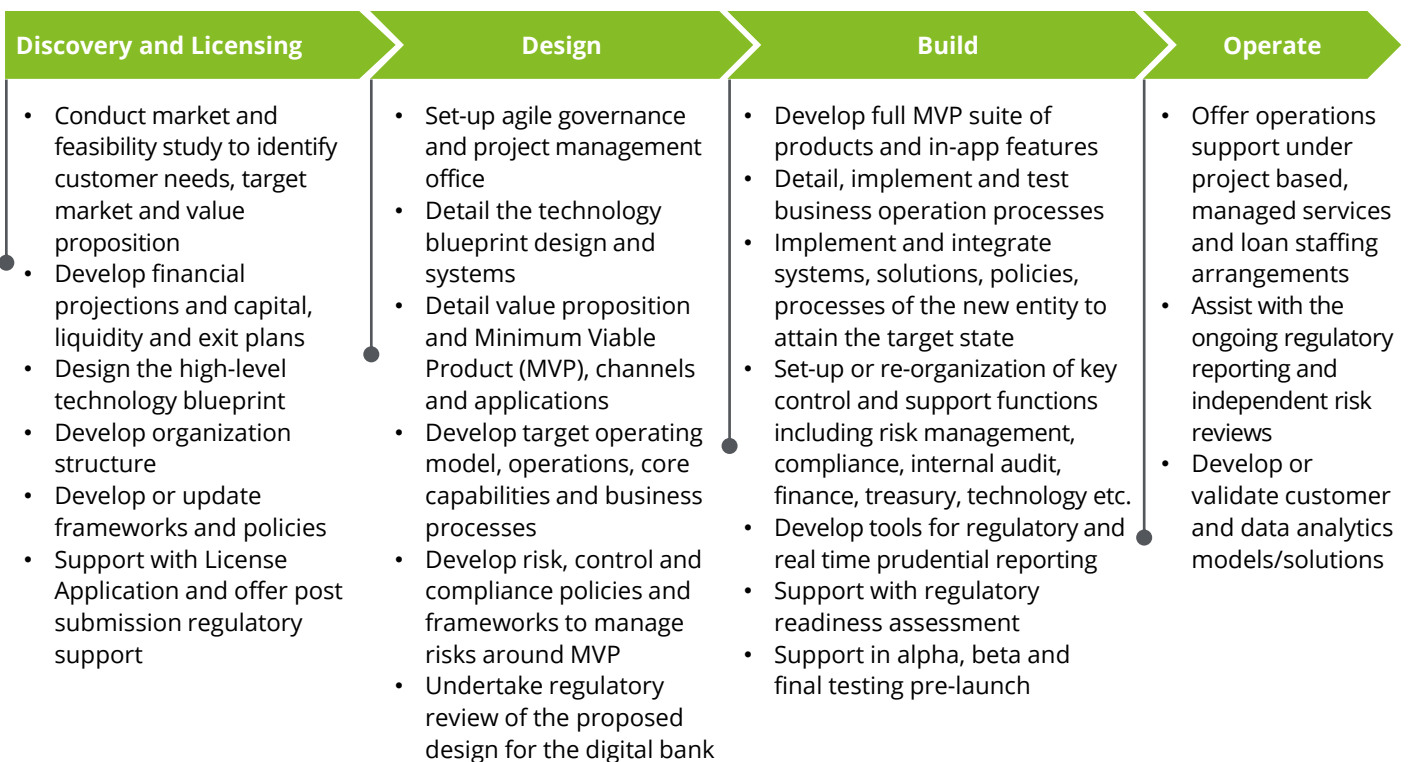
## How we can help

We offer end-to-end support in digital bank licensing and set-up within the region. We support local and overseas players looking to enter the market, helping them across their entire journey, from the development of the business and regulatory strategy, to regulatory license submission to relevant authorities, license operationalization and go-live.

## Our differentiators



## Our solution



## Connect with us



### Abhinav Agarwal

Partner  
[abagarwal@deloitte.com](mailto:abagarwal@deloitte.com)  
+971 55 893 3392



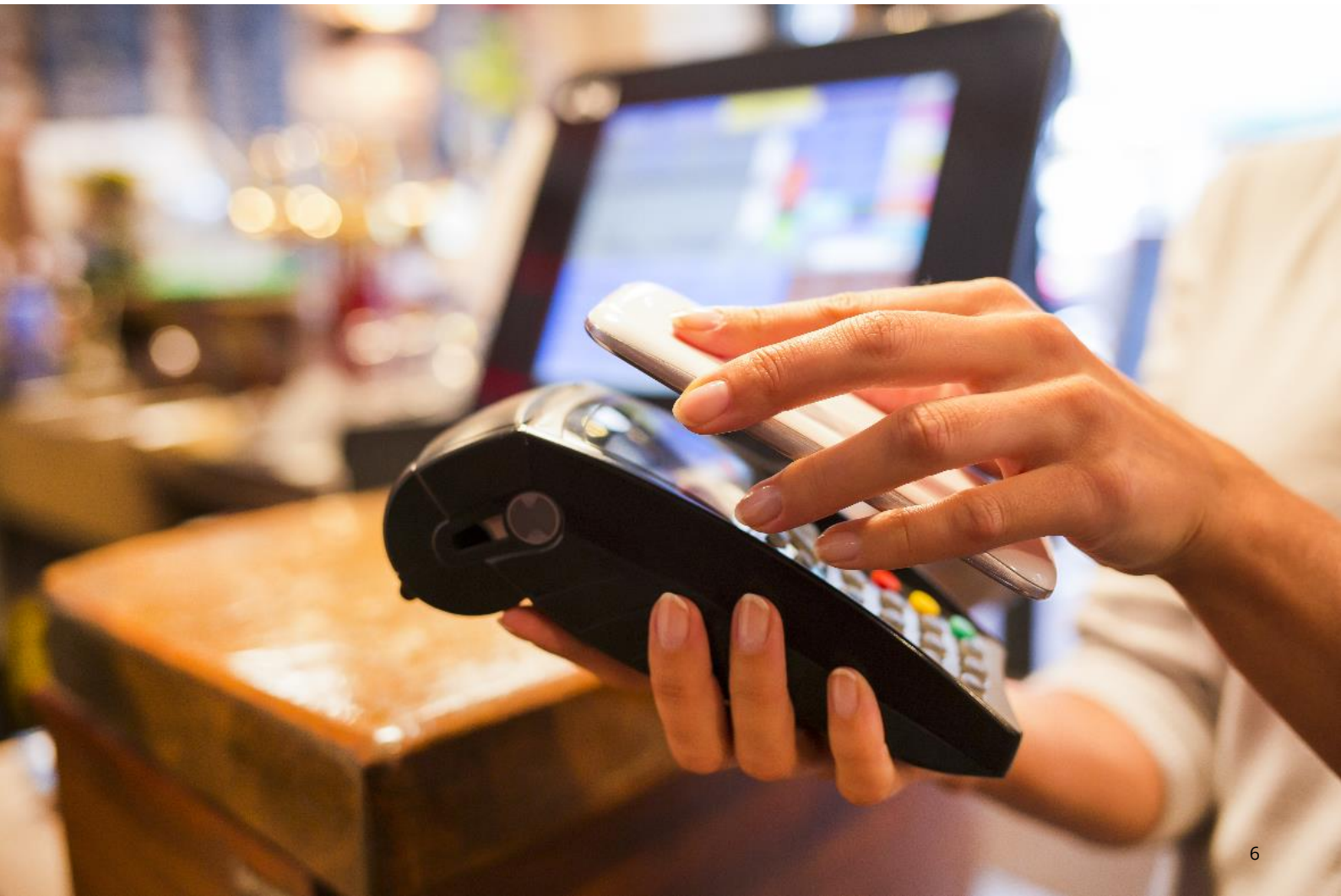
### Manpreet Singh

Director  
[manprekhi@deloitte.com](mailto:manprekhi@deloitte.com)  
+971 58 263 3217



### Saurav Rai

Senior Manager  
[sarai@deloitte.com](mailto:sarai@deloitte.com)  
+971 50 429 3387





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