

**FAQs - Temporary Economic Refinance Facility (TERF) /  
Islamic Temporary Economic Refinance Facility (ITERF)**

**Q.1 Which type of industries / sectors / sub-sectors are covered under TERF/ITERF?**

**Ans.** Financing under TERF/ITERF is available for imported and locally manufactured new plant and machinery to be used for setting-up of new projects/ BMR or expansion of existing ones in all sectors across the board except power sector where State Bank of Pakistan (SBP) Financing Scheme for Renewable Energy already exists.

**Q.2 Whether LCs/ILCs retired from customer's own sources/banks' short/long term financing can be converted into TERF/ITERF?**

**Ans.** LCs/ILCs retired through borrower's own sources/bank's short term/long term financing cannot be converted into TERF/ITERF except those LCs/ILCs, which have been (partially/fully) retired between March 17, 2020 and July 08, 2020 (both the dates inclusive).

**Q.3 If transmission and settlement of an LC has already been done through one Financial Institution (FI) during March 17, 2020 and July 08, 2020, can the same be converted into TERF/ITERF by another FI/Syndication?**

**Ans.** Yes, however, an undertaking should be taken from concerned FI that no refinance under SBP schemes has been availed against the said LC. The FI providing financing under TERF/ITERF have to ensure compliance of all terms & conditions of the facility.

**Q.4 Whether LCs/ILCs opened by one FI can be retired through financing under TERF/ITERF by another FI?**

Yes, LCs opened through one bank can be retired through financing under TERF/ITERF by another FI. However, an NOC should be taken from LC opening bank. Further, it should also be ensured that payment is directly made to supplier of the plant & machinery.

**Q.5 Is advance payment allowed in case of import LC under TERF/ITERF?**

**Ans.** Yes, advance payment under TERF/ITERF is allowed subject to compliance of relevant Foreign Exchange Regulations.

**Q.6 Is the pre-fabricated steel structure of the plant building allowed for financing under the facility?**

**Ans.** Yes, only if this is procured through an LC/ILC and payment is made there-against.

**Q.7 Is financing under TERF/ITERF allowed for setting up of a captive power plant?**

**Ans.** Yes, the captive power plants other than those based on renewable energy can be financed under this scheme. However, banks/DFIs will ensure that the power produced in such cases is used for own consumption of the company only. Any violation in this respect would attract penal action.