PRUDENTIAL REGULATIONS FOR CORPORATE/ COMMERCIAL BANKING

DEFINITIONS

1. **Can the guarantees received as collateral from a commercial bank/DFI/NBFC and Foreign bank be treated at par with 'Liquid Assets'?**
   Guarantees received from domestic banks/DFIs (regardless of their rating) will be treated as liquid assets. Whereas, guarantees received from foreign banks should have a minimum "A" rating assigned by Standard & Poors, Moody's, Fitch-Ibca, PACRA or JCR-VIS. However, guarantees received from local NBFCs are not treated at par with liquid assets.

2. **Does the shareholding in the public sector enterprises/financial institutions by an entity or vise-versa, form the 'Group'?**
   No, the shareholding in or by the Government owned entities and financial institutions does not form a 'Group'.

3. **Can a subsidiary of a group obtain financing facilities against the security of shares, issued by another group company?**
   Yes, one group company may obtain financing facilities against the shares of another group company.

4. **If a person is director on the board of more than one company, can such companies be clubbed together as Group on the basis of 'Common Directorship'?**
   No, Group cannot be formed just on the basis of Common Directorship. For the purpose of Prudential Regulations, Group means persons, whether natural or juridical, if one of them or his dependent family members or its subsidiary have control or hold substantial ownership interest over the other.

5. **Does the surplus on revaluation of assets form part of the equity of the borrower?**
   Yes, surplus on revaluation of assets may be treated as part of equity of the borrower for a period of 3 years only from the date of revaluation.

6. **Does the 'Exposure' defined also include bills purchased/discounted by the banks/DFIs?**
   Yes, the exposure includes bills purchased/ discounted with the exception of those bills which are drawn against the L/Cs from a local bank/DFI and a foreign bank rated at least "A" by Standard & Poors, Moody's and Fitch-Ibca, or by a rating agency on the approved panel of the SBP.

7. **Does the pledge of goods also form part of the Liquid Assets?**
   No, they are not categorized as liquid assets, rather they are categorized as Readily Realizable Assets.

8. **Can the preference shares having a feature of "Put Option", be allowed to become part of equity of the issuing company?**
   No. Preference Shares, having a feature of Put Option (the investor's option to call for redemption of the shares in lieu of cash) is not allowed to become part of the equity of the issuing company. However, Preference Shares with a Convertibility Option (the investor's option to convert the preference shares with Ordinary shares) may be allowed to become part of equity.

9. **Can a bank/DFI extend credit facilities against lien on COIs / deposits maintained with NBFCs?**
Yes. SBP has treated COIs / deposits of NBFCs / DFIs rated "A" and above as liquid securities, and loans can be extended against them.

10. **Are facilities extended against the Trust Receipt only be treated as secured exposure?**
Yes, the bank's exposure against Trust Receipt only may be treated as secured exposure. However, the banks are free to take collateral/securities, to secure their risks/exposure, in addition to the Trust Receipt.

11. **Can discounting/purchase of bills by one branch of a bank against the L/C of another branch of the same bank may be excluded from the exposure?**
Yes, discounting/purchase of bills by one branch of a bank against the L/C of another branch of the same bank, rated at least 'A' by Standard & Poor, Moody's, and Fitch-Ibca or credit rating agency on the approved panel of State Bank of Pakistan and duly accepted by such L/C issuing branch, may also be excluded from the exposure.

12. **Can banks Accept insurance policies as security?**
Assignment of insurance policies and guarantee of "A" rated insurance company are not acceptable securities under the existing Prudential Regulations.

REGULATION R-1 (PER PARTY/GROUP LIMIT)

1. **Is any weightage available while taking exposure on NBFCs, while calculating per party/group exposure limit under Regulation R-1 (Annexure-1), as is available in the case of exposure taken on banks/DFIs?**
No weightage is available against exposure taken on the NBFCs under Regulation R-1, as such; the exposure will be taken at its entire value for the purpose of Regulation R-1.

2. **Does the per party limit under R-1 apply on interbank placement with banks and DFIs?**
Yes, the interbank placement is also subject to per party limits under Regulation R-1. However, the calculation of per party limit in such cases will be subject to the following weightages, as explained in Para F of annexure-1:

   (i) 10% weightage on exposure to banks / DFIs with 'AAA' rating.
   (ii) 25% weightage on exposure to banks / DFIs rated 'A' and above.
   (iii) 50% weightage on exposure to banks / DFIs rated 'BBB' and above.

3. **Does the group limit cover exposure on Corporate and SMEs, owned by the same group, or, exposure taken on them is calculated separately?**
Yes, the group exposure will be calculated by taking financing facilities given to both Corporate and SMEs owned by the same group.

4. **Does revaluation reserve also include revaluation of assets other than fixed assets for the purpose of calculating per party/group limit of the bank/DFI?**
No, revaluation reserves will not include appreciation on account of other than fixed assets for the purpose of calculating per party/group limit.

5. **Do all Liquid Assets qualify for certain weightages while calculating the per party exposure limit under 'Annexure-1' of Regulation R-1?**

No, there are some instruments/securities which have been classified as liquid assets but do not qualify for any weightage while calculating the per party limit under Annexure-1 which includes COIs issued by NBFCs, NIT Units, shares of listed companies and certificates of asset management companies etc. It may, however, be noted that the restriction in respect of these liquid assets is for calculation of per party limit only, thus, their status as liquid assets will remain intact in respect of other regulations.

6. **Whether the facilities extended under the Long term Financing Facilities for export oriented projects (LTF-EOP) is exempted from per party limit under Regulation R-1?**
   Yes, the facilities under LTF-EOP Scheme are exempted from the per party limit under R-1.
7. **Does SBLC enjoy any weightage as normal LCs while calculating per party limit under R-1?**
   No. Since SBLC is a type of financial guarantee, no weightage is allowed while calculating the per party limit.

REGULATION R-5 (CURRENT RATIO AND
TOTAL EXPOSURE OF THE BORROWER)

1. **Does the exposure calculated under Regulation R-1 and R-5 means the sanctioned limit or the outstanding limit?**
   The exposure under these regulations means only the outstanding amount appearing in the accounts of the borrowers.

2. **Does the current ratio requirement also apply to ginning, rice husking factories and export finance scheme?**
   Yes, the current ratio requirement is also applicable to these types of financing. However, the relaxation mentioned in respect of these financing is available only while calculating the total exposure limits of the borrowers i.e. 10 times of their equity.

3. **Does the current ratio requirement also applicable while taking non-fund based exposure?**
   Yes, the current ratio requirement is applicable while taking non fund based exposure.

4. **Is debt-equity ratio any longer applicable?**
   The debt-equity ratio is no longer applicable as per new Prudential Regulations. However, a bank/DFI may ask a borrower to maintain certain level of debt-equity ratio for their own credit assessment.

5. **How is the borrower's debts obtained from financial institutions measured now after withdrawing the debt-equity ratio?**
   After withdrawing the requirement of debt-equity ratio, the SBP has now required the banks/DFIs to ensure that the borrower's total exposure from financial institutions (both fund based and non-fund based) would not exceed 10 times of his equity (with fund based exposure at 4 times).

6. **Does the 3 time exposure limit, available to the borrower on the basis of fresh injected equity includes both fund based and non-fund based facilities?**
   Yes, the limit includes both fund based and non-fund based facilities.

7. **Are TFCs, subscribed by financial institutions, also form part of the funded exposure while calculating the borrower's funded exposure limit?**
   Yes, TFCs issued by a borrower and subscribed by financial institutions, will also be treated as part of his exposure while calculating the 4 times funded limit.

8. **If a borrower, with negative equity, injects fresh equity to avail financing, he is required to plough back 80% of the net profit each year till the time he is able to avail financing facilities without such relaxation. How would the borrower comply with the 80% ploughing-back requirement in case he experiences net loss instead of net profit?**
   The objective behind injecting more equity for availing fresh financing from banks is to make the company financially viable and profitable. However, in case of loss incurred by the borrower, the prescribed 80% ploughing-back requirement may not be complied with.

9. **Can a borrower get fresh revaluation in between the 3 years time period with benefit of appreciation in the value of assets if any?**
   Yes, if a borrower gets fresh revaluation in between the three years time period, the borrower will be allowed the benefit of such revaluation, but only to the extent of increase in revaluation reserves. The borrower may also opt to get revaluation continuously later-on and may avail the benefit of resultant addition in their value.

10. **What is seasonal financing?**
    The financing availed by the borrower at the start of production cycle or during the production cycle, for the purchase of principal raw material, e.g. cotton, sugar or tobacco etc is termed as Seasonal Financing. Seasonal finance should not be interpreted to be all forms of short-term facilities available throughout the year. The following will fall categorically in the ambit of seasonal financing:
    - Production loans for agriculture needs.
    - Short term loans obtained by ginneries at the time of cotton crop when they are ready.
    - Loan obtained by flour mills at the time of wheat crop.
    - Cotton purchase.
    - Sugar and tobacco purchase.

11. **Will the exposure under Margin Financing attract the application of Regulation R-5, where the exposure is secured by those shares which are actively traded on the stock exchange?**
    No, the exposure under Margin Financing, when secured by stocks that are actively traded on the stock exchange, will not attract application of Regulation R-5, in view of the fact that the actively traded shares are treated as liquid assets. .

12. **Does Regulation R-5 apply in cases when the exposure is secured by GOP guarantee?**
    No. Exemption from the requirement of R-5 is not available for exposure, secured against the GOP guarantee.

13. **Is it necessary for the bank to take into account the fresh facilities while calculating Current Ratio of a borrower?**
    Current Ratio is calculated by taking the existing current asset and liabilities, given in the last audited financial statements of the borrower; thus, the impact of new facilities in the current liabilities of the borrower may not be accounted

for. The banks are however free to decide the case keeping in view the future position as per their credit policies

REGULATION R-6 (EXPOSURE AGAINST SHARES /TFCs)

1. **Can the provisions, held against permanent diminution in the investment in shares, be deducted from the cost of acquisition to arrive at the 20% exposure limit?**
   Yes, the amount of provisions created against permanent diminution by debiting the Profit & Loss account, as instructed vide BSD Circular No. 10 dated July 13, 2004, may be deducted from the cost of acquisition of such investments to arrive at the 20% exposure limit.

2. **Under Regulation R-6 Para 1-B (2), the Banks/DFIs are required not to hold shares in any company in excess of the 30% of paid-up share capital of that company or 30% of their own paid-up share capital and reserves, in the capacity of pledgee, mortgagee, or absolute owner, whereas, Regulation R-6 Para 1-B states that a bank cannot own more that 5% in a single company. There seems a contradiction in these two statements?**
   No, there is no contradiction in the two sections of the regulation, as the maximum shareholding limit of 30% in a single company includes the bank's exposure on account of both direct investment in shares and financing against shares. Whereas, the 5% limit concerns the bank's exposure in the form of direct investment only.

3. **Does the exposure in Carry Over Transaction and Margin Financing form part of the share portfolio for the purpose of calculating 20% exposure limit?**
   No, the COT and Margin Financing are not treated as part of the shares portfolio for the purpose of calculating 20% exposure limit of the banks/DFIs in shares. However, exposure under COT/Margin Financing will be treated as part of the total exposure while calculating the per party funded exposure limit under Regulation R-1.

4. **Whether the 20% limit on bank's total investment in shares includes both listed and un-listed shares (ordinary and preference)?**
   Yes, the 20% limit includes both listed and non-listed (ordinary and preference shares). However, only those preference shares will attract the 20% capping requirement which will conform to the criteria of equity instrument as laid down in Prudential Regulations (Part 'A' Definition); otherwise, the bank's investment in preference shares will be excluded from the capping requirements of 20%.

5. **Is the bank's investment in Margin Financing subject to the usual margin requirements of 30%?**
   Yes, the Margin Financing is subject to 30% margin requirement.

6. **Are various mutual funds also treated at par with shares while calculating the banks/DFIs' exposure limit of 20%?**
   Units of those mutual funds, which are invested purely in debt securities, shall not be considered as part of the exposure limit of 20%. Besides, NIT Units will also not form part of the 20% cap till its privatization.

7. **Can an Islamic banking branch of a commercial bank take independent exposure up to 35% of its equity, as is admissible in case of full-fledge Islamic banks?**

No, the regulation does not allow an Islamic banking branch of a conventional bank to take independent exposure up to 35% of its equity; rather the aggregate capping limit of 20% of the bank's equity will be observed.

8. **Would the seed capital as well as incremental investment in the subsidiary companies be exempt from the capping requirement of 20%?**
Yes, the seed capital as well as incremental investment in the subsidiary companies will be exempt for the purpose of calculating exposure requirements of 20%.

9. **Is strategic investment also exempted from the 5% capping requirement on investments in a single company under Regulation R-6?**
Yes, strategic investments are also exempted from the capping requirement of 5% of the investing bank's equity. However, in the case of investments in the shares of banks/DFIs, the investment in excess of 5% will require prior approval of SBP.

10. **Can a director/chairman of the board of a company be given loan against the shares of that company?**
Prudential Regulations do not place any restriction on a director or chairman willing to avail financing facility from some bank/DFI in their individual capacity, against the shares of the company **(other than the bank/DFI)** on whose board they hold the position of director or chairman.

11. **Is the capping requirement on aggregate exposure in shares also applied to the exposure taken by the DFIs in the stock market?**
The instructions on capping requirements regarding the investment made by DFIs are different from those of commercial banks. DFIs which are not mobilizing funds as deposits/COIs from general public/individuals are exempt from the 35% cap, whereas DFIs mobilizing funds as deposits/COIs from general public/individuals are subject to 35 % limit.

12. **Can a bank/DFI make direct investment/allow financing facilities against the unsecured/ unlisted/ un-rated TFCs?**
A bank/DFI cannot make direct investment in unsecured TFCs, or allow financing against unsecured TFCs, with the exception of only those unsecured TFCs which are issued by Banks/DFIs under BSD Circular No. 12 of 2004.
Investment in **unlisted and un-rated** secured TFCs is allowed, but due to the nature of investment in secured TFCs is similar to long-term financing, investment in them would be subject to all regulations pertaining to long term financing.
As far as lending against unlisted/un-rated TFCs is concerned, the bank/DFI cannot lend against un-listed, unsecured (except those issued by Banks/DFIs under BSD Circular No. 12 of 2004) and un-rated or rating below BBB or equivalent TFCs.

13. **Is there any limit on aggregate investment exposure in TFCs?**
Yes, the exposure taken by the banks/DFIs in TFCs is subject to per party and per group limit of 20% and 35% respectively as prescribed under Regulation R-1.

14. **Are obligatory investments (made on the instructions of the Govt.) in an institution also subject to the capping requirement of 20%?**

Since the nature of all such investments is strategic, they may be excluded from the capping requirement of 20%.

15. **Whether the minimum margin requirement of 30%, prescribed for financing against shares under regulations R 6, will also apply on units of mutual funds?**
    Margin requirement of 30% apply on the units of mutual funds that invest in shares and in a mix of shares and debt instruments. However, banks may relax margin requirements in case of units that are invested in purely debt securities.

REGULATION R-7 (GUARANTEES)

1. **Are all guarantees issued by the banks/DFIs required to be fully secured?**
   Yes, all guarantees issued by the banks / DFIs are required to be fully secured, except in the cases where 20% of the guaranteed amount is in the form of liquid assets, as well as fall in the following categories:
   - Bid Bonds issued on behalf of local consultancy firms bidding for international contracts where the consultancy fees are to be received in foreign exchange.
   - Bid Bonds issued on behalf of all contractors of goods and services bidding against International Tenders.
   - Performance Bonds on behalf of local construction companies/ contractors of goods and services bidding for international tenders. Provided that the liability of the bank/DFI will be on reducing balance basis after taking into account progressive billing certified by the beneficiary/project owner and payment received against these bills.

2. **Is there any exemption available to banks/DFIs in respect of the security requirement while issuing guarantees?**
   Yes, while issuing guarantees, the following types of exemptions are available in respect of the security requirements:
   - While issuing guarantees to the exporters of cotton in terms of F.E. Circular No. 77 dated December 4, 1988, the banks / DFIs may settle the type and quantum of security with their customers at their own.
   - While issuing back-to-back letter of credit for export oriented goods and services, banks / DFIs are free to decide the security arrangements at their own discretion, subject to the condition that the original L/C has been established by branches of guarantee issuing bank or a bank rated at least A by Standard & Poor, Moody's or Fitch-Ibca.
   - The security requirement may be waived against guarantees issued to Pakistani firms and companies functioning in Pakistan, when they (banks/DFIs) receive back to back / counter guarantees as collaterals from branches of guarantee issuing bank / DFI or banks / DFIs rated at least 'A' or equivalent by a credit rating agency on the approved panel of State Bank of Pakistan or Standard & Poor, Moody's and Fitch-Ibca. Besides, in case the counter-guarantee issuing bank is situated in a foreign country, the rating of at least 'A' or equivalent by a local credit rating agency of the respective country shall also be acceptable, provided the guarantee issuing bank in Pakistan is comfortable with and accepts the counter-guarantee of such foreign bank.

3. **Can the banks/DFIs issue open ended guarantees?**
   The banks / DFIs may issue open-ended guarantees only in favor of Government departments, corporations / autonomous bodies owned/controlled by the Government and guarantees required by the courts. While issuing such

guarantees, the banks/DFIs should secure their interest by adequate collateral or other arrangements acceptable to them.

REGULATION R-8 (CLASSIFICATION AND PROVISIONING FOR ASSETS)

1. **Can a rescheduled / restructured loan be reported as non-performing in the CIB reports submitted to the State Bank of Pakistan?**
No, such loans may not be reported as non-performing to the SBP. They should be reported as restructured / rescheduled.

2. **Can a loan be de-classified after its restructuring / rescheduling?**
A loan cannot be declassified right after rescheduling / restructuring, unless the terms and conditions are fully met for a period of minimum one year (excluding grace period, if any), and at least 10% of the outstanding amount is recovered in cash. However, the condition of one year retention period, prescribed above, will be waived in case the borrower adjusts at least 50% of the total restructured loan amount (principal + mark-up) in cash, either at the time of restructuring agreement or later-on.

3. **Can a bank/DFI reverse the provision already held against restructured/rescheduled account before or after its declassification?**
In case of restructured/rescheduled accounts, the bank/DFI may reverse the provision already held to the extent of cash recovery, subject to the condition that the remaining outstanding should be provided to the extent as required by the category of classification in which the restructured/ rescheduled loan actually appeared, till the time of **declassification** of the loan account. After declassification of the restructured/ rescheduled account as per criteria laid down in Para 3 of Regulation R-8, the bank/DFI may reverse the available provision up to 100% of its value if the bank/DFI deems such reversal advisable. The advisability of an outright reversal of available provision at the time of declassification of a restructured account, is necessary to be seen by the bank/DFI, so that at a later stage, when a declassified account is again **classified** in the old category due to non-compliance of the terms by the borrower, then a significant amount of provisions may be required, resultantly causing a big dent in the profitability of the bank for that year. Thus, the banks/DFIs may find it advisable to go for reversal of the available provisions in parts.

4. **Can a bank/DFI reverse the unrealized mark-up lying in Suspense Account, accrued on a restructured/rescheduled account before or after declassification?**
A bank/DFI cannot reverse the unrealized mark-up lying in Suspense Account accrued on a restructured/rescheduled account till its declassification, except the portion of suspended mark-up which is **realized** by the bank/DFI in cash. Whereas, after declassification of the restructured/rescheduled account, the suspended mark-up may be reversed by the bank/DFI, provided at least 50% of the total suspended mark-up is recovered by the bank/DFI.

5. **How a loan may be declassified?**

A loan may be declassified in the following two ways:
- If the bank has received overdue principal and mark-up on a restructured/rescheduled account, then such loan will be declassified

after meeting all conditions as stipulated in Para 3 of Regulation R-8 of PRs for Corporate and Commercial Banking.
- If the account is not a restructured/rescheduled one, then recovery of 100% overdue principal and mark-up may justify its declassification.

6. What is the valuation process for the purpose of assessing the FSV of the eligible securities for provisioning benefit?

The banks/DFIs will be required to get a Full Scope Valuation once in three years. After the Full Scope Valuation, the banks/DFIs will get two 'Desktop Valuations' in the next two years.

7. Is there any restriction on the valuers in respect of the number of valuations undertaken by them?

Yes, evaluators on the panel of Pakistan Banks Association (PBA) will be eligible to conduct only two Full Scope valuations of a company consecutively; as such the companies being evaluated will be required to change its evaluator after two consecutive Full Scope valuations.

8. Will a fresh finance, allowed to a company at the time of restructuring/rescheduling of an old loan, also be classified in the category as the old restructured/rescheduled loan appears?

The fresh loan may be monitored separately and will be subject to classification on the strength of its own specific terms and conditions.

9. Which assets can be taken for provisioning benefit while calculating the amount of required provision against classified loans?

For the purpose of provisioning benefit, the banks/DFIs may consider (i) liquid assets (at its full value without any discounting/adjustment factors), (ii) pledged goods (at its FSV after applying adjustment factors on the valuation which should not be older than one year), (iii) land and building (at its FSV after applying adjustment factors), and (iv) plant and machinery (at its FSV after applying both **adjustment and discounting factors**). Whereas, the hypothecated goods and fixed assets with 2nd charge will not be allowed for provisioning benefit.

10. What is Desktop valuation? Define it.

Desk top valuation is "an Interim Brief Review of Full-scope Evaluation, so that any significant change in the factors, on which the full-scope valuation was based, is accounted for and brought to the notice of the lending bank."

11. Is the Desktop valuation also required to be done from a PBA-approved evaluator?

When the loan amount exceeds 10% of the banks/DFIs' equity, the Desk-top valuation will be done by the same evaluator, who had conducted the full-scope evaluation, and must be on the approved panel of the PBA; whereas, for loans below this threshold, Desktop evaluation may be done by the banks themselves.

12. If the evaluators are not allowed to enter the premises for conducting full-scope evaluation, then such evaluation may qualify for provisioning benefit?

In cases where evaluators are not allowed by the borrowers to enter in their premises, the full-scope evaluation, conducted as such, will not be accepted for provisioning benefit.

OTHERS

1. **A 50% weightage for L/Cs is available while calculating the bank's/DFI's 'per party limit' under Regulation R-1. Is any such weightage (on L/C) also available while calculating the Bank's/DFI's 'aggregate exposure limit' in contingent liabilities under Regulation R-2 and the borrowers total exposure limit under Regulation R-5?**
   The 50% weightage in respect of L/Cs is available only for calculating per party limit of the banks/DFIs, thus, while calculating the aggregate exposure limit of the banks/DFIs in contingent liabilities under Regulation R-2, and the borrowers' exposure limit under Regulation R-5, no such weightage is available against L/Cs.

2. **Can the requirement of copy of accounts be waived in case the exposure is secured by 100% liquid assets?**
   The borrower is not required to give **audited** financials in case the exposure is secured by liquid assets; however, financials in un-audited form and signed by the borrower, will be required to be submitted to the lending bank/DFI.

3. **Regulation R-3 requires the banks/DFIs to obtain copy of accounts in case the exposure exceeds Rs 10 million, whereas, Regulation R-5 requires maintenance of current ratio in all cases (including exposure lower than Rs 10 million). How a bank/DFI can ensure the current ratio in cases where it is not required to obtain copy of accounts (exposure lower than Rs 10 million)?**
   In case of exposure lower than Rs 10 million, the balance sheet in some form (not necessarily audited by chartered accountant) as acceptable to the bank/DFI will be required for calculation of ratios under Regulation R-5. Though, the lending bank/DFI may require the borrower to provide a certified/audited copy of accounts, if they deem fit.

4. **Can a bank/DFI allow lending to the borrowers with CIB showing default?**
   The banks/DFIs may allow financing to defaulters keeping in view their risk management policies and criteria, and that they properly record reasons and justifications in the approval form.

5. **Does the aggregate clean limit (equal to the equity of the bank/DFI) include clean loans given under all the three heads of Corporate, SME and Consumer Financing?**
   Yes, while calculating the aggregate clean exposure limit of the bank/DFI, clean loans allowed under all the three heads of Corporate, SME and Consumer Financing will be taken into account.

6. **Can the banks/DFIs issue underwriting commitments in respect of TFCs, commercial papers and other debt instruments issued by NBFCs?**
   Yes, the banks/DFIs can issue underwriting commitments in respect of TFCs, commercial papers and other debt instruments issued by NBFCs.

7. **Can the banks/DFIs allow financing to their clients against the guarantees of NBFCs?**
   Yes, the bank/DFIs can allow financing to a client against the guarantee of an NBFC which is rated "A" by a credit rating agency on the approved panel of SBP.

8. **Can the executives of a bank/DFI be taken on the Board of that bank/DFI?**

Yes, paid executives can become members of the Board, provided their total number does not exceed 25% of the total number of the directors on the board.

9. Can the banks/DFIs also give donations to deserving students?

Yes, the banks/DFIs can also make donations/ contribution to the deserving students, subject to compliance with the terms and conditions already stipulated in Regulation G-3. However, while making donations to the deserving students, the banks/DFIs will develop necessary checks to ensure deservedness of the prospective donees.

10. Is the Investment in COIs/ inter bank placements with NBFCs, considered clean?

Yes, investment in COIs and inter-bank placement with NBFCs are considered clean. However, investment in COIs and inter-bank placements with NBFCs, which are rated at least "A" or equivalent by a credit rating agency on the approved panel of the State Bank of Pakistan or Standard & Poors, Moody's and Fitch-Ibca, will, however, be exempted.

11. Is the requirement of CIB report and Borrower Basic Fact Sheet applied in case of placement with financial institutions (banks/DFIs/NBFCs)?

BBFS and CIB are not required in case of placements with financial institutions (banks/DFIs/NBFCs).

12. Does the "aggregate clean exposure", mentioned in Regulation R-4 also include investment in shares, commercial papers and unsecured PTCs/TFCs?

The Aggregate Clean exposure does not include investments in shares and commercial papers. However, investment in unsecured PTCs and TFCs are included in the aggregate clean exposure.

13. Do the SBP Prudential Regulations also apply on Staff Financing?

Prudential Regulations for Corporate, SME and Consumer Financing apply on loans that are given to the external parties on commercial basis; as such, staff financing (extended as part of the compensation package), is governed by the policy approved by the bank, instead of the SBP PRs.