

## **SBP Refinance Scheme to Support Employment and Prevent Layoff of Workers**

State Bank has introduced a temporary refinance scheme for payment of wages and salaries to the workers and employees of the business concerns with following key features.

**Scope & Eligibility Criteria:** The Scheme aims to finance wages and salaries of permanent, contractual, daily wagers as well as outsourced employees of existing as well as new borrowers of banks and DFIs for the months from April 2020 to June 2020. Government Entities, Public Sector Enterprises, Autonomous Bodies and deposit taking financial institutions will not be eligible under this Scheme:

**Maximum Financing Limit:** Maximum financing limit of a borrower under this scheme is determined in the following manner:

<b>Category</b>	<b>Wages and Salaries Bill for 3 months</b>	<b>Loan Limit</b>	<b>Maximum Loan Limit</b>
(1)	(2)	(3)	(4)
A	Less than or equal to Rs. 500 million	100% of column (2)	Rs. 500 million
B	More than Rs. 500 million	Rs. 500 million or 75% of column (2), whichever is higher	Rs. 1000 million

**End User Rate:** Maximum 3% per annum (p.a.) for end users who are in active tax payers' list (SBP service charges for such customers is 0%). End user rate for non-filers is 5% (SBP rate of service charge for banks/DFIs is 2% p.a. per annum for corporate/commercial borrowers and 1% p.a. for SME borrowers).

**Disbursement and Grace Period of Financing:** Three months disbursement period plus 06 months grace period (only markup to be paid during this period).

**Disbursement:** Loans are credited directly to the bank accounts/branchless banking accounts/mobile wallets of the workers and employees of the borrowers. Businesses can also make payments in cash provided they make available details of such workers and employees to their banks.

**Vendors' Corporate Guarantees:** In order to facilitate vendors/distributors who are suppliers/distributors of large corporates, banks/DFIs are allowed to extend financing to such vendors/distributors against corporate guarantee(s) issued on their behalf. A vendor/distributor may provide corporate guarantees of multiple corporates with whom vendor/distributor has business relationships.

**Regulatory Relaxations:** The exposure under the scheme is not counted towards Single Obligor Exposure Limit or Group Exposure Limit prescribed under Prudential Regulations (PRs) for Corporate and Commercial Banking and PRs for Small & Medium Enterprise Financing.

**Reimbursement of Salaries and Wages of April and May 2020:** The businesses, who applied in April or May 2020 for the financing under the scheme, are allowed to claim reimbursement of wages and salaries of April and/ or May 2020 paid from their own sources to their workers and employees after their financing is approved.

**Tenor of and Repayment of Financing:** The repayment of financing under the Scheme will start from January 2021. The repayment will be made in eight (08) equal quarterly installments.

**Risk Sharing Facility (RSF):** With a view to incentivize banks/DFIs for financing to SMEs and non SME corporates, Government of Pakistan allocated Risk Sharing Facility (RSF) for SBP's Rozgar Scheme to Support Employment and Prevent Layoff of Workers'. Accordingly, the key features of risk sharing facility are as given below:

S.No	Particulars	Key Features
1	Eligibility	The financing extended to businesses with maximum sales turnover of Rs 2 billion, under SBP's Rozgar Scheme is eligible for RSF by GoP.
2	Risk Coverage	GoP will bear <b>40% first loss on disbursed portfolio</b> (principal portion only) for eligible borrowers. <i>Note: In case of non-repayments, after being classified as 'Loss' (as per the classification criteria laid down under respective SBP Prudential Regulations, credit loss subsidy claim will be paid by the GOP).</i>
3	Security Requirements	Security arrangements will be as per executing agency's own credit policy after taking into account the factor of this risk sharing facility. In any case, banks will not be asking for additional collaterals over and above 60% of the principal amount and markup thereon.
4	Subsidy Payment	EAs shall submit credit loss subsidy claims to DFSD on quarterly basis within 15 working days after the end of each quarter. DFSD after scrutiny of the claims shall submit the same to Finance Division, GOP. FD will release payment against submitted claims within 15 working days. Upon receipt of subsidy from GOP, SBP BSC Karachi will credit the account of EAs with the subsidy amount.

**Validity of the Facility:** 30th June 2020.

**Circulars:**

**Rozgar Scheme:**

<http://www.sbp.org.pk/sme/d/circulars/2020/C6.htm>

<http://www.sbp.org.pk/sme/d/circulars/2020/C7.htm>

<http://www.sbp.org.pk/sme/d/circulars/2020/CL7.htm>

<http://www.sbp.org.pk/sme/d/circulars/2020/CL10.htm>

<http://www.sbp.org.pk/sme/d/circulars/2020/CL11.htm>

**Risk Sharing Facility:**

<http://www.sbp.org.pk/sme/d/circulars/2020/C9.htm>