

STATE BANK OF PAKISTAN  
Banking Control Department  
Central Directorate  
Karachi.

BCD Circular No. 32

26th November, 1984

All banks and development finance institutions

Dear Sirs,

**Elimination of 'Riba' from the Banking  
System—Bank Charges.**

Please refer to BCD Circular No. 13 dated the 20th June, 1984.

2. Vide BCD Circular No. 7 dated the 28th March, 1984, bank charges, except charges for home remittances, have been deregulated. The schedules of bank charges received from the banks show that the following items of bank charges are based on interest:

- (i) Mark-up in the case of import bills under import letters of credit.
- (ii) Mark-down in the case of documentary bills drawn against inland letters of credit.

3. The schedules also provide for levy of overdue/penal interest in case of non-retirement/non-payment of inland cheques, bills etc. purchased.

4. In exercise of the powers vested in it under the Banking Companies Ordinance, 1962, the State Bank of Pakistan is pleased to direct that as from the 1st January, 1985, interest, wherever charged by a banking company/development finance institution in any of the items of bank charges, shall be replaced by a non-interest mode considered appropriate by it. Moreover, overdue/penal interest or mark-up on mark-up shall not be charged by a banking company/DFI as from that date. Instead, it may take legal steps for recovery of the overdue finance.

5. Please acknowledge receipt.

Yours faithfully,

(SIBGHATULLAH)

Director