

STATE BANK OF PAKISTAN  
Banking Control Department  
Central Directorate  
Karachi.

BCD Circular No. 33

26th November, 1984

All Banks and development finance institutions.

Dear Sirs,

**Elimination of 'Riba' from the Banking System—Finances provided by the State Bank of Pakistan to banks and development finance institutions for meeting temporary liquidity difficulties (including T.T. discounting facilities).**

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

2. Finance for meeting temporary liquidity difficulties (including T.T. discounting facilities) is at present being extended by the State Bank to banks/DFIs on the basis of interest. Such finance will, as from 1st January, 1985, be provided by the State Bank of Pakistan on profit and loss sharing basis as indicated below:-

**(i) To Banks and N.D.F.C.**

The finance will be provided on the basis of profit and loss sharing. The rate of profit to be derived by the State Bank from the finance will be equal to the rate of return which the bank obtaining the finance will pay on its savings accounts for the half year in question. If a bank or N.D.F.C. is not maintaining any savings account the rate of profit shall be the rate of return paid on its deposits of six months' maturity. Provisional payment of return may be made quarterly in the first week of each quarter on the basis of the return paid for the previous six months' period subject to adjustment. In case a bank incurs loss during the period, the profit received from it by the State Bank of Pakistan during that period will be refunded to it and the loss shared by all the financiers in proportion to the respective finances provided by them.

In the case of a bank which will start accepting PLS Deposits only on or after the 1st January, 1985, the provisional rate for the first two quarters may

be 8% per annum subject to adjustment on the basis of actual rate of return subsequently declared.

**(ii) To development finance institutions which do not accept deposits.**

The finance will be provided on the basis of profit and loss sharing with appropriate weight for State Bank or the financial institution's funds, which will be advised at the time of sanction of the limit. In the case of profit the amount of profit will be shared by the various financiers in proportion to the respective finances provided by them after allowing for the weightage. In the event of loss, the amount of loss will be shared by all the financiers in proportion to their respective finances. Provisional payment of profit may be made quarterly in the first week of each calendar quarter on the basis of audited accounts for the preceding accounting year of the borrowing DFI, subject to adjustment.

3. Please acknowledge receipt.

Yours faithfully,

(SIBGHATULLAH)

*Director*