

STATE BANK OF PAKISTAN
Banking Control Department
Central Directorate
Karachi.

BCD Circular No. 38

10th December, 1984

All banks and development finance institutions.

Dear Sirs,

**Elimination of 'Riba' from the Banking System—
Rates of Profit in the case of Investment type modes
of Financing.**

Please refer to item (C) of Annexure I to BCD Circular No. 13 dated the 20th June, 1984.

2. With effect from the 1st January, 1985 and until further instructions the minimum annual rate of profit which a bank/development finance institution may keep in view while considering proposals for provision of finance and the maximum annual rate of profit that they may earn on the basis of investment modes of financing shall be as indicated below:-

	Range of Profit	
	Minimum to be kept in view.	Maximum
(i) For exports under the Export Finance Scheme.	No. minimum	$2\frac{10}{2}\%$
(ii) For Part I (Local Sales) of the Scheme for Financing Locally Manufactured Machinery.	-do-	$7\frac{10}{2}\%$
(iii) For Part II (Export Sales) of the Scheme for Financing Locally Manufactured Machinery.	-do-	$2\frac{10}{2}\%$
(iv) For other purposes for which specific instructions have not been issued separately.	10%	No. maximum

In cases under (iv) above, the profit earned by a bank/development finance institution should not, actual profits of the client permitting, be less than the minimum profit indicated thereagainst. All such cases, where financing of Rs. 10 million or more is provided by a bank/DFI in each case and actual profit is lower than the prescribed minimum, should be reported to the State Bank of Pakistan in the attached proforma on a half yearly basis for the half years ended 30th June and 31st December every year which should reach the State Bank by the last working day of the month following the respective half year.

3. Should losses occur, these shall be shared by all the financiers in proportion to the respective finances provided by them. This applies to all the items listed in para 2 above.

4. The above instructions are being issued under the Banking Companies Ordinance, 1962 and will supersede orders already issued in BCD Circular No. 28 dated the 26th November, 1984.

5. Please acknowledge receipt.

Yours faithfully,

(SIBGHATULLAH)

Director

NAME OF BANK/DFI _____

Profit in respect of cases where the profit earned by us was less than the projected minimum prescribed by the State Bank, for the half year ended _____

Type of trade/ Industry	Name of the party with names and addresses of directors/partners/ proprietors	Amount of financing	Profit actually received		Rate during preceding three half years.	REMARKS (reasons for profit being lower than the minimum prescribed by State Bank).
			Amount	Rate		
1	2	3	4	5	6	7