

All Banks/ DFIs/NBFCs

Dear Sirs/Madam,

GROUP LIABILITIES IN THE CIB REPORTS

The definition of “Group” for the purpose of CIB report as notified vide Circular No. SBP/CIB-23/94 dated August 22, 1994 has been reviewed. It has been decided that in the CIB report, the grouping of borrowers shall now be done on the basis of following criteria:

a) The names of the “Group” companies shall be reported by the financial institutions according to the definition of “Group” as contained in Definition No. 14 of the Prudential Regulations (PRs) for Corporate /Commercial Banking. Thus, the onus for correct formation of the group as per definition given in the Prudential Regulations will be on Banks/DFIs/NBFCs.

b) Banks/DFIs/NBFCs will ensure that while determining the group relationships in terms of criteria prescribed in the PRs, they should not consider the foreign national directors, directors of companies under liquidation, and nominee directors of the following entities/agencies:

Foreign Controlled Entities.

- Banks/DFIs.
- Public Sector Enterprises.
- Federal/Provincial Government.
- Private Sector Enterprises’ nominee directors on the Board of Public Sector Enterprises.

c) The definition of the Group as contained in PRs shall, however, be not applicable in the context of Government owned / controlled entities notwithstanding the fact these are listed or unlisted.

2) Since reflection of negative information in the credit report of any party adversely impacts its relationships with its lending institutions, therefore, Banks/DFIs/NBFCs are advised to be very careful while reporting the names of group entities in the CIB data. In case any party disputes the group relationship, the reporting Bank/DFI/NBFC should be able to defend its position with documentary evidence.

3) The above changes in the grouping criteria of companies have necessitated collection of certain additional data from the financial institutions. Therefore, existing formats of CIB data collection (viz. CIB-I, II and III) circulated vide BSD Circular No.4 dated 25th February, 2003 have been revised. The revised formats for CIB I, II and III are enclosed

as Annexure-I. Banks/DFIs/NBFCs are advised to start collecting the additional information called for in the above formats from their clients and form the groups as per definition of the “Group” given in Prudential Regulations. The SBP will start collecting the monthly CIB data on the revised formats after revising its data capturing software application, for which banks/DFIs/NBFCs will be advised in due course.

Please acknowledge receipt.

Yours faithfully

(Jameel Ahmad)

Director