

STATE BANK OF PAKISTAN

Statistics & Data Warehouse Department

Revision Note on Monetary Statistics

Reclassification of Advances (against Murabaha etc.), Inventories & any other related item(s) from “Other Assets” to “Islamic Financing and Related Assets”

Introduction

Statistics & DWH Department of the State Bank of Pakistan is responsible for compilation and dissemination of monetary statistics on various frequencies. Presently monetary statistics are compiled on weekly and monthly basis which are widely used by policy makers, researchers, students and other national and international agencies. It not only produces data but also informs users about the concepts and methodologies used in collection, processing, and dissemination along with detail of any significant data revisions.

Revisions are considered important aspect of any statistical system and the same can occur on routine as well as on immediate basis. To maintain the transparency of the system, users must be informed about the significant revisions, the underlying factors, its impact on the main related variables under a well defined disclosure policy in order to maintain trust in statistical system.

Revisions in data may take place for a number of reasons such as:

1. To adopt improved methodology;
2. To include improved source data;
3. To rectify errors and omissions;
4. To adjust routine recalculation; and
5. To introduce reclassification of data.

Reclassification of items of advances by Islamic banks / Islamic branches of conventional banks

Scheduled Banks in Pakistan are providing conventional as well as Islamic banking services to their customers. As the Islamic banking is growing with a high pace, the reporting scheme of their transactions is also evolving over time. Changes in the scope and definition of certain products lead to reclassification of these items according to international standards and classification systems for compilation of various statistics.

In recent past, some of the Islamic banking products were classified differently by Islamic banks in their financial statements. In order to streamline and standardize disclosures of Islamic Banks/Islamic Banking Branches, it was decided by SBP that all financings, advances (against Murabaha etc.), inventories and any other related item(s) pertaining to Islamic modes of financing reported under ‘Other Assets’ or any other head, shall become part of the ‘Islamic Financing and Related Assets’ in their Annual, Half-yearly and Quarterly Financial Statements (see SBP circular dated January 22, 2013 at Annexure A).

To bring consistency in all types of data reports, banks are now advised to follow the above guidelines while reporting data to SBP or publishing all data related to assets and liabilities (See SBP circular dated February 29, 2016 at Annexure B). With the new reporting instructions, the data sets used for compilation of “Weekly Profile of Broad Money” given at SBP website and “2.5 Monetary Aggregates” given in Statistical Bulletin, have been adjusted to reflect revised classification. In order to have a consistent data series, the SBP has started the process of adjusting past time series. The data series back to June 2014 has already been revised, while for earlier period from January 2013 to May 2014, it is under process and will be disseminated in due course.

It should be noted that this revision affects the credit to the private sector, while overall Net Domestic Credit and M2 remain unchanged. Table-1 summarizes the reclassification and its impact on various components of the banking assets.

Table 1: Composition of Banking Assets

Description	Before Reclassification	After adopting Reclassification
Position of Schedule Banks Assets & Liabilities	Assets Cash and balances with treasury banks Balances with other banks Lending to financial institutions Investments Gross Advances (excluding advances (against Murabaha etc.), inventories and any other related item (s)) Provisions Advances- net of provision	Assets Cash and balances with treasury banks Balances with other banks Lending to financial institutions Investments Gross Advances (Including advances (against Murabaha etc.), inventories and any other related item (s)) Provisions Advances- net of provision Operating fixed assets Deferred tax assets

	Operating fixed assets Deferred tax assets Other assets (including advances (against Murabaha etc.), inventories and any other related item (s))	Other assets (excluding advances (against Murabaha etc.), inventories and any other related item (s))
Weekly Profile of Broad Money M2	Net Domestic Assets of the Banking System Net Government Sector Borrowings Credit to Non-Government Sector (excluding advances (against Murabaha etc.), inventories and any other related item (s)) Credit to Private Sector Credit to Public Sectors Enterprises (PSEs) PSEs Special Account-Debt Repayment with SBP Other Financial Institutions (SBP credit to NBFIs) Other Items net (Including advances (against Murabaha etc.), inventories and any other related item (s))	Net Domestic Assets of the Banking System Net Government Sector Borrowings Credit to Non-Government Sector (Including advances (against Murabaha etc.), inventories and any other related item (s)) Credit to Private Sector Credit to Public Sectors Enterprises (PSEs) PSEs Special Account-Debt Repayment with SBP Other Financial Institutions (SBP credit to NBFIs) Other Items (net) (excluding advances (against Murabaha etc.), inventories and any other related item (s))

The revised data has been placed on SBP website at the following link:-
http://www.sbp.org.pk/ecodata/BroadMoney_M2.pdf

Similarly, all monthly data such as “credits/loans classified by borrowers, depository and other depository corporation surveys and tables containing items of credit are adjusted to incorporate the reclassification and the revised tables are available on the State Bank website.

Annexure - A

BSD Circular Letter No. 03 of 2013	January 22, 2013
<p>Presidents / Chief Executives, All Islamic Banks / Islamic Banking Branches Dear Sirs / Madam,</p> <p><u>Revised Forms of Annual Financial Statements</u> Please refer to the BSD Circular No. 04 dated February 17, 2006 on the captioned subject.</p> <p>2. In order to streamline and standardize disclosures of Islamic Banks/Islamic Banking Branches, it has been decided to introduce following changes in the 'Statement of Financial Position' and the relevant notes:</p> <p><u>i. Islamic Banks</u></p> <p>a. The head 'Financings' used by Islamic Banks in their Balance Sheet and the related note should be renamed as 'Islamic Financing and Related Assets'.</p> <p>b. All Financings, Advances (against Murabaha etc.), Inventories and any other related item(s) pertaining to Islamic modes of financing, presently being reported under 'Other Assets' or any other head, shall become part of the 'Islamic Financing and Related Assets'.</p> <p>c. The break-up of 'Islamic Financing and Related Assets' into Islamic modes of financing and their respective subdivision into Financings, Advances, Inventories and any other related item(s) shall be reported in the notes to financial statements.</p> <p><u>ii. Islamic Banking Branches.</u></p> <p>a. The disclosure for Islamic Banking Branches contained in Annexure-2 to the above mentioned Circular also stands amended on the above lines. The revised Annexure-2 is enclosed.</p> <p>3. All Islamic Banks/Islamic Banking Branches are advised to comply with the above instructions while reporting their annual, half-yearly and quarterly financial statements.</p> <p>4. These instructions shall be effective from December 31, 2012.</p> <p>5. All other instructions on the subject shall remain unchanged.</p> <p><u>Enclosure: Annexure-2</u></p> <p style="text-align: right;">Yours truly,</p> <p style="text-align: right;">(Lubna Farooq Malik) Director</p>	

Annexure - B

BPRD Circular Letter No. 05 of 2016	February 29, 2016
<p>The Presidents/ CEOs, Islamic Banks/All Banks operating Islamic Banking Branches</p> <p>Dear Sir / Madam,</p> <p><u>Revised Forms of Annual Financial Statements</u></p> <p>Please refer to BSD Circular No. 4 of 2006 and BSD Circular Letter No. 03 of 2013 on the captioned subject.</p> <p>2. Islamic Financing and Related Assets: It has been observed that some banks having Islamic Banking Branches (IBBs) are reporting the related assets of Islamic Financing in their overall periodic financial statements under different heads i.e. Other Assets and Operating Fixed Assets. In order to standardize the financial statements and to bring comparability, the banks having IBBs are advised to show Islamic Financing and Related Assets under the head of "Advances" in their financial statements. Accordingly, the Note 10 (Advances) of Notes to Financial Statements given in BSD Circular No. 4 of 2006 has been revised as per enclosed format. In addition to this, banks are required to provide detailed information for each of the Islamic modes of Financing in Annexure-2 of the aforesaid Circular along with provision held there against. The revised Annexure-2 is enclosed.</p> <p>3. Bai Muajjal of Government of Pakistan Ijara Sukuk: The banks are advised to show the Bai Muajjal of captioned Sukuk with State Bank of Pakistan and other Financial Institutions under the Head "Lendings to Financial Institutions (Note 8)" as per the enclosed format. However, Bai Muajjal transaction with Government of Pakistan will be reported under investment category as other Federal Government securities.</p> <p>4. These instructions shall be effective immediately and all other instructions on the captioned subject remain unchanged. Please acknowledge receipt.</p> <p><u>Encl:</u> <u>(2)</u></p> <p style="text-align: right;">Sincerely, S/d- (Shaukat Zaman) Director</p>	