

April 15, 2009

## **SBP Revises Paid-up Capital Requirements for Banks**

The State Bank of Pakistan has decided to revise downward the minimum paid-up capital (free of losses) requirements (MCR) for banks. This decision has been taken in view of the general global slowdown in growth and capital accumulation by financial institutions and representations from shareholders.

Now the banks are required to raise their minimum paid up capital (free of losses) to Rs 10 billion by December 31, 2013 instead of earlier set limit of Rs 23 billion, says BSD Circular No.7 of 15<sup>th</sup> April, 2009.

According to the circular the banks will now be required to raise their minimum paid-up capital (free of losses) to Rs 6 billion by December 31, 2009, Rs 7 billion by December 31, 2010, Rs 8 billion by December 31, 2011, Rs 9 billion by December 31, 2012 and Rs 10 billion by December 31, 2013.

It may be recalled here that according to the instructions issued earlier (BSD Circular No.19 dated the 5<sup>th</sup> September, 2008), the banks were required to raise their MCR to Rs 10 billion by December 31, 2010, Rs 15 billion by December 31, 2011, Rs 19 billion by December 31, 2012 and Rs 23 billion by December 31, 2013.

BSD Circular No.7 further says that while capital adequacy standards will continue as previously and all banks/DFIs shall be required to increase CAR to 10% w.e.f. December 31, 2009 irrespective of their CAMELS-S rating, till further instructions.

Branches of foreign banks (FBs) operating in Pakistan are also required to raise their assigned capital (net of losses) to Rs. 10 billion within the above prescribed timelines. However, those foreign banks whose Head Offices hold Paid up capital (free of losses) of at least equivalent to US\$ 300 million and have a CAR of at least 8% or minimum prescribed by their home regulator, whichever is higher, will be allowed with prior approval of the State Bank to maintain assigned capital as under:

- a. FBs operating with up to 5 branches are required to raise their assigned capital to Rs. 3 billion latest by 31<sup>st</sup> December 2010.
- b. FBs operating/desirous of operating with 6 to 50 branches are required to raise their assigned capital to Rs. 6 billion latest by 31<sup>st</sup> December 2010, BSD Circular No.7 added.

\*\*\*\*\*