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**State Bank lays down loan write-offs procedure for Malakand, Swat, Buner & Chitral districts under PM's Fiscal Relief Package**

The State Bank of Pakistan has announced a procedure for reimbursement of write off of loans outstanding as of December 31, 2009 against the borrowers of Malakand, Swat, Buner and Chitral districts under the Prime Minister's Fiscal Relief Package to rehabilitate Economic Life in Khyber Pakhtunkhwa, Federally and Provincially Administered Tribal Areas.

According to a Circular, (SMEFD Circular No. 1) issued today, the Ministry of Finance has released the budgetary allocation for the purpose. Banks, Development Finance Institutions (DFIs) and Microfinance Banks (MFBs) shall write off the entire loans outstanding as of December 31, 2009 of the borrowers of Malakand, Swat, Buner and Chitral districts, the Circular added.

The Circular said loans booked in above-mentioned areas and also booked outside the Malakand, Swat, Buner and Chitral on behalf of businesses operating /located in these districts shall also qualify. Only principal amount of outstanding loans (Performing and NPLs less provisioning) as of December 31, 2009 shall qualify for subsidy. However, the Circular said that loans disbursed on or after January 1, 2010 shall not qualify for said relief and the amount of overdue/outstanding Mark-up shall also not qualify for said subsidy.

The Circular said banks, DFIs and MFBs shall bear the cost of such write-offs to the extent of amount held into provision against NPLs and interest in suspense account, while the rest of the cost will be paid by the Government of Pakistan as subsidy.

The Circular said after internal approvals of write off of total loans in Malakand, Swat, Buner and Chitral districts as per above guidelines the banks, DFIs and MFBs shall submit their claims to the office of SBP-BSC (Bank), Peshawar on a prescribed format duly audited and authenticated by their Internal Audit up to March 15, 2011.

However, it said that the amount reimbursed by SBP-BSC (Bank), Peshawar shall be subject to on-site inspection by SBP's Inspection Department and if any amount claimed found ineligible, the same shall be required to be refunded by the concerned institutions along-with a fine of 25% of amount reimbursed.

"For smooth and timely implementation of the Relief Package, Banks, DFIs and MFBs are advised to stop recovery & accrual of mark-up of all such outstanding loans immediately and make all out efforts to publicize the Scheme through advertisements, banners and direct contact with the concerned borrowers," the Circular said.

The reimbursement of banks/DFIs/MFBs claims of outstanding loans as of December 31, 2009 as earlier reported to SME Finance Department of the State Bank, shall be full and final settlement of the borrowers' liabilities and banks/DFIs/MFBs are required to release all securities/charges held against such loans and issue necessary clearance certificates to concerned borrowers soon after the receipt of funds from SBP, the Circular added..

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