

A Chronology of Policy Announcements

A-1 Banking Policy & Regulation Group

Date of Announcement	Circular/Circular Letter No	Policy Decision
July 15, 2009	BPRD Circular No. 13	<p>Margin restrictions for financing against the security of sugar stock</p> <p>In order to adjust entire loan/advances against pledge of sugar by 31st October, 2009 positively, Banks/DFIs were advised to reduce their loans as follows;</p> <ul style="list-style-type: none"> ▪ 25% reduction at end of July, 2009 ▪ 25% by end August, 2009 ▪ 25% by end September, 2009 ▪ 25% by end October, 2009
July 16, 2009	BPRD Circular letter No. 19	<p>Amendments in Microfinance Credit Guarantee Facility (“MCGF”)</p> <p>In order to make the provisions more flexible for commercial banks/DFIs to provide whole-sale funds to eligible Microfinance Banks/Institutions, clause 5(i) of the MCGF guidelines was amended as under.</p> <p>“The lending institution shall provide financing after carrying out proper due diligence of the MFB/MFI, keeping in view the risk profile of the borrower and in light of policy developed, duly approved by its Board of Directors, for providing financing under the MCGF. In case, the microfinance lending policy duly approved from the Board of Director is not in existence, such policy shall be made within two years of the first disbursement under the facility; however, it shall be mandatory if the funding under the facility exceeds 20 percent of the lending bank’s equity, prior to disbursement under the facility.”</p>
August 07, 2009	BPRD Circular No.14	<p>Remuneration of Directors and Chairman- Prudential Regulation G-1</p> <p>The banks/DFIs during a calendar year may pay a reasonable and appropriate remuneration for attending the Board or its committee (ies) meeting (s), to their non-executive directors and chairman.</p>
August 10, 2009	BPRD Circular letter No. 21	<p>Service Charges on the Collection of Fees of Educational Institutions</p>

		<p>The instructions on service charges on the collection of fees of educational institutions were amended as follows;</p> <ol style="list-style-type: none"> 1. No service fee shall be charged from the students depositing the amount of fee directly in the fee collecting account of the educational institution. 2. The charges for making pay order/DD/any other related instrument for payment of fee/dues in favor of educational institutions, HEC/Board etc may not exceed 0.50% of fee/dues or Rs. 25 per instrument whichever is less.
August 26, 2009	BPRD Circular letter No. 25	<p>Collection of Utility Bills Under Sou motu Case No. 04 of 2006</p> <p>In order to simplify and streamline the procedure of utility bills collection, further guidelines were issued to banks.</p>
September 08, 2010	BPRD Circular letter No. 26	<p>Microfinance Credit Guarantee Facility(MCGF)</p> <p>Microfinance Institutions (MFIs) were also allowed to avail the financing facility under MCGF.</p>
September 25, 2009	BPRD Circular letter No. 29	<p>Financing Facilities to Related Parties</p> <p>The Banks/DFIs were advised to ensure meticulous compliance of Section 24 of the Banking Companies Ordinance, 1962, while extending all types of financing facilities, including consumer finance, to related parties and members of their Board of Directors</p>
October 12, 2009	BPRD Circular letter No. 31	<p>Dishonoring of Cheques</p> <p>The Banks/DFIs were advised to record correct and complete reasons for dishonoring cheques.</p>
October 12, 2009	BPRD Circular No. 15	<p>Banking Services for the Visually Impaired Persons</p> <p>In order to facilitate the visually impaired persons and make them a productive member of society, banks were advised to allow opening of an individual account to such impaired persons after explaining to them terms and conditions set by the banks to govern the operation of these accounts.</p>
November 26, 2009	BPRD Circular No. 16	<p>REVISION IN BRANCH LICENSING POLICY FOR MICROFINANCE BANKS</p> <p>The scope of Microfinance Banks permanent</p>

		booth was enhanced by allowing deposit taking/withdrawal and remittances functions.
December 31, 2009	BPRD Circular letter No. 42	<p>Amendment in Regulation M-2 (Anti-Money Laundering Measures)</p> <p>Prudential Regulation-M-2 regarding AML measures was revised by as under.</p> <p>“Banks / DFIs shall not allow personal accounts to be used for business purposes except proprietorships, small businesses and professions where constituent documents are not available and the banks / DFIs are satisfied with KYC profile of the account holder.</p>
December 31, 2009	BPRD Circular letter No. 43	<p>Amendments in Prudential Regulations for Consumer Financing</p> <p>A new regulation R-5A regarding Rescheduling / Restructuring of Non-Performing Consumer Loans was added. Further it was advised that Banks/DFIs may merge the clean limits to single person for Credit Cards and Personal Loans subject to the condition that total clean limit availed by him/her from all banks/DFIs does not exceed Rs. 2,000,000 at any point in time. It is re-emphasized that the aggregate clean limit of the borrower should not exceed Rs. 2,000,000 in any case.</p>
January 05, 2010	BPRD Circular No. 01	<p>Implementation of Clean Note Policy by Banks</p> <p>In order to overcome the problems relating to collection, sorting and replacement of soiled notes and to provide better services to general public, a self assessment compliance program with regard to Clean Note Policy (CNP) by the commercial banks was introduced in which Chief Compliance Officers of the banks shall issue a certificate on standard format with regard to implementation of Clean Note Policy by their banks in letter and spirit.</p>
January 05, 2010	BPRD Circular No. 02	<p>Issuance of Statement of Accounts to Account Holders</p> <p>Instructions on issuance of free of cost statement of accounts to account holders including maintenance of record thereof were issued to banks/DFIs.</p>
March 04, 2010	BPRD Circular No. 03	<p>Shaheed Benazir Bhutto CNG Bus Project” Public Private Partnership Based Environment Friendly Public Transport System</p>

		The details of scheme were communicated to banks with the advice to assess the proposal as per their approved credit policy.
January 12, 2010	BPRD Circular Letter No. 01	<p>Reporting to eCIB</p> <p>The banks / DFIs were advised to send an intimation letter to the concerned borrower before reporting 90 days overdue against his / her name to eCIB. Such letter shall, inter alia, inform the borrower about the implications of reporting of name to eCIB, and allow reasonable time period (at least 15 days) for reconciliation / settlement of overdue liabilities</p>
January 25, 2010	BPRD Circular Letter No.02	<p>EXEMPTION OF SCHOOL MANAGEMENT COMMITTEE ACCOUNTS (SMC) FROM LEVY OF SERVICE CHARGES</p> <p>School Management Committee Accounts were exempted from levying service charges on account of non-maintenance of minimum balance.</p>
February 25, 2010	BPRD Circular Letter No. 05	<p>DEDUCTION OF INSURANCE PREMIUM AND OTHER CHARGES IN EXCESS OF ACTUAL COST OR THE AMOUNT PAID TO SERVICE PROVIDERS</p> <p>The existing instructions were revisited by issuing following new instructions to banks/DFIs for strict compliance;</p> <p>i. Banks/DFIs should not retain a part of insurance premium received from customers for payment to insurer.</p> <p>ii. The banks/DFIs may not charge any amount in excess of their actual cost under various heads being paid to the service providers.</p> <p>iii. The Banks/DFIs should clearly disclose all charges recoverable from the customers at the time of entering into agreement with them and the same shall also be duly incorporated in their schedule of charges.</p>
March 04, 2010	BPRD Circular No. 04	<p>SHAREHOLDING OF CHAIRMAN OR PRESIDENT /MANAGING DIRECTOR/ CHIEF EXECUTIVE, DIRECTLY OR INDIRECTLY IN THE BANKING COMPANY</p> <p>Banks/DFIs were advised that every Chairman, Managing Director or Chief Executive Officer of a banking company shall furnish to the State Bank</p>

		of Pakistan through the banking company returns on yearly basis containing full particulars of the extent and value of his holding of shares, whether directly or indirectly, in the banking company and of any change in the extent of such holding or any variation in the rights attaching thereto as per attached Annexure-I within 15 days of the close of each calendar year.
April 05, 2010	BPRD Circular Letter No. 07	<p>Prudential Regulations for Corporate/ Commercial Banking- M-3</p> <p>The banks/ DFIs were advised to provide timely information related to suspicious transactions to domestic law enforcement agencies (LEAs).</p>
May 17, 2010	BPRD Circular No. 06	<p>Verification of Accounts/Bank Statements of Students Applying for Foreign Education</p> <p>In order to facilitate Pakistani students desirous of proceeding for foreign studies, detailed instructions regarding verification of their bank account/statements were issued to banks/DFIs for strict compliance.</p>
June 10, 2010	BSD Circular No. 3	<p>Internal Control over Financial Reporting (ICFR):</p> <p>The banks/DFIs have been advised to submit a detailed review report on ICFR for the quarter ended September 30, 2010 by October 31, 2010, duly approved by respective "Audit Committee" or "the Board of Directors." The review report shall discuss in detail all the stages of road map issued vide BSD Circular No. 05 dated February 24, 2009, gaps identified, remedial measures taken and results of testing of controls. Furthermore, the statutory auditors of the Banks / DFIs, have been allowed to submit a "Long Form Report", instead of expressing opinion on ICFR in the annual financial statements, through the management of respective bank / DFI for the year ended December 31, 2010, latest by March 31, 2011.</p>
June 3, 2010	BSD Circular No. 2	<p>Amendments in Prudential Regulations – Provisioning For Loans and Advances</p> <p>The Banks/DFIs have been allowed avail the benefit of Forced Sale Value (FSV) of mortgaged residential/ commercial/industrial land (<i>open plot, and where building is constructed separate valuation of land must be available</i>) held as collateral against NPLs, for four years from the date of classification of that particular loan / facility. However this benefit would be available</p>

		in such cases where FSV valuation of land is not more than four years old.
April 20, 2010	BSD Circular Letter No. 7	<p>Corporate Governance: Keeping in view the adoption of IFRS-1, banks have been advised to follow following approaches for preparation of financials, while preparing quarterly, half yearly and annual financial statements, w.e.f. June 30, 2010 and onwards:</p> <p>a) For preparation of Profit and Loss Account, two statement approach shall be adopted as mentioned in revised IAS – 1 (separate “Profit and Loss Account” & “Statement of Comprehensive Income”)</p> <p>b) Balance Sheet shall be renamed as “Statement of Financial Position”.</p> <p>Furthermore, the Surplus / (Deficit) on Revaluation of AFS only, may be included in the “Statement of Comprehensive Income.” However, the same shall continue to be shown separately in the Balance Sheet i.e. Statement of Financial Position below the equity</p>
April 9, 2010	BSD Circular Letter No. 6	<p>Risk Management: <u>Reciprocal Invested– Collective Schemes</u> To avoid the inflated position of capital due to artificially designed reciprocal crossholdings of banks, following instructions have been made applicable on banks/DFIs’ investment in mutual funds of Asset Management Company (AMC) in which a bank/DFI has significant influence or control i.e. owns 20% or more equity interests in the AMC.</p> <p>a) Investment in Closed Ended Funds: Where a bank/DFI owns less than 20% of the closed ended mutual funds being managed by above referred AMC and these mutual funds in turn also hold the Capital (Tier-1 & Tier-2) instruments issued by the bank/DFI; the lower of the following two will be deducted from the Tier-1 capital for capital adequacy purpose:</p> <ul style="list-style-type: none"> i. Bank/DFI’s investment in such mutual funds, or ii. The mutual funds’ investment in bank/DFI’s capital instruments <p>b) Investment in Open Ended Funds: Where a bank/DFI owns open ended mutual funds being managed by above referred AMC and these mutual funds in turn also hold the Capital (Tier-1</p>

		& Tier-2) instruments issued by the bank/DFI; the lower of the following two will be deducted from the bank/DFI's Tier-1 capital for capital adequacy purpose. i. Bank/DFI's investment in such mutual funds, or ii. The mutual funds' investment in bank/DFI's capital instruments.
February 23, 2010	BSD Circular No. 1	<p>PIA Sukuk Certificates:</p> <p>In terms of Government of Pakistan's Notification; Sukuk certificates issued by Pakistan International Airline Corporation (PIA), have been notified as approved security for the purpose of section 13 of BCO, 1962 –</p> <ul style="list-style-type: none"> a) requirement as to minimum paid-up capital and reserves; and b) Under Section 29 of BCO, 1962 - maintenance of liquid assets for Islamic banks and Islamic banking Branches only to the extent of 5% of their Demand and Time Liabilities.
August 1, 2009	BSD Circular No. 8	<p>Revaluation Surplus / (Deficit):</p> <p>Banks / DFIs, which have provided for the impairment on AFS securities as on December 31, 2008, have been allowed to adjust their impairment losses, resulting from recovery in market prices during the year 2009. However, this adjustment shall be taken to reserves/ surplus account only to the extent, which is in excess of already created impairment as on 31-12-2008 subject to authentication by the Statutory Auditors of Banks / DFIs. Furthermore, in cases where impairment on AFS equity investment, made as on 31-12-2008 is sufficient to cover the impairment required during the year 2009, no additional impairment is to be made.</p>
October 12, 2009	BSD Circular No. 9	<p>Guidelines on Internal Controls:</p> <p>In order to facilitate Banks to comply with the guidelines on internal control, Statutory Auditor(s) of Banks/DFIs, have been allowed to submit their opinion on Internal Control over Financial Reporting (ICFR) directly to Banking Surveillance department and copy to Institute of Chartered Accountants of Pakistan (ICAP). This requirement is for the year ending 31-12-2009. However, from the year ending 31-12-2010, Statutory Auditor(s) of Banks/ DFIs shall express their opinion on ICFR in the annual financial statements as required under the guidelines. In this regard, Banks / DFI's and their Statutory Auditor(s) have been advised to make concerted efforts and gear up their activities to comply with the requirement(s) of the guidelines.</p>
April 15, 2009	BSD Circular No. 7	Minimum Capital Requirements for

		<p>Banks/DFIs:</p> <p>In view of the general global slowdown in growth and capital accumulation by financial institutions and representations from shareholders, the minimum Paid up Capital (free of losses) requirements for banks have been revised as follows:</p> <table><tr><th>Minimum Paid up Capital (free of losses)</th><th>Time frame</th></tr><tr><td>Rs 6 billion</td><td>31.12.2009</td></tr><tr><td>Rs 7 billion</td><td>31.12.2010</td></tr><tr><td>Rs 8 billion</td><td>31.12.2011</td></tr><tr><td>Rs 9 billion</td><td>31.12.2012</td></tr><tr><td>Rs 10 billion</td><td>31.12.2013</td></tr></table> <p>While capital adequacy standards will continue as previously and all banks/DFIs shall be required to increase CAR to 10 percent w.e.f., December 31, 2009 irrespective of their CAMELS-S rating, till further instructions.</p> <p>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 percent 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:</p> <p>(a) FBs operating with up to 5 branches are required to raise their assigned capital to Rs. 3 billion latest by 31st December 2010.</p> <p>(b) FBs operating/desirous of operating with 6 to 50 branches are required to raise their assigned capital to Rs. 6 billion latest by 31st December 2010.</p>	Minimum Paid up Capital (free of losses)	Time frame	Rs 6 billion	31.12.2009	Rs 7 billion	31.12.2010	Rs 8 billion	31.12.2011	Rs 9 billion	31.12.2012	Rs 10 billion	31.12.2013
Minimum Paid up Capital (free of losses)	Time frame													
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November 12, 2009	BSD Circular Letter No. 8	<p>Disclosure Requirements-Rotation of External Auditors of Foreign Bank Branches</p> <p>It has been decided that all foreign banks operating as branches in Pakistan may continue with the same external auditors or its affiliated firm(s) in Pakistan that has been appointed by their head offices, instead of rotating the external auditors as emphasized in the above referred circular letter. However, engagement partner(s) shall be rotated by the external audit firm(s) after every five years.</p>												
October 20, 2009	BSD Circular No. 10	<p>Amendments in Prudential Regulations –</p>												

		<p>Provisioning For Loans and Advances</p> <p>I. Forced Sale Value: Allow benefit of 40% of FSV of pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against NPLs for three years from the date of classification for calculating provisioning requirement w.e.f. 30-09-2009. Accordingly, the following Prudential Regulations stand amended and are attached herewith: a. R-8 (para 4) and Annexure IV and V of Prudential Regulations for Corporate and Commercial Banking; b. R-11 (para 4) and Annexure III and IV of the Prudential Regulations for SME Financing; and c. Regulation R-22 of the PRs for Consumer Financing (Housing Finance).</p> <p>II. Instruction on Rescheduling/Restructuring of Classified Loans and Advances: i) Introduce interim instructions on classification/provisioning requirements in respect of rescheduling/restructuring of such classified loans and advances that are overdue by less than one year at the time of rescheduling/restructuring. These instructions will be applicable till June 30, 2010, and afterwards prevailing instructions on the subject will be applicable. The interim instructions are attached herewith.</p> <p>ii) Banks/DFIs shall continue to follow the instructions contained in para 3 of the Prudential Regulations R-8 for Corporate and Commercial Banking and Prudential Regulations R-11 for SME Financing in respect of such loans and advances which are not covered in these interim instructions or which subsequently fail to meet the provisions of these instructions.</p> <p>Banks/DFIs may apply the interim instructions on classification/provisioning requirements only on such of their existing classified loans and advances, which were rescheduled/restructured on or after 1st January 2009 and were overdue by less than one year at the time of rescheduling/restructuring.</p> <p>Banks/DFIs may avail the benefit of provisioning, arising from above instructions, subject to the condition that it shall not be available for the payment of cash or stock dividend. Further, the</p>
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		<p>details and impact of the benefit in provisioning shall be adequately disclosed in the notes to the financial statements.</p> <p>Banks/DFIs shall provide details of loans and advances rescheduled/restructured under the interim instructions on monthly basis within 10 days of the end of each month, starting from the month of October 2009, to Banking Surveillance Department as per the attached format.</p>						
June 2, 2009	BSD Circular Letter No. 4	<p>Internal Credit Rating System - Obligor and Facility Ratings</p> <p>It has been decided to revise the date for reporting the consumer rating / scoring in the e-CIB system to December 31, 2009. All banks / DFIs are, therefore, advised to start reporting the mapped ratings of all their consumer customers in the e-CIB system from the month of January 2010.</p> <p>Moreover, all banks /DFIs are advised to submit progress reports on the development of consumer rating / scoring system (s) as per format attached as Annexure-A as per the following timeline:</p> <table><tr><td>Progress Report As of:</td><td>Latest by:</td></tr><tr><td>June 30, 2009</td><td>July 15, 2009</td></tr><tr><td>September 30, 2009</td><td>October 15, 2009</td></tr></table>	Progress Report As of:	Latest by:	June 30, 2009	July 15, 2009	September 30, 2009	October 15, 2009
Progress Report As of:	Latest by:							
June 30, 2009	July 15, 2009							
September 30, 2009	October 15, 2009							
January 12, 2010	IBD Circular No. 01	<p>Adoption of Shariah Standards Issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)</p> <p>In order to harmonize and standardize the Shariah practices and procedures of IBIs as per internationally recognized standards, it has been decided that AAOIFI Shariah Standards will be adopted in gradual manner, after a detailed review, keeping in view the local environment and needs of Islamic Banking Industry in Pakistan.</p> <p>In the first phase, AAOIFI's Shariah Standards No.3 (Default in Payment by a Debtor), No.8 (Murabaha to the Purchase Orderer), No.9 (Ijarah & Ijarah Muntahia Bittamleek) and No.13 (Mudaraba) have been reviewed and are being adopted for IBIs in Pakistan. To provide ample time and a level of comfort to IBIs for preparation, it has been decided that these standards shall be implemented w.e.f July 01, 2010.</p>						
June 25, 2010	IBD Circular No. 02	<p>Criteria For Conversion of Conventional Banking Branches into Islamic Banking Branches</p> <p>In order to streamline the process and facilitate</p>						

		conventional banks in conversion of their existing conventional branches into Islamic banking branches, the detailed criteria have been developed. Henceforth banks shall prepare their conversion plans and strategies in line with the criteria and submit the same to SBP for in-principle approval and grant of license for Islamic banking branches.
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A-2 Development Finance Group

Date of Announcement	Circular No.	Policy decision
September 01, 2009	ACD Circular Letter No. 01 of 2009	<p>Amendments in Revolving Credit Scheme (RCS) for Agriculture</p> <p>In order to facilitate farming community in repayment of crop production loans under Revolving Credit Scheme based on their cropping cycle, it has been decided that banks may segregate the repayments in two stages i.e. at least 50% of the utilized credit during the year after harvest of each Rabi and Kharif crop instead of existing condition of one time annual clean up for renewal of the facility. Total repayments in the loan account during the year equals to the maximum amount availed/ outstanding during the year shall also be treated as clean up of the account. The payment of mark up and other charges, however, shall be required to be made as per agreed terms & conditions.</p> <p>Further, the date of repayment/adjustment of individual borrower shall be determined by the bank on the basis of crop cycle, harvesting period, etc. in respective areas.</p>
December 02, 2009	ACD Circular No. 02 of 2009	<p>Relief Package Announced by the Prime Minister for Small Farmers of Malakand Division and</p>

		<p>FATA – Write off/Remission of Agri. Loans</p> <p>In order to provide relief to the war affected districts of NWFP, the Prime Minister of Pakistan, in Kissan Convention 2009 announced a relief package for remission/ write-off of small farmers' agriculture loans (farm & non-farm). Under the package, all agri. loans of small farmers having outstanding balances as on 30-6-2009 of the districts of Malakand Division viz. Swat, Buner, Shangla, Lower Dir, Upper Dir, Malakand & Chitral and FATA (Bajaur Agency, Kurram Agency and Khyber Agency) shall be written off/waived and the cost thereof shall be borne by the federal government. The criteria of small farmers will be the farmers having subsistence land holding i.e. upto: 12.5 Acres and in case of non-farm sector i.e. for livestock: 20-50 cows/buffalos & upto 150 goats/sheep; poultry: upto 5000 birds/broilers and 1000 birds for layers; fisheries: one boat for marine and upto 2 acres pound for inland fisheries.</p> <p>For smooth and timely implementation of the relief package, banks were advised to stop recovery & accrual of mark-up of all such loans immediately and make all out efforts to publicize the scheme through advertisement in print & electronic media, banners and direct contact with borrowers. The bank's claims under the scheme shall be submitted to Agricultural Credit Department, SBP on the prescribed format duly audited and authenticated by their Internal Audit Department upto</p>
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August 09, 2010	ACD Circular No. 01 of 2010	<p>Loans for Agricultural Purpose Rules, 1973 Revision in PIU Value of Land in the Passbook</p> <p>Please refer to ACD Circulars No. 2/90 and 4/2007 dated 21st January, 1990 and 25th September, 2007 on the subject. In this regard, Finance Division (Internal Finance Wing), Government of Pakistan vide Notification S.R.O No. F. 12(1) IF-I/2009-879 dated 12th July, 2010 (Copy enclosed) has enhanced the Produce Index Unit (PIU) value from Rs 1200 to Rs 2000.</p> <p>All banks are advised to carry out necessary amendment in the Loans for Agricultural Purpose Rules, 1973 as indicated in the</p>

		above said Notification and also issue instruction to their branches for necessary action in this regard. However, SBP instructions on accepting agricultural land as security on the basis of realizable/forced sale value in addition to PIU or market value shall remain unchanged.
August 11, 2010	ACD Circular No. 02 of 2010	<p>Streamlining of Agricultural Lending Procedures and Documentation</p> <p>In order to ensure timely disbursement of Agri Credit to the farming community, SBP in consultation with banks has revised the list of documents to be obtained against various kinds of agri. loans and streamlined the turnaround time for Agri Loan processing (Annexure I, II & III).</p> <p>Further, to strengthen the existing agri. lending structure and remove lapses in agri. loan management, banks are advised to take following measures by 31st December, 2010:-</p> <ul style="list-style-type: none"> • Develop a comprehensive Agriculture Finance policy in line with PRs duly approved by their Board of Directors. • Set up and maintain a fully dedicated Agri. Finance Department/Division/Unit equipped with qualified agri. financing experts and officers with specified job responsibilities and career progression opportunities. • Develop an overall annual regional agricultural portfolio plan and assign targets for disbursement, growth in outstanding portfolio & number of borrowers to respective agri. designated branches. The concerned Regional Business

		<p>Chiefs or Area Heads to be made responsible for the achievement of the targets.</p> <ul style="list-style-type: none"> • Number of agri. designated branches and Agricultural Credit Officers to be increased significantly in a phased manner, in proportion to the overall credit portfolio of the area and potential of agricultural activities. • Delegate adequate powers to each agri. designated branch or its nearest Zonal or Area office for sanctioning small agri. loans with requisite internal control functions in place. • Launch financial literacy program for awareness of the farming community about agri. lending products / schemes of the bank. • Provide the field functionaries necessary logistics, communication and other facilities to ensure timely delivery of services including spot verification, processing, disbursements, follow-up and recovery. <p>Banks are advised to strictly comply with the above instructions and maintain proper record for inspection purposes. SBP and its field offices (SBP-BSC) will also monitor the compliance on regular basis.</p>
August 27, 2009	MFD Circular No. 02 of 2009	<p>Amendments in Prudential Regulations For Microfinance Banks (MFBs):</p> <p>The following Prudential Regulations have been amended as given under:</p> <p>Regulation 10 Maximum Loan Size and Disclosure of Basic Terms & Conditions of Financial</p>

		<p>Products:</p> <p>This regulation has been replaced as:</p> <p><u>Housing Loans:</u> Maximum Loan size up to Rs. 500,000/- to a single borrower with household annual income up to Rs. 600,000/-. However, at least 60% of housing loan portfolio of an MFB should be within the loan limit of Rs. 250,000/- or below.</p> <p><u>General Loans</u> (other than housing loans): Maximum Loan size up to Rs. 150,000/- to a single borrower with household annual income (net of business expenses) up to Rs. 300,000/-</p> <p>The MFB shall ensure that the loan amount is commensurate with the business requirements and repaying capacity of the borrower. The MFB shall also ensure that the loans equivalent to the maximum limit are extended only to those borrowers who have established track record of satisfactory repayment. The MFB shall formulate well-defined credit policy covering inter alia maximum lending limits, basis for loan pricing, determination of borrowers' repayment capacity, repayment period, Collaterals etc.</p> <p>Regulation 11 Maximum Exposure of a borrower from MFBs / MFIs / Banks/ Other Financial Institutions:</p>
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		<p>This regulation has been amended as:</p> <p>The MFB shall develop internal policy to monitor the overall exposure of its borrowers so as to manage credit risk and also minimize the borrowers' over-indebtedness risk.</p> <p>At the time of granting facility, MFBs shall obtain a written declaration on the prescribed format attached as Annexure-G from the borrower divulging details of various facilities already obtained from other MFBs / MFIs / Banks / other Financial Institutions. The MFB shall ensure that total exposure of its clients does not exceed their total repayment capacity as determined under the criteria laid-out in the MFB's credit policy. The maximum limits of the borrowers' aggregate exposure will be Rs. 150,000/- for general loans, and Rs. 500,000/- for housing loans.</p> <p>Further, before allowing any facility exceeding Rs.50,000/-, the MFBs shall obtain a credit report from the Credit Information Bureau of State Bank of Pakistan, or from any other Credit Information Bureau of which they are a member. The report should be given due weightage while making credit decision.</p> <p>Regulation 12 Loans Classification and Provisioning Requirements:</p>
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October 20, 2009	MFD Circular Letter No. 01 of 2009	<p>Submission of Quarterly Returns through Data Acquisition Gateway portal (PR# 27)</p> <p>MFBs are advised that consequent upon successful implementation of automation of Quarterly Report of Condition (QRC) along with variables required for calculation of Capital Adequacy Ratio (CAR), and the new formats of e-QRC through Data Acquisition Gateway (DAG) portal, the instructions for submitting of QRC and e-QRC stand withdrawn with immediate effect. However,</p>

		MFBs shall continue to submit their quarterly data online on prescribed Quarterly Data File Structure (DFS) under Reporting Chart of Accounts (RCOA) through Data Acquisition Gateway (DAG) portal maintained at State Bank of Pakistan as per laid down instructions.
April 01, 2010	MFD Circular No. 01 of 2010	<p>Microfinance Credit Guarantee Facility (MCGF)</p> <p>With a view to facilitate Banks/DFIs lending to Microfinance Banks/NGO Microfinance Institutions (MFBs/MFIs) for broadening outreach of microfinance, SBP has simplified the procedure for issuance and payment of claims under the Microfinance Credit Guarantee Facility (MCGF) in consultations with Banks/DFIs.</p> <p>Banks/DFIs are advised to finalize their wholesale lending deals with MFBs/MFIs and submit their cases to SBP BSC for issuance of subject Guarantee as per procedure envisaged in the guidelines attached herewith.</p> <p>This will supersede all earlier instructions/guidelines issued in this regard.</p> <p>Encl: As above</p>
May 13, 2010	MFD Circular No. 02 of 2010	<p>Amendments in Prudential Regulation (PR) No. 6 & 27 for Microfinance Banks (MFBs)</p> <p>Following amendments have been made in PR No. 6 & 27 to streamline calculations and reporting of Cash Reserve Requirement (CRR) and Statutory Liquidity</p>

		<p>Requirement (SLR) of MFBs.</p> <p>PR # 6: Maintenance of Cash Reserve & Liquidity</p> <p><u>A – Cash Reserve Requirement (CRR)</u></p> <p>i. The MFB shall maintain CRR equivalent to not less than 5% of its Deposits (including demand deposits, and time deposits with tenor of less than 1 year).</p> <p>ii. Time deposits with tenor of 1 year and above will not require any cash reserve.</p> <p><u>B – Statutory Liquidity Requirement</u></p> <p>i. The MFB shall also maintain SLR equivalent to at least 10% of its total Demand liabilities, and Time Liabilities with tenor of less than 1 year.</p> <p>ii. Time liabilities with tenor of 1 year and above will not require any SLR.</p> <p>iii. For SLR calculation, the approved securities mean Treasury Bills and Pakistan Investment Bonds.</p> <p>PR # 27: Submission of Periodical Returns</p> <p>MFBs shall henceforth submit their CRR and SLR statements along with bi-weekly (fortnightly) statement of affairs (annexure-D) to Off-Site Supervision & Enforcement Department, State Bank. The format of bi-weekly (fortnightly) statements of CRR and SLR are prescribed at Annexure D1 and D2 respectively.</p>
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		<p>The above instructions will be effective from bi-weekly (fortnightly) due on 28th May, 2010 and onward. All other instructions on the subject shall, however, remain unchanged.</p> <p>Encl: Annexure D1 & D2</p>
July 16, 2009	SMEFD Circular No. 12	Export performance of eligible goods sold in the international fairs/exhibitions was also taken into account for performance /entitlement purpose under Part-II of the EFS.
Sep 04, 2009 & Nov 02, 2009	SMEFD Circular No. 14 & 17	To encourage modernization of SMEs a long-term refinancing scheme has been launched which will allow SMEs to avail financing at concessional rates for local purchase/import of machinery for BMR of existing units and setting up of new units. For Cotton ginneries and then for Rice Husking Mills.
Nov 06, 2009	SMEFD Circular No. 18	To facilitate farmers of war affected areas viz. Khyber Pakhtunkhwa & FATA for resuming agricultural activities, a special Agri. Loans Refinancing & Guarantee Scheme was introduced. Financing is available at 8 percent under the Scheme and SBP will share bonafide losses on the loans to the extent of 50%.
Dec 01, 2009	SMEFD Circular No. 19	To meet the existing energy shortage in the country, a scheme for financing power plants up to 10 MW using renewable sources of energy generation has been introduced.
March 19, 2010	SMEFD Circular No. 01	To facilitate and share the risk of commercial banks Credit Guarantee Scheme for Small & Rural Enterprises was launched.
March 19, 2010	SMEFD Circular No. 02	To revitalize SMEs in NWFP, Gilgit-Baltistan (GB) and FATA, a refinance Scheme for providing all types of financing

		facilities (Short Term/Working Capital, Medium & Long Term) were introduced with maximum tenor up to seven years.
March 22, 2010	SMEFD Circular No. 03	A Detailed procedure was developed for banks to implement the GoP Markup Rate Support facility for Textile Sector on EFS and banks financing for import / purchase of textile machinery
March 22, 2010	SMEFD Circular No. 04	
May 6, 2010	SMEFD Circular No. 07	Refinance Facility for Modernization of SMEs-Expansion in the Scope by including other eligible SME Clusters
June 04, 2010	SMEFD Circular No. 08	A financing facility for storage of agricultural produce (FFSAP) has been introduced. The financing under this Scheme shall be available up to Rs. 500 million through banks/DFIs at concessional rates up-to the period of 7 years. Financing will be available for new imported & locally manufactured plant & machinery, equipments and accessories thereof, to be used in Steel/Metal/Concrete Silos, Warehouses Cold Storages, generators and civil works.
June 28, 2010	SMEFD Circular No. 09	Required performance against EFS Part II during FY 2009-10 was fixed at 1.50 times as against existing performance requirements of 2.0 times for Hand knotted Carpets.
July 01, 2010	SMEFD Circular No. 11	In pursuance of Prime Minister's announcement of Fiscal Relief Package to rehabilitate the economic life in Khyber Pakhunkhwa, FATA and PATA and subsequent release of budgetary allocation by the Ministry of Finance, Government of Pakistan on account of interest / mark-up rate differential for first six months (from 01-01-2010 to

		30-06-2010).
July 27, 2009	SMEFD Circular Letter No. 11	Under EFS Part-I, extension in shipment period was allowed to further 180 days for exporters with shipment falling due in FY09. Further, under Part II of the scheme performance based Mark up rates for high Performance were introduced to provide relief as well as an incentive to exporters to export in excess of the requirements.
November 25,2009	SMEFD Circular Letter No.16	To facilitate domestic rice procurement process for exports, it was decided that Rice Exporters will get financing up-to 100% instead of 85% of the value of firm export order/contract/letter of credit and will be required to make shipments equivalent to 100% instead of 117% against refinance availed for 270 days from the export of eligible commodities under Part-I (pre-shipment).
Dec 26, 2009	SMEFD Circular Letter No. 17	Waiver of 180 days up to June 30, 2010 was allowed to exporters having export overdue for availing EFS.
January 2, 2010	SMEFD Circular Letter No. 02	In order to make the monitoring of the EFS more effective, fine on account of non submission of EPRC was increased from Rs.5,000/- to Rs.20,000/-, where 25% of this fine i.e. Rs.5, 000/-, would be non refundable even on late submission of EPRC.
April 6, 2010	SMEFD Circular Letter No. 03	Import of second hand imported machinery was allowed under LTFF up to 30-6-2010
April 12, 2010	SMEFD Circular Letter No. 04	Maximum borrowing under the Scheme for a single borrower was fixed at Rs. 1,000 million. Similarly rates of fine were issued for charging of fine on account of different level of shortfall in projected export.
June 28, 2010	SMEFD Circular Letter No.09	As a commodity "Polyethylene

		Terephthalate (PET) Resin” (HS Code 3907.6020) was included in the Negative List of Export Finance Scheme (EFS).
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A-3 Financial Market/Reserve Management Group

Date of announcement	Circular No.	Policy Decision
August 15, 2009	DMMD Circular No.1	<p>Introduction of an Interest Rate Corridor</p> <p>In order to reduce the volatility in short term interest rates and to bring more transparency in the implementation of monetary policy, State Bank of Pakistan has decided to introduce an interest rate corridor for the money market overnight repo rates. The corridor will operate through standing overnight repo / reverse-repo facilities (i.e. floor & ceiling), setting a formal corridor for the money market overnight repo rates consistent with the monetary policy of State Bank of Pakistan.</p> <p>The salient features of the interest rate corridor are as follows:</p> <ol style="list-style-type: none"> 1. The interest rate corridor will consist of two end-of-day Standing facilities offered by State Bank of Pakistan: Existing SBP 3-day Repo Facility will be renamed as SBP Overnight Reverse-Repo Facility, which will become the ‘Ceiling’; and a new SBP Overnight Repo Facility to absorb excess funds from the market will serve as the ‘Floor’ of the corridor. 2. The procedure for availing the end-of-day financing facility from State Bank of Pakistan at the ‘Ceiling’ rate in case the market is short of funds will continue to be in accordance with the existing practices and instructions issued by State Bank of Pakistan from time to time in reference to the ‘SBP 3 day Repo Facility (now renamed as SBP Overnight Reverse-Repo Facility) against Government of Pakistan Market Treasury Bills and Federal/Pakistan Investment Bonds. 3. The overnight end-of-day standing repo facility at the ‘Floor’ rate will be available to scheduled banks and primary dealers which are left with excess funds in the interbank market. These funds can be placed with State

		<p>Bank of Pakistan in the form of an overnight repo against Treasury Bills at the 'Floor' rate. Some of the operational details are as under:</p> <ol style="list-style-type: none"> Only scheduled banks and primary dealers will be eligible to place the funds at the 'Floor' rate with State Bank of Pakistan This facility will only be available at the end of the day, when it can be ascertained that the market has excess funds. The time for intimating this amount to the State Bank of Pakistan will be between 2:30pm to 3.30pm from Monday to Friday and between 12:00pm to 1.00pm on Saturday. (Specimen format is enclosed). The minimum amount for the Overnight Repo/Reverse Repo Facility will be PKR.100 million, and in multiples of PKR. 50 million thereof. The Treasury Bills acquired under the Standing Overnight Repo facility from State Bank of Pakistan will be SLR eligible. <p>4. The 'Floor' and the 'Ceiling' rates (and the width of the corridor) will be advised by the State Bank of Pakistan from time to time as deemed necessary.</p> <p>5. State Bank of Pakistan will continue to conduct term Open Market Operations (OMOs) in the form of repos/ reverse-repos as per current practice in addition to these standing facilities.</p> <p>6. The interest rate corridor will be applicable from 17 Aug, 2009.</p>
May 25, 2010	DMMD Circular Letter No. 01	<p>Non-Competitive Bids – Modus Operandi</p> <p>It has been observed that some Primary Dealers are not following the format/procedure prescribed for submission of Non-competitive bids to the State Bank of Pakistan. PD's are therefore advised to ensure meticulous compliance of the following instructions while submitting their Non Competitive Bids:</p> <ol style="list-style-type: none"> All bids must invariably be addressed to the Director, Domestic Markets & Monetary Management Department, State Bank of Pakistan. Keeping in view the confidentiality of the Bid document,

		<p>the bids must only be faxed at the designated fax numbers which are 021- 99212476 & 99212477 (Dealing Room lines) and 021-99212416 Director, DMMD (Back-up line).</p> <p>Any Non Competitive Bid not complying with the above instructions will be rejected without any prior notice. It is further clarified that the price of Non-Competitive Bids accepted at weighted average yield is rounded off to two decimal places.</p>						
July 02, 2009	FSCD Circular No.11	<p>Appointment Of Primary Dealers For Financial Year 2009-10:</p> <p>It is advised that the following institutions have been selected to act as Primary Dealers for the financial year 2009-10.</p> <ol style="list-style-type: none">1. Citibank N.A.2. Habib Bank Limited3. JS Bank Limited4. MCB Bank Limited5. National Bank of Pakistan6. NIB Bank Limited7. Pak Oman Investment Company Limited8. Royal Bank of Scotland Limited9. Standard Chartered Bank (Pakistan) Limited10. United Bank Limited						
August 21, 2009	FSCD Circular No.13	<p>Time To Avail Overnight Repo/Reverse Repo Facility During The Month Of Ramzan-Ul-Mubarak:</p> <p>To intimate State Bank of Pakistan for availing overnight repo/reverse repo facility (at floor / ceiling rate), the following timings will remain effective during the month of Ramzanul-Mubarak.</p> <table><tr><th>Days</th><th>Time for Overnight Repo/Reverse Repo Facility</th></tr><tr><td>Monday to Thursday & Saturday</td><td>1:00 PM to 2:00 PM</td></tr><tr><td>Friday</td><td>12:00 PM to 1:00 PM</td></tr></table> <p>2. After Ramzan-ul-Mubarak, time to intimate State Bank</p>	Days	Time for Overnight Repo/Reverse Repo Facility	Monday to Thursday & Saturday	1:00 PM to 2:00 PM	Friday	12:00 PM to 1:00 PM
Days	Time for Overnight Repo/Reverse Repo Facility							
Monday to Thursday & Saturday	1:00 PM to 2:00 PM							
Friday	12:00 PM to 1:00 PM							

		<p>of Pakistan for availing overnight repo/reverse repo facility will automatically be reverted to pre Ramzan-ul-Mubarak timings.</p> <p>3. All are advised to strictly observe the above timings.</p> <p>4. Other instructions on the subject will remain unchanged.</p>
January 14, 2010	FSCD Circular No.01	<p>Non-Competitive Bids – Modus Operandi</p> <p>The following modus-operandi has been laid down for tender/acceptance of non-competitive bids:</p> <ul style="list-style-type: none"> • The non-competitive bid will be sent to SBP separately from the normal bids before commencement of primary auction time with the name and amount of investors without quoting price through primary dealers. • Investors will be allowed to submit one bid in a single tenor, incase of submission of multiple bids in one tenor by single investor, all such bids would be treated as void. • The non-competitive bid(s) will be accepted at weighted average yield in each tenor as decided in the primary auction. • In case of over subscription, non-competitive bids will be accepted in order of lowest to highest amount or on pro-rata basis.
June 29, 2010	FSCD Circular No. 08	<p>Appointment Of Primary Dealers For Financial Year 2010-11:</p> <p>It is advised that the following institutions have been selected to act as Primary Dealers for the financial year 2010-11.</p> <ol style="list-style-type: none"> 1. National Bank of Pakistan 2. Standard Chartered Bank (Pakistan) Limited 3. United Bank Limited 4. Habib Bank Limited 5. JS Bank Limited 6. Pak Oman Investment Co. Ltd 7. NIB Bank Limited 8. Citibank NA 9. MCB Bank Limited 10. The Royal Bank of Scotland 11. Faysal Bank Limited <p>As communicated to all the PDs during quarterly review meetings that to promote transparency in the system, their</p>

		<p>performance would be ranked on the basis of criteria set forth in aforesaid circulars, both in terms of their activities in primary & secondary government securities markets.</p> <p>Following is the list of top three performers during the FY 2009-10;</p> <ol style="list-style-type: none"> 1. National Bank of Pakistan 2. Standard Chartered Bank (Pakistan) Limited 3. United Bank Limited.
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A-4 Payment System

Date of Announcement	Circular No.	Policy Decision
August 22, 2009	PSD Circular No. 2	<p>Payment and Settlement of Home Remittance Transactions under Pakistan Remittance Initiative (PRI):</p> <p>In order to promote the usage of formal (banking) channels in sending remittance to beneficiary accounts anywhere in Pakistan, during FY 2009-10, Payment Systems Department has introduced a Payment Systems Architecture under the initiative called Pakistan Remittance Initiative (PRI), jointly undertaken by State Bank of Pakistan, Ministry of Finance and Ministry of Overseas Pakistanis. The objectives were to credit the beneficiary account on the same day, bring efficiency and transparency in the system, discourage hundi/hawala system and boost foreign exchange reserves in the country.</p>
November 13, 2009	PSD Circular Letter No. 1	<p>Payment and Settlement of Home Remittance Transactions under Pakistan Remittance Initiative (PRI):</p> <p>After the successful implementation of Payment Systems Architecture for Home Remittances Transactions among five banks (ABL, HBL, MCB, NBP and UBL), two more banks i.e. KASB and JS Bank were also added as participants in this mechanism.</p>
January 2, 2010	PSD Circular Letter No. 1	<p>Revision in Timelines of Batches for Payment and Settlement Of Home Remittance Transactions under</p>

		<p>Pakistan Remittance Initiative (PRI)</p> <p>Keeping in view the problems faced by banks in crediting beneficiary accounts on the same day, particularly, for the second batch due to time and resource constraints, the timelines for both the batches were revised with effect from January 04, 2010.</p>
June 30, 2010	PSD Circular Letter No. 1	<p>Settlement of NCCPL's Fund Transfers through PRISM System:</p> <p>Through this Circular, direct Participants of PRISM (RTGS) system have been allowed to settle funds transfer in respect of National Clearing Company of Pakistan (NCCPL) in PRISM System with effect from 12th July, 2010. In this connection, all concerned Direct Participants of PRISM were advised to use SWIFT MT 103 for NCCPL's funds transfer settlement in PRISM System and devise their business procedures accordingly in the light of the instructions attached at Annexure "A" of the subject Circular.</p> <p>Accordingly, participant banks were further advised to modify their existing agreement(s) to cater for this arrangement.</p>