

A Chronology of Policy Announcements

A-1 Banking Policy & Regulation Group

Date of Announcement	Circular/Circular Letter No	Policy Decision		
Oct 21, 2011	BSD Circular No. 1	Amendments in Prudential Regulations– Classification and Provisioning for Assets The instructions on provisioning against classified assets were revised to enhance the benefit of Forced Sale Value (FSV) of eligible collaterals / securities held by banks/DFIs against Non Performing Loans (NPLs) from the date of classification for calculating provisioning requirement with effect from 30-09-2011 as under:		
		<table><tr><th>Category of Asset</th><th>Benefit of FSV allowed from the date of classification</th></tr></table>	Category of Asset	Benefit of FSV allowed from the date of classification
		Category of Asset	Benefit of FSV allowed from the date of classification	
		a. Prudential Regulation R-8 for Corporate/Commercial Banking and Prudential Regulation R-11 for SME Financing:		
		<table><tr><td>Mortgaged residential, commercial, and industrial properties (land & building only)</td><td><ul style="list-style-type: none">• 75% for first year• 60% for second year• 45% for third year• 30% for fourth year, and• 20% for fifth year</td></tr></table>	Mortgaged residential, commercial, and industrial properties (land & building only)	<ul style="list-style-type: none">• 75% for first year• 60% for second year• 45% for third year• 30% for fourth year, and• 20% for fifth year
		Mortgaged residential, commercial, and industrial properties (land & building only)	<ul style="list-style-type: none">• 75% for first year• 60% for second year• 45% for third year• 30% for fourth year, and• 20% for fifth year	
		<table><tr><td>Plant & Machinery under charge</td><td><ul style="list-style-type: none">• 30% for first year• 20% for second year, and• 10% for third year</td></tr></table>	Plant & Machinery under charge	<ul style="list-style-type: none">• 30% for first year• 20% for second year, and• 10% for third year
		Plant & Machinery under charge	<ul style="list-style-type: none">• 30% for first year• 20% for second year, and• 10% for third year	
		<table><tr><td>Pledged stock</td><td><ul style="list-style-type: none">• 40% for three years</td></tr></table>	Pledged stock	<ul style="list-style-type: none">• 40% for three years
		Pledged stock	<ul style="list-style-type: none">• 40% for three years	
b. Prudential Regulations R-22 for Consumer Financing:				
<table><tr><td>Mortgaged residential property</td><td><ul style="list-style-type: none">• 75% for first and second year• 50% for third and fourth year, and• 30% for fifth year</td></tr></table>	Mortgaged residential property	<ul style="list-style-type: none">• 75% for first and second year• 50% for third and fourth year, and• 30% for fifth year		
Mortgaged residential property	<ul style="list-style-type: none">• 75% for first and second year• 50% for third and fourth year, and• 30% for fifth year			
i). Further the condition that full-scope valuation shall not be more than one year old at the time of classification was also waived.				
Accordingly, the following Prudential Regulations were amended :				
a. R-8 (Para 4) and Annexure IV and V of Prudential Regulations for Corporate and				

		<p>Commercial Banking;</p> <p>b. R-11 (Para 4) and Annexure III and IV of the Prudential Regulations for SME Financing; and</p> <p>c. R-22 of the Prudential Regulations for Consumer Financing (Housing Finance).</p> <p>While allowing Banks/DFIs to avail the benefit of FSV for provisioning, they were barred from using profit arising from FSV benefit for the payment of cash or stock dividend.</p>
May 11, 2012	BSD Circular No. 1	<p>Guidelines on Stress Testing</p> <p>State Bank, in pursuance of its goal to further strengthen the risk management capacity of banks and DFIs, has revised the existing Guidelines on Stress Testing in conformity with international standards and improved capacity of banks/DFIs to perform such analysis. The revised guidelines among other things delineates the mandatory set of stress tests for credit, market and liquidity risk factors using sensitivity analysis, and provides guidance on optional stress tests for operational risk, Islamic banking, and advanced approaches, including scenario analysis, and reverse stress tests. All banks and DFIs are required to submit the results of the stress tests to State Bank of Pakistan on quarterly basis, starting from quarter ending June 30, 2012.</p>
Aug 29, 2011	BPRD Circular Letter No. 20	<p>Opening of Accounts on the basis of NADRA Receipt/Token in case of Expired CNICs</p> <p>In order to facilitate the general public, it was decided to allow opening of accounts on the basis of attested copies of NADRA receipt/token and expired CNIC subject to compliance with all other requirements of account opening under Prudential Regulation M-1.</p>
Oct 19, 2011	BPRD Circular No. 12	<p>Service charges on account of handling/sorting of cash deposit or withdrawal at counters of Bank Branches</p> <p>In order to facilitate the customers it was decided that the banks shall not recover any charges on account of cash handling/sorting at the time of acceptance of cash at the counters from their depositors. Further, the banks will neither refuse such services nor recover service charges, on any other pretext.</p>

Jan 6, 2012	BPRD Circular Letter No. 1	<p>Prudential Regulations M-1 to M-5</p> <p>Banks/ DFIs were advised not to provide any banking service to proscribed entities and persons or to those who are associated with such entities and persons, whether under the proscribed name or with a different name. Banks/DFIs should monitor their relationships on a continuous basis.</p>
Mar 12, 2012	BPRD Circular Letter No. 4	<p>Prudential Regulations M-1 to M-5</p> <p>Banks/DFIs were advised to conduct enhanced due diligence while establishing relationship with NGOs, NPOs (Non-for-Profit Organization) and Charities to ensure that these accounts are used for legitimate purposes and the transactions are commensurate with the stated objectives and purposes.</p> <p>The salient feature were as under:</p> <ul style="list-style-type: none"> • Accounts should be opened in the name of relevant NGO/NPO • The individuals who are authorized to operate these accounts and members of their governing body should also be subject to comprehensive Customer Due Diligence (CDD). • In case of advertisements through newspapers etc, especially when bank account number is mentioned for donations, banks/DFIs will ensure that the title of the account is the same as that of the entity soliciting donations. • In case of any difference, immediate caution should be marked on such accounts and the matter should be considered for filing Suspicious Transaction Report (STR). • Personal accounts shall not be allowed to be used for charity purposes/collection of donations.
Mar 21, 2012	BPRD Circular Letter No. 06	<p>Prudential Regulations G-1 for Corporate/Commercial Banking</p> <p>The definition of Executive Director was amended to mean “a paid employee or executive in the concerned Bank/DFI who is also a member of the Board of Directors.”</p>

Apr 13, 2012	BPRD Circular No. 01	Minimum Rate of Return on Saving Deposits It was decided that the minimum profit rate would be 6.0% p.a. on all Pak Rupee saving deposits with effect from May 01, 2012 instead of 5% conveyed earlier vide BPRD Circular No. 7 dated May 30, 2008.
May 14, 2012	BPRD Circular Letter No. 9	Regulation R-7 of the Prudential Regulations for Corporate/Commercial Banking With an aim to provide flexibility to the banks/DFIs, following changes were made with respect to paragraph 2 of Regulation R-7 of the PR for Corporate/Commercial Banking: <ul style="list-style-type: none"> Existing limit of US\$ 250,000, for issuance of unsecured guarantees by the banks/DFIs in Pakistan against the back to back/counter-guarantees of the banks situated in foreign countries not meeting the prescribed rating of at least 'A', was enhanced to US\$ 500,000 if tenor of such guarantees is up to one year. It was decided that for the back to back/counter-guarantee issuing banks situated in foreign countries, National Scale Rating of at least 'A' or equivalent shall also be acceptable provided the guarantee issuing bank in Pakistan is comfortable with it.
Jun 20, 2012	BPRD Circular Letter No. 12	Prudential Regulations for Consumer Financing It was decided to allow higher clean limits on account of credit cards for prime customers of the banks/DFIs upto Rs. 5,000,000 (aggregate from all banks/DFIs) subject to the condition that the aggregate clean limit assigned to one prime customer on account of personal loan should not exceed Rs. 2,000,000. However, aggregate exposure on prime customers should not exceed 20% of the total exposure of the respective portfolio i.e. 80% exposure on account of credit cards and personal loans (separately) should comply with the limits prescribed for regular customers.
Dec 29, 2011 Feb 24, Mar 28, May 30 and Jun 26, 2012	BPRD Circular Letters No. 27, of 2011 & No. 3, 7, 10, 14 of	Opening of Branches/Offices For Facilitation of Tax Collection In order to facilitate Federal Board of Revenue (FBR) for collection of Taxes banks were directed to open

	2012	dedicated branches for extended hours for collection of Taxes.
Jul 8, 2012	IBD Circular No.1 of 2011	<p>Collection of Utility Bills After Due Date by Islamic Banking Institutions (IBIs)</p> <p>The instructions to facilitate the payment of utility bills are in line with the suo moto order No. 4 of 2006 issued by the honourable Supreme Court. However, it has been observed that some Islamic Banking Institutions (IBIs) refuse to accept payment of bills after the due date as the late payment includes a penalty which in their opinion is Riba and thus cannot be collected by them.</p> <p>The matter was discussed with the Shariah Advisors of all IBIs at the Shariah Advisors' Forum as well as the SBP Shariah Board. The Shariah Scholars opined that keeping in view the larger public interest and convenience, the IBIs can collect /accept utility bills after the due date with 'Karahiat' (كراهيات) (displeasure).</p> <p>IBIs are therefore advised to strictly comply with SBP's prevalent instructions on collection of utility bills within and after the due date at their branches.</p>
Feb 06, 2012	IBD Circular No.1 of 2012	<p>Invoice of Murabaha Transactions</p> <p>Considering the practical difficulties of IBIs in obtaining invoices in Murabaha transactions particularly in areas like purchase of phutti, raw hides, milk, sugarcane etc. the instructions on obtaining invoices was reviewed and amended:</p> <ol style="list-style-type: none"> 1. The invoice issued by the supplier shall be in the name of Bank- Account Client e.g. "1st Islamic Bank – ABC Company". In case where obtaining invoice in the name of IBI is not possible, the invoice in the name of client may also be acceptable, subject to specific approval of the Shariah Advisor, for all such transactions. 2. In transaction where obtaining formal invoice either in the name of bank or the client is not possible, then the document or combination of documents like Truck Receipts, Delivery Note, Goods Received Notes, Physical Inspection Report, Kachi Parchi, Inward Gate Pass etc having particulars (i.e. names of buyer & seller, date of purchase/delivery, description of goods, quantity and purchase amount etc.) may be accepted in lieu of invoice with the approval of

		<p>Shariah Advisor.</p> <ol style="list-style-type: none"> 3. The Shariah Advisor while approving any transactions as mentioned in Para (i), (ii) above, shall document the reasons/industry norms etc. due to which obtaining invoice and/or making payment directly to the supplier is not possible. He shall also review and approve the process flows etc to be adopted by the client/IBI to execute such transactions. The Shariah Advisors shall also, either themselves or through suitably trained staff of the IBIs, make onsite verifications of such transactions on sample basis. 4. The payment for Murabaha transactions shall either be made directly to supplier or credited in an escrow account by the IBIs. However, in cases where direct payment to supplier is not possible due to genuine reasons, the payment to the supplier may be made through the agent subject to explicitly recording the reasons and approval of process flow etc of all such transactions by the Shariah Advisor.
May 29, 2012	IBD Circular No. 02 of 2012	<p>Accounting Treatment of Credit Murabaha</p> <p>In order to bring standardization in recording and reporting of credit Murabaha transactions, the following instructions are being issued which are in line with the spirit of IFAS-1:</p> <ol style="list-style-type: none"> i) The cases wherein IBI purchases the goods on supplier's credit and sells the same on credit under Murabaha, the transaction shall be booked as on-balance sheet item by appropriately recording 'Payable to 'supplier' and 'Receivable from customers against Murabaha' for the said credit purchase and credit sale respectively. ii) The CRR/SLR and capital adequacy requirements on the said liability and financing respectively shall be applicable as per prevailing SBP instructions, issued from time to time. iii) Profit on the said transaction will be recognized as per the provisions of IFAS-1.

A-2 Development Finance Group

Date of Announcement	Circular No.	Policy decision
Oct 12, 2011	AC&MFD Circular No. 02	<p>Guidelines for Efficient Water Management Financing</p> <p>Climate changes, scarcity of usable canal water availability, wastage of water and depleting underground water tables are the challenges in the growth of agriculture in the country. Adoption of modern water management techniques by the farmers is necessary to ensure optimal water utilization for soil fertility and better yield.</p> <p>To ensure availability of credit to the farmers for the purchase and maintenance of such systems and techniques, SBP in consultation with stakeholders developed guidelines for efficient water management financing. The guidelines are aimed at facilitating banks in developing specific products for the purpose.</p> <p>Banks may adopt the guidelines in the present form or with some adjustments to suit their organizational & operational needs and market characteristics, subject to compliance with SBP's regulations for agriculture financing.</p>
Oct 18, 2011	AC&MFD Circular No. 03	<p>Islamic Agricultural Financing for Farm/Crop Production Purposes under Salam</p> <p>While reviewing the implementation status of SBP guidelines on Islamic financing for agriculture issued vide ACD Circular No. 1 dated 3rd February, 2009, it has been observed that difficulties are being faced by IBIs in development of specific products for farm and non-farm sector activities.</p> <p>Therefore, to further facilitate IBIs and to improve the access of agricultural Islamic financing to the farming community, model product based on 'Salam' was developed in consultation with stakeholders. The product has covered the Sharia related aspects as well as business cycle and financing requirements</p>

		<p>of farm/ crop production activities. The product is supported by practical examples and process flow of the Salam transaction. IBIs may adopt the model product in the present form or with some adjustments to suit their organizational & operational needs and market characteristics, subject to compliance with SBP regulations and approval from their Shariah Advisor.</p> <p>Further, IBIs are advised to ensure that their relevant staff possesses the requisite knowledge and expertise about the product. They should also launch awareness campaigns through electronics & print media, seminars, workshops, etc to ensure that their clients/ farmers are fully educated about the product and familiar with the requirements like documentation, loan limit, process flow/ procedure, etc.</p>
Mar 16, 2012	AC&MFD Circular No. 02	<p>Prudential Regulations for Microfinance Banks Revision in PR-10 & PR-11</p> <p>With a view to improve access to finance for microenterprises, it was decided to amend Prudential Regulations No. 10 & 11 to allow MFBs to lend to microenterprises any amount upto Rs. 500,000/- subject to the following conditions:</p> <ol style="list-style-type: none"> For the purpose of these regulations, the term ‘microenterprise’ shall mean projects or businesses in trading/manufacturing/services/agriculture sectors that lead to livelihood improvement and income generation. Moreover, these projects/businesses are undertaken by micro-entrepreneurs who are either self-employed or employ few individuals not exceeding 10 (excluding seasonal labor). MFBs shall restrict their exposure under microenterprise lending at maximum 40% of their gross loan portfolio. The aggregate exposure of a borrower who is eligible to avail both general and micro-enterprise loan shall not

		<p>exceed Rs. 500,000/-</p> <p>MFBs shall apply to Director-AC&MFD for seeking approval of SBP before undertaking 'microenterprise' lending. SBP shall grant approval based on satisfactory assessment of the Capital position and readiness level of the applicant MFB.</p> <p>In addition to the above, MFBs shall henceforth obtain CIB reports for all types of credit facilities on mandatory basis.</p> <p>MFBs shall ensure meticulous compliance of the above instructions and non-compliance shall be dealt with in accordance with the provisions of the Microfinance Institutions Ordinance, 2001.</p>
Jun 21, 2012	AC&MFD Circular No. 03	<p>Microfinance Credit Guarantee Facility (MCGF)</p> <p>Reference to MFD Circular No. 01 of 2010 dated April 01, 2010 and other instructions issued from time to time on the subject.</p> <p>With a view to further ease the funding constraints of the microfinance sector, SBP has henceforth decided to allow the microfinance providers to mobilize funding from non-bank sources / capital market in addition to Banks and DFIs under MCGF.</p> <p>All Banks/DFIs/MFPs are advised to finalize their funding deals under MCGF and submit their cases to SBP BSC for issuance of subject Guarantee as per procedure envisaged in the guidelines attached herewith.</p>
Jul 01, 2011	IH&SMEFD Circular No. 06	<p>Rationalization of Rate under Long Term Financing Facility (LTFF) for Plant & Machinery</p> <p>SBP continued its strategy to rationalize mark-up rate of LTFF and mitigate market distortions caused by subsidized rate of financing. Therefore, effective from July 01, 2011 vide IH&SMEFD Circular No. 6 of 2011, SBP increased tenor wise rates of service charges by 1.5 % for Participating Financial</p>

		Institutions (PFIs)												
Jul 01, 2011	IH&SMEFD Circular No. 07	<p>Scheme for Financing Power Plants Using Renewable Energy-Re-fixation of Rates of Service Charges</p> <p>It was decided through IH&SMEFD Circular No. 7 of 2011, that effective July 01, 2010 the rates of service charges for banks/DFIs and rates for end users under the captioned Scheme shall be as under:</p> <table><tr><th>Tenor</th><th>Rate of Refinance</th><th>Banks’/ DFIs’ Spread</th><th>End User’s Rate</th></tr><tr><td>Up-to 5 years</td><td>10.10%</td><td>2.50%</td><td>12.60%</td></tr><tr><td>Over 5 years and upto 10 years</td><td>9.70%</td><td>3.00%</td><td>12.70%</td></tr></table>	Tenor	Rate of Refinance	Banks’/ DFIs’ Spread	End User’s Rate	Up-to 5 years	10.10%	2.50%	12.60%	Over 5 years and upto 10 years	9.70%	3.00%	12.70%
Tenor	Rate of Refinance	Banks’/ DFIs’ Spread	End User’s Rate											
Up-to 5 years	10.10%	2.50%	12.60%											
Over 5 years and upto 10 years	9.70%	3.00%	12.70%											
Jul 23, 2011	IH&SMEFD Circular No. 08	<p>SBP Allows Relaxations in EFS to Facilitate Exporters</p> <p>The State Bank of Pakistan (SBP) has allowed some relaxations in the Export Finance Scheme (EFS) for the benefit of exporters whose export proceeds are overdue. An exporter shall be eligible to avail financing under EFS Part-I and/or Part-II, if the total amount of overdue export bills at the time of availing the facility is not more than 5% of the previous year’s export performance, announced vide IH & SMEFD Circular No. 08 of July 23, 2011.</p> <p>In case the overdue export position of an exporter is greater than 5% of the previous year’s exports, the exporter will not be entitled to avail the EFS facility till such time that the overdue position is reduced to the 5% benchmark level. These instructions have been issued in order to streamline the procedure for availing finance under EFS by exporters who have overdue export proceeds and are effective from October 01, 2011.</p>												
Jul 25, 2011	IH&SMEFD Circular Letter	Fiscal Relief to Rehabilitate the Economic												

	No. 14	<p>Life in Khyber Pakhtunkhwa, FATA and PATA –Payment of Mark-up Rate Subsidy on Business Loans for the Period from 01-01-2011 to 30-06-2011</p> <p>On release of budgetary allocation by the Ministry of Finance on account of Mark Up Rate subsidy against outstanding loans of the borrowers of Textile sector and Other Eligible Sectors of Khyber Pakhtunkhwa, Federal and Provincial Administered Tribal Areas, SBP vide IH&SMEFD Circular Letters No. 14 dated July 25, 2011 advised Banks/DFIs to release 3rd installment of the subsidy under the Scheme for the period from 01-01-2011 to 30-06-2011. Accordingly, banks/DFIs/MFBs were advised to submit claims in favor of Textile Sector and Other Eligible Sectors on the prescribed form to SBP; BSC; Office up to August 31, 2011 keeping in view the terms & conditions of the Scheme</p>
Aug 03, 2011	IH&SMEFD Circular No. 09	<p>Refinance Scheme for Revival of SMEs & Agricultural Activities in Flood Affected Areas-Debt Swap</p> <p>With a view to improve access to finance for SMEs and Farmers in the flood affected areas at cheaper rate SBP, vide IH&SMEFD Circular No.9 dated August 03, 2011 has decided to allow debt-swap facility to banks/DFIs against banks' short term outstanding loans of Rice Millers & Grain Traders disbursed from own sources since November 02, 2010 i.e. after issuance of SBP's above refinance Scheme. The debt-swap facility of refinance was valid up to September 15, 2011</p>
Nov 03, 2011	IH&SMEFD Circular Letter No. 15	<p>State Bank of Pakistan Streamlines Verification of Documents Under Export Finance Scheme.</p> <p>SBP vide IH& SMEFD Circular Letter No.15 of November 03, 2011 have issued revised procedure in order to streamline the monitoring process of on-site verification of relevant documents on the basis of which transfer of limit and performance is allowed from the SBP BSC office or bank to another SBP BSC office or banks.</p>
Dec 14, 2011	IH&SMEFD Circular Letter	Fiscal Relief to Rehabilitate the Economic

	No. 16	<p>Life in Khyber Pakhtunkhwa, FATA and PATA – Payment of Mark-up Rate Subsidy on Business Loans.</p> <p>To implement Prime Minister’s Fiscal Relief Package to rehabilitate the economic life in Khyber Pakhtunkhwa, FATA and PATA, State Bank of Pakistan announced release of 4th installment of mark-up rate subsidy on business loans vide IH&SMEFD Circular Letter No.16 of 2011.</p>
Jan 18, 2012	IH&SMEFD Circular Letter No. 01	<p>Scheme for Financing Power Plants Using Renewable Energy - Enhancement of Scope</p> <p>The State Bank of Pakistan has enhanced the scope of financing facility for establishment of new power projects using renewable energy with a view to promoting the use of renewable energy and meeting the growing electricity demand of the country. Therefore, banks /DFIs vide IH&SMEFD Circular Letter No.01 of January 18, 2012 has been advised to consider financing requests of the sponsors for setting up Power Projects up-to a maximum capacity of 20 MW in cases where only Biomass/Biogas is used as renewable energy source.</p> <p>Earlier under the Scheme, the financing facility was allowed for establishment of new Power Projects Using Renewable Energy with a capacity of up-to 10 MW.</p>
Feb 28, 2012	IH&SMEFD Circular Letter No. 02	<p>SBP Allows Banks to Write-off Outstanding Loans of Three More Districts Under Prime Minister’s Fiscal Relief Package</p> <p>The State Bank of Pakistan (SBP) has allowed banks/ development finance institutions (DFIs)/ microfinance banks (MFBs) to write-off the total outstanding loans as of December 31, 2009 of the borrowers of Lower Dir, Upper Dir, and Shangla Districts under the Prime Minister’s Fiscal Relief Package to Rehabilitate the Economic Life in Khyber Pakhtunkhwa, FATA and PATA vide IH&SMEFD Circular Letter No. 02 dated February 28, 2012.</p> <p>Banks, DFIs and MFBs shall bear the cost of</p>

		such write offs to the extent of amount held into provision against Non Performing Loans (NPLs) and interest in suspense account, while the rest of the cost will be paid by the Government of Pakistan. Banks/DFIs /MFBs may submit claims to the office of SBP-BSC (Bank), Peshawar on prescribed format duly audited and authenticated by their Internal Audit up-to April 10, 2012.
Mar 16, 2012	IH&SMEFD Circular Letter No. 04	<p>SBP Allows Financing to Dairy Sector Under LTFF</p> <p>The State Bank of Pakistan (SBP) vide IH&SMEFD Circular Letter No. 04 of March 16, 2012 has allowed banks/ Development Finance Institutions (DFIs) to provide financing to dairy sector under the Long Term Financing Facility (LTFF) for Plant & Machinery.</p> <p>Therefore, banks/DFIs can also provide financing facilities for new imported and locally manufactured plant, machinery & equipment to be used by the Export Oriented Projects for storage, chilling, processing and packaging of dairy products including machinery used in the conversion / preservation of milk into powdered form, keeping in view the terms and conditions of the subject facility.</p>
Jun 06, 2012	IH&SMEFD Circular Letter No. 05	<p>SBP Prescribes Standard Application Format for Refund of Fine Under the Export Finance Scheme</p> <p>With a view to bring more clarity and simplify the procedure of submission of refund of fine cases, SBP has prescribed a Standard Application Format for Refund of Fine under the Export Finance Scheme vides IH&SMEFD Circular Letter No.5 of June 06, 2012. This will not only save time required for examining refund cases but also reduce load of documents being submitted by banks to State Bank of Pakistan.</p>
Jun 06, 2012	IH&SMEFD Circular Letter No. 06	<p>SBP Extends Validity Period of Scheme for Financing Power Plants Using Renewable Energy</p> <p>SBP vide IH&SMEFD Circular Letter No.6 of</p>

		<p>June 06, 2012, has extended the validity period of Scheme for Financing Power Plants Using Renewable Energy for a further period of two years i.e. up to 30th June, 2014. Its validity was due to expire on 30th June, 2012. Now the financing facilities under this Scheme will be available for Letter of Credits (LCs) established for import / purchase of new plant, machinery & equipment up-to June 30, 2014.</p>
Jun 22, 2012	IH&SMEFD Circular Letter No. 09	<p>Payment of Claims of 2nd Installment of Export Finance Mark-Up Rate Facility For the Period from 01-03-2010 to 31-08-2010</p> <p>On budgetary allocation for FY 2011-12 by Ministry of Textile Industry, SBP announced to release Export Finance Mark up Rate Facility to the extent of 23% of total claims against the cases, which have been found in order and where 55% reimbursement has already been made to the banks under said Scheme. Banks were advised to pass this additional reimbursement to the concerned exporters immediately as the budgetary allocations for 2011-12 will expire on 30-06-2012.</p>
Jun 29, 2012	IH&SMEFD Circular No. 02	<p>SBP Allows Additional Two Months to Exporters for Matching Performance Requirement Under EFS</p> <p>SBP allowed an additional two months for the exporters having shortfall in required performance under Part-II of the Export Finance Scheme for the monitoring year of 2011-12. This decision has been taken to address exporters' problems of delay in meeting the export orders due to heavy shortage of power. This relaxation is only for the purpose of allowing extended period (i.e. till August 31, 2012) for matching performance requirement and exporters who will avail this facility would not be entitled to avail benefit of incentives-based rebate of mark up.</p>
Mar 01, 2012	IH&SMEFD Circular Letter No. 03	<p>SBP launched a Credit Guarantee Scheme (CGS) for Small and Rural Enterprises in March 2010, which allows banks to develop a portfolio of fresh borrowers who are creditworthy, but cannot fit into the usual credit parameters of banks, especially when collaterals are required. Based on the feedback</p>

		<p>of banks and target borrowers during the first year of implementation of the facility, the Scheme was reviewed and the revised Scheme was issued in February 2011. Under the revised Scheme, SBP shares 40% of credit losses of lending banks on their loans to Small and Rural Enterprises. Only fresh and collateral deficient borrowers are entertained under the Scheme. The position of utilization of limits expiring on December 2011 is highly encouraging and more than 50% of the allocated limits have been utilized by banks.</p> <p>As per the circular, the maximum tenor for loans to Small Enterprises has been extended from 3 years to 5 years.</p>
--	--	--

A-3 Financial Market/Reserve Management Group

Date of announcement	Circular No.	Policy Decision
Dec 21, 2011	FE-06	<p>Forward Cover Facility against Imports:</p> <p>In order to streamline the instructions on the forward cover facility provided by Authorized Dealers against imports, the Authorized Dealers have been advised to ensure abinitio that the facility is being availed for genuine import transaction and that the importers do not hedge more than the underlying exposure. Further, maturity of forward contracts against import should coincide with the maturity of underlying Letter of Credit (L/C). In cases where the import L/C has a tenor of more than 12-months, the tenor of the forward cover facility would be 12-months on rollover basis or the remaining tenor of the L/C whichever is less; subject to the condition that the tenor of the forward cover should not be for less than one month. If the terms of the L/C are amended to extend its tenor in accordance with the related regulations, the importers can rollover the forward cover on the original maturity date of the forward contract coinciding with new maturity of the underlying L/C, subject to the condition that the forward cover is not less than one month.</p> <p>All forward contracts against which the underlying L/Cs are cancelled are required to be closed out on maturity at prevailing exchange rates and differential is settled between the importer and the bank. However, all such cases, where underlying L/Cs were cancelled will be submitted to SBP (Domestic Markets and Monetary Management Department)</p>

		on the date of cancellation of L/Cs with full details as per prescribed format, and justification for further action by SBP as deemed appropriate in terms of regulations under the FER Act, 1947.
Dec 21, 2011	FE-07	<p>Forward Cover Facility against Foreign Private Loans:</p> <p>In order to streamline the instructions on the forward cover facility provided by Authorized Dealers against Foreign Private Loans, the Authorized Dealers have been advised to ensure abinitio that the facility is being availed for genuine transactions and that the customers do not hedge more than the underlying exposure. Further, it has been decided that minimum tenor of forward cover against such loans shall be twelve months or remaining maturity of the underlying foreign private loan, whichever is lower. In either case no forward cover facility will be provided for a period of less than one month. In cases where the underlying foreign loans have a tenor of more than 12-months, the tenor of the forward cover facility would be 12-months on rollover basis or the remaining tenor of the loan, whichever is less; subject to the condition that the tenor of the forward cover should not be for less than one month.</p> <p>Forward cover already provided to customers prior to the effective date of this circular shall remain effective till their maturity. Any rollover of the said contract shall however be in accordance with revised instructions contained herewith.</p>

A-4 Operations Group

Date of Announcement	Circular No.	Policy Decision
Jul 29, 2011	PSD Circular Letter No. 02/2011	<p>Settlement Timings during Ramazan ul Mubarak</p> <p>SBP has communicated cut-off timings for settlement in PRISM System during Ramazan-ul-Mubarak with an advice to all RTGS participants to ensure that the execution of their transactions in PRISM System should be within the specified timing as per the scheduled given in the circular.</p> <p>Further, after the holy month of Ramzan-ul-Mubarak, the above timings will automatically be reverted to pre Ramzan-ul-Mubarak timings.</p>
Aug 15, 2011	PSD Circular Letter No. 03/2011	<p>Monitoring of ATM Cash and Downtime during Ramazan ul Mubarak/ Eid Holidays</p> <p>SBP in the light of previous circulars on the management of</p>

		<p>ATMs on special occasion advised all banks to meticulously comply with all previous instructions failing which heavy penalties under the relevant laws would be imposed on defaulting banks.</p> <p>SBP has also decided to depute special inspection teams to carry out surprise inspections of the ATMs installed at various cities/towns throughout the country to ascertain the compliance level of all banks.</p>
Oct 07, 2011	PSD Circular Letter No. 04/ 2011	<p>Operations of ATMs in Flood Affected Districts of Sindh</p> <p>Due to a large number of flood affectees holding Pakistan cards, SBP advised all those banks having ATMs in the affected districts of Sindh to make special arrangements to ensure that their ATMs are operational and cash is replenished in a timely manner and that no service charges may be recovered on the use of these Cards.</p>
Oct 14, 2011	PSD Circular Letter No. 05/ 2011	<p>Cut-off Timings for Settlement in PRISM System</p> <p>Consequent upon declaration of five days working week and revised banking hours, SBP has advised all direct participants of RTGS the cut-off timings for settlement in PRISM System.</p>
Oct 14, 2011	PSD Circular Letter No. 06/ 2011	<p>Management of ATMs on Weekends</p> <p>As per Government of Pakistan notification to observe five days working week, SBP has issued its revised banking and working hours vide BP&RD circular No.11 dated 14th October, 2011 in terms of which Saturdays and Sundays would be observed as holidays by banks & DFIs.</p> <p>Further, in order to ensure that customers and specially the business community continues to avail uninterrupted access to the services provided through ATMs including cash withdrawal facilities during the weekends, banks were advised to ensure that their ATMs remain operational throughout and special arrangements are made by way of deployment of dedicated staff to monitor cash replenishment requirements and to resolve other problems on real-time basis.</p>
Apr 04, 2012	PSD Circular Letter No. 01/ 2012	<p>Settlement of 3rd Party Fund Transfers Through PRISM System</p> <p>In order to further enhance the payment transfer facilities through PRISM System, SBP has decided to allow multiple credit transfers (using MT 102) for 3rd party transfers to facilitate non-critical payments of PKR 100,000 and above. This is in addition to further facilitate customers' time critical payments of Rs. 1 million and above and can be used for processing bulk payments i.e. salaries and remittances etc.</p>

		All PRISM Direct Participants were also advised to ensure compliance with the Customer Transfer Guidelines, Payment Systems and Electronic Fund Transfers Act 2007, PRISM Operating Rules, 2009 and all other applicable SBP rules and regulations including those related to KYC and AML/CFT.
Apr 10, 2012	PSD Circular No. 01/ 2012	<p>SBP Remittance Facility to Bank</p> <p>Refer to the Finance Department Circular No. 04 of 2007 of 18th December, SBP has decided to charge a flat fee of Rs. 1,000/- per transaction for each fund transfer instruction in lieu of a uniform rate of 0.07% previously levied on such transactions.</p>
May 15, 2012	PSD Circular No. 02/ 2012	<p>IBAN Implementation Guidelines</p> <p>In order to bring about account code standardization and efficiency in processing of payments for domestic as well as cross border transactions, SBP has decided to implement International Bank Account Number (IBAN) standard in Pakistan that is an international standard (ISO 13616-1:2007) for identifying bank accounts across borders.</p> <p>The initiative will eliminate the delays in credit transfers and enable the payment/ clearing systems to electronically validate account number without manual intervention. Relevant guidelines were also issued to the industry containing details of how IBAN can be generated along with its validation processes and phase wise implantation plans for the industry.</p>
Sep 21, 2011	FD-02/2011	<p>Demonetization of Rs. 500 Old Design Banknote</p> <p>In order to report, deposit and exchange of demonetized Rs 500 old design banknote by commercial/microfinance banks have been advised to issue necessary instructions to their respective branches to ensure meticulous compliance of the following time-lines for the exchange of Rs. 500 old design banknotes by the general public and to surrender these notes to SBP BSC (Bank)/ NBP Chest/Sub-Chest branches within the stipulated deadline given below:</p> <p>A. Collection of Rs 500 Old Design Banknotes</p> <p>(i) Branches of Banks/MFBs should display posters/banners on the acceptance of Rs. 500 old design banknotes (bigger size), at public counters and other visible places in and outside their branches.</p> <p>(ii) Branches of Banks/MFBs will collect the Rs. 500 old design banknotes until close of banking hours on 30th</p>

		<p>September, 2011.</p> <p>B. Reporting/Deposit/Surrender of Rs. 500 Old Design Banknote Balances on 30th September, 2011</p> <p>(i) In the first phase, branches of Banks/MFBs, in cooperation with SBP BSC field offices or NBP Chest/Sub-Chest branches, should ensure that they surrender their existing stock of Rs. 500 old design banknotes by 26th September, 2011 to the nearest SBP BSC Field Office or NBP Chest/Sub-Chest branch.</p> <p>(ii) In the second phase, branches of Banks/MFBs will surrender the remaining stock of Rs. 500 old design banknotes to their nearest SBP BSC field office or NBP Chest/ Sub-Chest branch by 8.00 p.m. on 30th September, 2011.</p> <p>(iii) The State Bank of Pakistan/SBP BSC (Bank) will neither exchange nor be liable to pay any value of such banknote to any person or a bank after the deadline fixed above. From October 1, 2011 the old design Rs. 500 will cease to be legal tender.</p> <p>(iv) SBP BSC field office/NBP Chest/Sub-Chest branch shall credit the value of the surrendered banknotes to the account of the bank/MFB maintained with them.</p>
Nov 11, 2011	CMD / 737 / 7/(Dem-500) /2011	<p>Exchange of Demonetized Rs. 500 Old Design Banknote</p> <p>In order to exchange Rs 500 (old design banknote) by the public all commercial/microfinance banks have been advised to widely publicize the extension of date for the exchange of Rs. 500 old design banknotes in line with their respective advertisement policy for the awareness and facilitation of general public, and issue necessary instruction to all their branches for implementation of the following instructions in letter and spirit:</p> <p>2. It was also communicated that the Federal Government has extended the last date for exchange of Rs. 500 old design banknote to 30th September, 2012 vide Gazette Notification No. 2(1)IF-IV/2010 dated 4th November, 2011.</p> <p>3. This directive only allows the exchange of the Rs. 500 old design banknote from banks and SBP BSC field offices to facilitate the general public in possession of such notes, however, the said banknote stands demonetized, and, hence, shall not be used as legal tender. Accordingly, with immediate</p>

		<p>effect, banks are advised to:</p> <p>a). Exchange the Rs. 500 old design banknotes with banknotes/coins of all denominations until the last working day of September, 2012.</p> <p>b). Surrender all such Rs. 500 old design banknotes to SBP BSC field offices for exchange or credit of exchange value in their respective bank account up to the last working day of September, 2012.</p>
Dec 22, 2011	CMD/784/7(Dem)/2011	<p>Exchange of Demonetized Rs. 5 Banknote</p> <p>In order to exchange the demonetized Rs 5 banknote by the public/banks all commercial/microfinance banks have been advised to widely publicize the extension of date for exchange only (up to 31st December, 2012) and demonetization of Rs. 5 banknote from 1st January 2012, in line with their respective advertisement policies for the awareness and facilitation of general public, and issue necessary instruction to all their branches for implementation of the following instructions in letter and spirit.</p> <p>2. Please be advised that the Federal Government has extended the last date for exchange of the Rs. 5 banknote to 31st December, 2012 vide Gazette Notification No. 3(8)IF-IV/2009, dated 15th December, 2011.</p> <p>3. This directive allows only the exchange of Rs. 5 banknote from banks and SBP-BSC field offices to facilitate general public in possession of such notes; however, the said banknote will stand demonetized, and shall not be a legal tender from 1st January, 2012. Accordingly, banks are advised to:</p> <p>a. Exchange the existing Rs. 5 banknote with banknotes/coins of all denominations until 31st December, 2012.</p> <p>b. Surrender all such Rs. 5 banknotes to SBP Banking Services Corporation field offices for exchange or credit of exchange value in their respective bank accounts up to 31st December, 2012.</p>
Jan 12, 2012	CMD/31/7/2012	<p>Cash Management Monthly Position</p> <p>In order to identify trends of currency in circulation held by commercial banks and to strengthen cash management system maintenance of stock/inventory practices and demonetization of banknotes all Commercial/Microfinance banks has been advised to submit the following data and nominate two</p>

		<p>officials to be trend in the SBP's automated system (data warehouse application/portal) latest by 19th January, 2012:</p> <p>The denomination-wise data of old and new design banknotes via SBP's automated system (data warehouse application/portal) as per enclosed template on monthly basis starting from February 2012. The statement of 29th February 2012 should be submitted by 5th March, 2012. Thereafter the monthly statement should be submitted by the 5th day of each month.</p> <p>Training of bank's staff to input data via the automated system (data warehouse application/portal) will be conducted by Statistics and Data Warehouse Department on 23rd and 24th January 2012 in the Computer Lab of LRCSBP as per attached schedule.</p>
Feb 28, 2012	CMD/12/ Misc/2012	<p>Cash Management Monthly Position – ATM Cash.</p> <p>In order to submit the denomination-wise data of banknotes by the banks all Commercial/Microfinance banks has been advised to note that:</p> <p>Currency stock position will also include cash ion ATMs at the time of closing of branches on the last working day of the month.</p>
Mar 14, 2012	CMD/115/7(D em)-2011	<p>Exchange of Demonetized Rs.5 Banknote and Rs 500 Old Design Banknote</p> <p>While observing that some commercial banks are issuing Rs 5 and Rs 500 (old design) banknotes to public despite their demonetization and clear instructions to surrender the demonetized banknotes to the nearest/ linked field offices of SBP BSC all Commercial/Microfinance Banks have been advised to desist from issuing above banknotes to the general public and educate their customers / general public to surrender these banknotes to banks and SBP BSC Offices as the:</p> <p>Directives issued by SBP vide circular letters dated Nov-11-2011 and Dec-22-2011 only allow extension of date for the exchange date of demonetized Rs 500 (old design) and Rs 5 banknotes as they stand demonetized and are not legal tender since October 1, 2011 and January 1, 2012.</p> <p>For any clarification in this regard banks may contact Mr. Abdul Hamid, Junior Joint Director, CMD SBP BSC Head Office, Karachi at telephone number 021-32455463</p>

<p>Jun 26, 2012</p>	<p>CSD / 288 / 7-2012</p>	<p>Schedule for Exchange of Demonetized Rs. 500 Old Design Banknote</p> <p>In consideration of the fact that 30th September, 2012 is a Sunday, the Federal Government, vide Gazette Notification No. 2(1)IF-IV/2010 dated June 11, 2012, has facilitated the public to exchange the demonetized Rs 500 (old design) banknote until October 01, 2012 all commercial/microfinance banks has been advised to issue the necessary instructions to their respective branches to ensure meticulous compliance of the time lines for the exchange of these banknotes by the general public, displaying posters/banners for awareness of public and reporting/surrendering to SBP BSC field offices within the following revised schedule and stipulated deadline:</p> <p>A. Collection of Demonetized Rs 500 Old Design Banknotes</p> <p>(i) Branches of banks/ NBP Chests/Sub-Chests, in cooperation with SBP BSC field offices, should ensure that they surrender their existing stock of Rs. 500 old design banknotes (collected until September 14, 2012) by September 26, 2012 to the nearest SBP BSC field office.</p> <p>(ii) Branches of banks/NBP Chests/Sub-Chests will collect the demonetized Rs. 500 old design banknotes until close of banking hours on October 01, 2012.</p> <p>B. Reporting of Rs. 500 Old Design Banknotes</p> <p>(i) Branches of banks/NBP Chests/Sub-Chests will report the collected balances of the demonetized Rs 500 old design banknotes to their regional head office which will acknowledge receipt thereof immediately before close of business on October 01, 2012.</p> <p>(ii) The regional head office of the banks/NBP Chest/Sub-Chests will report the branch-wise balances to the nearest SBP BSC field offices and send endorsed copies thereof to their concerned head office through fax/email by 1.30 p.m. on October 02, 2012.</p> <p>(iii) The Head Office of concerned bank will forward consolidated balances along with list of branch- wise position to the Director, Currency Management Department (CMD), SBP BSC Head Office, Karachi on the same day (October 2, 2012) as per contact details provided at last Para in the circular letter.</p>
---------------------	---------------------------	---

		<p>(iv) The SBP BSC field offices will acknowledge receipt of the reported balances by the regional offices of the banks and CMD, SBP BSC, Head Office, Karachi will acknowledge receipt to the head offices of the banks until 1.30 p.m. on October 03, 2012. Any queries can be referred to CMD, SBP BSC, Head Office, Karachi.</p> <p>C. Surrender of Rs. 500 Old Design Banknotes</p> <p>Branches of banks/NBP Chests/Sub-Chests will surrender the reported stock, under Para 2-B above, of Rs. 500 old design banknotes to their nearest SBP BSC field office until October 05, 2012.</p> <p>D. Public Awareness & Exchange of Value of Rs. 500 Old Design Banknotes</p> <p>(i) Branches of banks/NBP Chests/Sub-Chests should display posters/banners regarding the revised date for the acceptance of the demonetized Rs. 500 old design banknotes (bigger size), at public counters and other visible places in and outside their branches.</p> <p>(ii) The State Bank of Pakistan/SBP BSC (Bank) will neither exchange nor be liable to pay any value of such banknote to any person or a bank after the deadline fixed above.</p> <p>(iii) SBP BSC field office shall credit the value of the surrendered banknotes to the account of the banks maintained with them.</p>
--	--	--