

A Chronology of Policy Announcements

A-1 Banking Policy & Regulation Group

IBD Circular No. 03 July 15, 2013: *Adoption of AAOIFI Shariah Standard No. 17 on 'Investment Sukuk'*: In order to standardize and harmonize Shariah practices in IBIs, AAOIFI Shariah Standard No. 17 related to 'Investment Sukuk' has been adopted subject to clarifications / amendments.

IBD Circular No. 01 April 03, 2014: *Free-of-cost Priority Banking Services*: Free-of-cost priority banking services can be provided to both current and saving account holders. IBIs are also allowed to prescribe a certain level of minimum balance to avail priority banking services.

IBD Circular No. 02 April 03, 2014: *Shariah Compliant Solutions for Foreign Bill Discounting*: With a view to standardize Shariah practices regarding foreign bill discounting, instructions regarding Salam, and Qarde-Hasanah cum Wakalah have been issued. Further, IBIs are also allowed to use Murabaha, Musawama, Salam and Istisna-cum-Wakalah etc to meet financing needs of their customers independent of foreign bill.

IBD Circular No. 03 April 04, 2014 : *Shari'ah Governance Framework for Islamic Banking Institutions*: A comprehensive Shariah Governance Framework was issued which aims at institutionalizing the *Shariah* compliance function in IBIs. It defines the roles and responsibilities of all organs of IBIs including Board of Directors, executive management, *Shariah* board, *Shariah* compliance department and internal and external auditors towards *Shariah* compliance.

OSD Circular Letter No. 2 October 29, 2013: Stress testing guidelines-Return submission: The Bank rationalized the deadline for submission of quarterly stress testing returns to be submitted within 22 working days from 30 calendar days.

OSD Circular No. 1 February 07, 2014: Instructions on Internal Controls over Financial Reporting (ICFR): The circular contains the instructions regarding submission of annual long form report and annual assessment report on ICFR, its disclosure in annual report and governance structure-roles and responsibilities of key stakeholders of ICFR.

OSD Circular No. 2 July 08, 2014: Reporting of Data / Information to OSD by Exchange Companies: In order to enhance the efficiency and strengthen the reporting mechanism of exchange companies, the reporting requirements, frequency and reporting formats have been rationalized. The returns include data pertaining to sale / purchase of FCYs, export of FCYs, home remittances, outward remittances, and foreign exchange exposure position for bimonthly, monthly and quarterly frequency.

BPRD Circular No. 06 August 15, 2013: *Implementation of Basel III Capital Instructions*: In order to further strengthen the capital adequacy framework of the banking sector, SBP issued Basel III guidelines which largely replaced the existing rules under Basel II instructions pertaining to numerator i.e. "Eligible Capital" of Capital Adequacy Ratio (CAR).

BPRD Circular Letter No. 22 August 19, 2013: *Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regulations*: AML/CFT Regulations have been revised. Major changes were related to review of banks' internal Policies, verification requirements for legal persons, CDD requirements for walk-in customers and online transactions, rationalization of requirements to assess respondent bank in the context of sanctions/embargoes and wire transfers etc.

BPRD Circular No. 8 November 21, 2013: *Writing -Off of Irrecoverable Loans And Advances – Consumer Financing*: In view of the different profile of consumer loans, requirements for write off of irrecoverable loans and advances have been revisited for consumer financing.

BPRD Circular Letter No. 29 November 21, 2013: *Writing Off Of Irrecoverable Loans and Advances*: Clarification regarding BPRD Circular No. 06 of 2007 dated 05-Jun-07 was issued to ensure uniform practices across the industry with objective to foster the availability of accurate and reliable information to the stakeholders.

BPRD Circular No. 01 Jan 02, 2014: *Exposure Limit on Real Estate Sector*: To limit the concentration of the banks/DFIs' exposure in the real estate sector, detailed instructions regarding maximum exposure limit have been issued.

BPRD Circular No. 02 Jan 06, 2014: *Exposure Limit on Real Estate Sector*: To promote the low cost/low income/affordable housing, the limit of 10 percent as notified in the BPRD Circular No. 01 dated January 02, 2014 regarding Exposure Limit on Real Estate Sector, will not be applicable on financings under Government Housing schemes and initiatives.

BPRD Circular Letter No. 06 February 06, 2014: *Anti-money Laundering/Combating Financing of Terrorism (AML/CFT) Regulations*: With a view to facilitate the general public and regularize existing accounts with expired Computerized National Identity Card (CNIC), banks have been permitted to utilize NADRA Verisys reports of renewed CNICs.

BPRD Circular Letter No. 07 February 12, 2014: *Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regulations*: With a view to facilitate timely settlement of transactions by Foreign Portfolio Investors (FPIs), in their Special Convertible Rupee Accounts (SCRAs), SBP advised banks/DFIs that they may reactivate dormant SCRAs upon receipt of authenticated instructions from the concerned FPI/account holder.

BPRD Circular No. 05 May 27, 2014: *Minimum Rate of Return on Saving Deposits and SBP Repo Rate*: The clause 2(iii) of the BPRD Circular No. 7 dated September 27, 2013 has been amended as following; "Effective from June 1, 2014, Minimum Profit Rate, on average monthly balances, shall be applicable on all new and existing Savings products (including any other profit bearing deposits with no fixed maturity) except term deposits".

BPRD Circular No. 06 June 26, 2014: *Revised Prudential Regulations for Corporate / Commercial Banking*: Prudential Regulations on Risk Management and Operations for Corporate & Commercial Banking have been revised with an objective to assist the banks /DFIs to deal with their unique risk factors and the dynamic environment. Minimum prudential benchmarks have been identified in critical risk areas to balance the considerations of financial stability of banks/DFIs vis-à-vis diversity and innovation.

BPRD Circular Letter No. 25 July 23, 2014: *Risk weight for Unrated Large Corporate –*

Implementation of Basel Capital Framework: Banks/DFIs have been advised that enhanced risk weight will be applicable on large unrated private sector borrowers. This initiative is expected to encourage large borrowers to get them rated.

A-2 Development Finance Group

IH&SMEFD Circular No. 9 August 20, 2013: *Long Term Financing Facility for the Services Sector (LTFF-SS):* In order to promote the exports of services sector, the SBP has launched a new Long Term Financing Facility for the Services Sector (LTFF-SS) under which Bank will provide finance to the exporters of services sector for adoption of new technologies and in enhancement of their capacities.

IH&SMEFD Circular No. 10 November 18, 2013: *Prime Minister's Youth Business Loans Scheme:* With an objective to promote self-employment in the country, instructions have been issued to banks regarding participation in Prime Minister's Youth Business Loan Scheme which aims to provide loans to unemployed youth for establishing or extending business enterprises.

IH&SMEFD Circular Letter No. 08 November 26, 2013: *Prime Minister's Youth Business Loans (PMYBL):* Grace period under PMYBL program extended from six months to one year; the banks participating under the programme advised to ensure that not more than 5000 loans are disbursed to a single sector in order to build diversified portfolio of loans and avoid excessive concentration/ credit exposure to a single sector.

IH&SMEFD Circular Letter No. 09 November 29, 2013: *Prime Minister's Youth Business Loans:* Maximum tenor of the loans revised to eight years including grace period of one year and sectoral limits are also withdrawn. Further, other banks have been advised to participate in PMYBL program under Corporate Social Responsibility.

IH&SMEFD Circular Letter No. 01 February 03, 2014: *Prime Minister's Youth Business Loans:* Banks were advised about Federal Government's approval of 5 percent quota for three categories i.e. Shaheed (widow and children of Shaheed), Widows and Special Persons under the PM's Youth Business Loan Scheme.

IH&SMEFD Circular Letter No. 2 February 4, 2014: *Extension in Expiry Dates Of The Financing Facility For Storage Of Agriculture Produce (FFSAP) and Refinance Facility For Modernization Of SMEs:* Expiry dates of the "Financing Facility for Storage of Agricultural Produce (FFSAP)" and "Refinance Facility for Modernization of SMEs" have been extended.

IH&SMEFD Circular No. 1 March 4, 2014: *Mechanism To Facilitate Utilization Of Existing Export Finance Scheme (EFS) by SMEs:* In order to further improve utilization of Export Finance Scheme (EFS) for SMEs, additional incentives for banks and exporters have been introduced.

IH&SMEFD Circular No. 02 April 01, 2014: *Guidelines for Financing to Housing Builders/Developers:* Guidelines have been issued for financing to house builders/developers to encourage banks/DFIs to develop suitable products to facilitate finance to credit worthy Real Estate Builders/Developers.

IH&SMEFD Circular No. 03 May 06, 2014: *Prudential Regulations for Housing Finance*: Separate Prudential Regulations (PRs) for Housing Finance have been issued with the view to enable banks/DFIs to increase their outreach for provision of housing finance. With the separate PRs, the banks/DFIs will be able to adopt viable housing finance approaches that will ultimately lead to better service and provision of housing finance to individuals.

IH&SMEFD Circular Letter No.7 June 30, 2014: *Extension In Validity Period Of Scheme For Financing Power Plants Using Renewable Energy*: SBP extended the validity period of the Scheme for Financing Power Plants Using Renewable Energy for Two Years i.e. up to June 30, 2016.

AC&MFD Circular No. 01 January 29, 2014: *Revision of PRs for Agriculture Financing*: To enhance access of formal financing for the farming community and to bring regulatory framework for farmers' financing in line with the changing business environment, The revised instructions call upon banks to develop robust, market-oriented policies and practices to enhance flow of credit to the agriculture sector without compromising financial stability and banks' risk management.

AC&MFD Circular No. 02 February 04, 2014: *Report on Indicative Credit Limits & List of Eligible Items for Agri Financing*: The Indicative Credit Limits have been enhanced to align the cost of production of various farming activities with inflationary pressures and current market practices. The revisions will facilitate farmers in getting adequate loans for growing their farms and forestry besides facilitating banks and provincial governments to estimate actual credit requirements of the farmers.

AC&MFD Circular No. 03 June 10, 2014: *Revised Prudential Regulations for Microfinance Banks (MFBs)*: Revised Prudential Regulations (PRs) for Microfinance Banks have been issued in view of the changing dynamics of the microfinance sector in Pakistan. These revisions have been made after carrying out a holistic review of existing regulatory framework and to promote sustainable growth of microfinance in the country.

A-3 Financial Market/Reserve Management Group

DMMD Circular No. 1 January 07, 2014 & DMMD Circular No. 8 May 28, 2014: *Code of Conduct for Treasuries of Banks, DFIs and PDs*: In order to foster high standard of business conduct, adopt good market practices and ensure equitable and healthy relationships among market participants, SBP has prepared a 'Code of Conduct' for treasuries of Banks, DFIs and PDs. All Banks, DFIs and PDs are advised to implement this 'Code of Conduct' in their treasuries and ensure its meticulous compliance.

DMMD Circular No. 2 January 28, 2014: *Trading of Government Securities on the Stock Exchanges*: In order to further broaden the investor base of Government securities, State Bank of Pakistan has decided to allow trading of Government Securities (Market Treasury Bills, Pakistan Investment Bonds & GOP Ijara Sukuk) on the Stock Exchanges. However, the current OTC market of Government Securities and all its associated platforms will continue to work as usual.

EPD Circular Letter No. 07 August 07, 2013: *Amendment in Exchange Companies Rules and Regulations*: Certain conditions imposed vide FE Circular No. 04 dated 23rd July, 2013 were modified vide this circular letter. As per the revised instructions, certain restrictions on sale/purchase and outward remittances have been imposed, while the requirement for getting NTN number has been withdrawn.

EPD Circular Letter No. 03 May 05, 2014: *Exports of Fresh Fish, Vegetables, Fruits, Poultry and other Goods of Perishable Nature*: The circular letter contains the clarification of the instructions earlier issued under Para-18, Chapter XII of the F.E. Manual 2002 explaining that these instructions are applicable for export of only those commodities, against which the condition of Advance Payments or Irrevocable LC have been specifically mentioned in the Export Policy Order issued by the Ministry of Commerce, GoP.

FE Circular No. 04 July 23, 2013: *Strengthening of Regulatory and AML/KYC Regime*: Additional instructions for strengthening the regulatory and AML/KYC regime of exchange companies sector have been issued. These mainly include reducing the regulatory threshold for retaining the copies of certain identification documents and NTN etc and conducting of transactions through Crossed Cheque/ DD/ PO under specified circumstances.

FE Circular No. 05 December 23, 2013: *Amendment in Rules related to Formation of New Exchange Companies*: It has been decided that the minimum paid-up capital of all new exchange companies will be Rs. 200 million. Existing exchange companies not fulfilling the requirement must fulfill the same as per the timelines given to them.

A-4 Operations Group

FD Circular No. 3 July 23, 201: *Issuance of Fresh Banknotes*: The Bank made arrangements for issuance of fresh notes to commercial banks for onward issuance to the general public on Eid and other occasions for which instructions have been issued for banks for the convenience and facilitation of the general public.

IDD/ 117 / 7 (Dem-Coin) 2013 September 30, 2013: *Exchange of and Demonetization of Decimal Coins*: The Federal Government vide Notification dated September 19, 2013 notified that coins of paisa 1, 2, 5, 10, 25 and 50 will cease to legal tender on October 01, 2014. Accordingly, instructions have been issued to banks to discontinue issuance of decimal coins with effect from September 30, 2013 and exchange these coins till close of banking hours on September 30, 2014.

IDD / 336 / 7 / (Dem-50 & 1000) / 2013 October 29, 2013: *Phasing out the old design banknotes of Rs 50 & Rs 1000 denomination*: As sufficient quantities of new design banknotes have already been issued to banks and other stakeholders, it has been decided to phase out the old design banknotes of Rs. 50 & Rs. 1000 denominations.