

STATE BANK OF PAKISTAN
INFRASTRUCTURE, HOUSING & SME FINANCE DEPARTMENT

Frequently Asked Questions (FAQs)

Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme (PMKJ-YES)

1. What is the procedure for calculation and claim of Government of Pakistan (GoP) service charges subsidy?

Clarification: As per IH&SMEFD Circular letter No 21 dated July 10, 2020, service charges for Executing Agencies (EAs) under Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme (PMKJ-YES), with effect from July 1, 2020, will be as under:

Product	Customer Pricing	Bank Pricing
Tier 1	3%	KIBOR (one year offer)+400 BPS
Tier 2	4%	KIBOR (one year offer)+400 BPS
Tier 3	5%	KIBOR (one year offer)+400 BPS

Out of this, borrower will pay 3%, 4% and 5% fixed service charges for loans under Tier 1, Tier-2 and Tier-3 respectively. The difference of bank pricing and customer pricing will be borne by the federal government as service charges subsidy. EAs will apply preceding month's last working day KIBOR for next month's disbursements. KIBOR once fixed will not change for subsequent disbursements in case of loans disbursed in tranches. KIBOR will be revised after every 12 months.

The procedure for claiming government subsidy on financing under PMKJ-YES is detailed in payment mechanism issued by State Bank of Pakistan (SBP) vide IH&SMEFD Circular Letter No. 1 dated January 3, 2020. Banks working as PMKJ-YES EAs will receive loan repayment from borrowers through equal monthly installments (EMI). However, EAs will receive service charges subsidy from GOP on quarterly basis by submitting subsidy claims to the Director, Development Finance Support Department (DFSD), SBP BSC, Head Office Karachi.

2. When will customer's first installment become due?

Clarification: Under PMKJ-YES, loans with maximum tenure of upto 8 years including grace period of upto one year can be provided by EAs. Hence, grace period installments will consist of service charges only. After expiry of grace period the installment will include both the service charges and principal portion till expiry of the loan tenure. In this respect, it may further be noted that for loans disbursed between 1st and 15th of a month, 1st installment will become due on 1st of the next month. However, for loans disbursed between 16th and last day of a month, 1st installment will become due on 1st of the month following next month. Same timelines are to be followed for submission of subsidy claims to SBP.

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3. What is loan expiry date?

Clarification: Loan expiry date is 1st installment due date plus loan tenor including grace period. Illustration is as under:

	Scenario 1	Scenario 2
Disbursement Date	June 14, 2020	June 16, 2020
First Installment Due Date	July 01, 2020	August 01, 2020
Loan Tenor (Including Grace Period)	5 Years	8 Years
Expiry Date	July 01, 2025	August 01, 2028

4. What is criteria for categorization of loan status under PMKJ-YES?

Clarification: Loan status is to be reported to DFSD on prescribed format as applicable under SBP Prudential Regulations for SME financing and PRs for Agri financing, viz Regular, OAEM, Substandard, Doubtful and Loss.

- If the status of loan is classified as "Loss", then EAs will stop claiming "service charges subsidy" onwards for that particular borrower.
- EAs will claim credit loss subsidy against loans classified as "Loss". However, EAs can claim service charges subsidy in subsequent months, if the status of "Loss" classified loans is subsequently revised to "Regular". However, in such cases, loss claimed will be returned to DFSD or the same will be adjusted by EAs by netting it off from the next quarter loss claim/service charges subsidy claim.
- Government will bear credit losses (principal portion only) on the disbursed portfolio of the banks, 50% on T1 loans, 20% on T2 loans and 10% on T3 loans. EAs will calculate loss ratio by dividing total amount in loss category by total disbursed portfolio under the scheme. Eligible claim for credit loss subsidy will be submitted to DFSD SBP-BSC as per procedure detailed in payment mechanism issued by SBP.

5. What is the starting month of GoP service charges subsidy claim?

Clarification: GOP service charges subsidy claim will start from first installment due month.

6. Please elaborate loan anniversary rate change along with Illustration

Clarification: KIBOR (one year offer) will be reset on loan anniversary and change in KIBOR (one year offer) will be adjusted from 13th installment onward till completion of second year of loan. Similar KIBOR resetting will be done on every loan anniversary installments such as 25th, 37th, 49th, 61st, 73rd and 85th (as per respective loan tenures). Loan anniversary rate change is illustrated in following table.

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	Scenario 1	Scenario 2
Disbursement date	July 14, 2020	July 16, 2020
Applicable 1 st year KIBOR	June 30, 2020	June 30, 2020
1 st installment due date	Aug 01, 2020	Sep 01, 2020
13 th installment due date	Aug 01, 2021	Sep 01, 2021
Applicable loan anniversary KIBOR	June 30, 2021	June 30, 2021

7. Can Executing Agencies (EAs) claim GOP service charges subsidy for broken period?

Clarification: EAs will not calculate service charges subsidy for broken period since PMKJ-YES is based on equal monthly installment (EMI) model. Illustration of installments' calculation considering the broken period is shown in clarification against question 6 above. Service charges subsidy claim will start from 1st installment due month and shall continue either upto expiry of loan or upto settlement of loan or upto classification of loan as "Loss", whichever condition is applicable.

8. What is impact of balloon payment on principal outstanding and subsidy claim?

Calculation: Impact of balloon payment will not be reflected in the balloon payment month (because installments are calculated in arrear mode). Thus, impact of balloon payment will be shown in the outstanding and subsidy claim of subsequent months. For fully settled cases, loan status will be mentioned as "Adjusted" in PMKJ-YES Claims Form

9. What are different PM-YES reporting Forms for claiming GOP subsidy?

Clarification: Following forms will be submitted to DFSD, SBP BSC, HO, Karachi on quarterly basis:

- i. **Borrower Profile (Form-1):** Form 1 contains details of borrowers and is required to be submitted by each EA to DFSD. Prior to upload of Form 2 and Form 3, Form 1 is uploaded as it consists of basic substantial data of borrowers which includes Customer Identification Number (CIN), CNIC, approved amount, first tranche amount, expiry of the loan etc.
- ii. **Tranche Form (Form-2):** Form 2 includes tranches data, if a borrower is given approved amount in tranches.
- iii. **Transaction Form (Form 3):** Form 3 includes transactions details of quarter regarding subsidy claims for each borrower.
The templates of forms have been provided at **Annexure A**.

10. What is the Grace Period for loans under PMKJ-YES Scheme? Is it mandatory to extend grace period?

Clarification: Grace period for loans under PMKJ-YES is upto one year. EAs are encouraged to provide one year grace period to borrowers in order to ease out their cash flow constraints in initial months of the business. However, grace period duration within the maximum permissible period can be mutually agreed by the EAs and the borrowers.

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11. What does EMI stands for?

Clarification: EMI stands for Equal Monthly Installment. EMI arrangement allows the borrower to repay the same amount every month. During loan tenor, EMI amount will change after every 12 months due to resetting of KIBOR on annual basis. For calculation of 1st EMI and annual resetting of EMI, please see clarification against question 6 above.

12. Can the bank waive off the Processing Fee of PKR 100?

Clarification: A bank at its own discretion may waive off the processing fee of PKR 100.

13. Is the application downloadable from the Kamyab Jawan portal?

Clarification: No. It has to be filled online.

14. How many applications can an applicant upload through a single IP? Is there any limitation?

Clarification: Only one application can be uploaded by an applicant through a single IP against his CNIC.

15. Can a bank/DFI assist its customers to apply for the loan?

Clarification: Yes. It is part of the non-financial advisory services of the bank to assist applicants in applying for the loan.

16. The KJ/ YES program is governed by subject SBP circular together with IH&SMEFD Circular No. 08 of 2019, IH&SMEFD Circular Letter No. 06 of 2019 and IH&SMEFD Circular Letter No. 01 of 2020. Please clarify whether SBP Prudential Regulations for Agri. Finance and SME Finance are applicable on financing allowed under KJ-YES Agri. related purposes and SE/ME borrowers respectively. Further, in case of any conflict between the terms and conditions of YES and SBP PRS, which will prevail?

Clarification: The scheme is principally governed by SBP Prudential Regulations as per type of loan i.e. SE/ME or Agri. and banks shall adhere to all applicable requirements of PRs. However, if any parameter defined in the scheme's circular by SBP differs from those applicable in SBP PRs, the circular shall supersede the PRs for that particular parameter only. For example, applicability of Turnaround Time and Obtaining LAF & BBFS in this scheme differs from applicable PRs and is defined in the scheme's circular.

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17. Whether the debt swap of outstanding credit facilities of our existing customer (having credit facilities from our bank) to YES program is permissible?

Clarification: Debt swapping under the scheme defeats the objective of socioeconomic uplift of SMEs, generation of economic activity and employment generation. Thus, debt swap of outstanding credit facilities of existing customer is not permissible under YES.

18. Whether the debt swap of outstanding credit facilities of other banks' customers to YES program (to be disbursed from our bank) and vice-versa (i.e. debt-swap from our bank to other banks) is permissible?

Clarification: Debt swap of outstanding credit facilities of other banks' customer is not allowed under YES.

19. What would be the tenure of Working Capital Loans? Should these loans be adjusted in full on or before expiry?

Clarification: The initial tenor for working capital loans under PMKJ-YES is one year. Subject to satisfactory repayment behavior and risk profile of the borrower, the bank may allow roll over of the working capital loan annually for seven more years. Here it is pertinent to mention that both short term and long term loans are repayable in equal monthly instalments (EMI). Hence, at the expiry of loan, the performing loans should automatically stand fully adjusted.

20. Whether rollover or renewal of working capital limits is permissible or else the finance allowed under KJ/YES is to be adjusted in full.

Clarification: Running finance facility is not allowed under the scheme. Hence, rollover/renewal of working capital loans is allowed subject to observance of terms and conditions as mentioned in SBP response at S. No 19 above.

21. Maximum age of applicant is 45 years. If the age of applicant at the time of application is 44 years, can we allow credit facility for more than one year (i.e. beyond 45 years threshold)

Clarification: Age criteria is for the eligibility of applicant at the time of submission of application only. The scheme's circular or FAQs do not impose any such limitation on age of the applicant afterward.

22. For what duration of time (years) can a bank claim markup subsidy from SBP/GoP in case of classification of loan?

Clarification: Refer to Q. No. 4 & Q. No. 7 of FAQs, markup subsidy/service charges will start from 1st installment due month and shall continue either up to expiry of loan or up to settlement of loan or up to classification of loan as "Loss" as per applicable PRs. Once a loan is classified as "Loss", banks shall stop claiming markup subsidy/service charges and will claim credit loss of outstanding principal.

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23. Whether banks are allowed to extend non-funded facilities under YES program?

Clarification: The scheme provides funded term loan facilities on subsidized markup rates; hence, non-funded facilities do not fall under the purview of YES.

24. In case of default of a borrower before the expiry of the loan, whether the bank would be entitled to recover the difference of K+4 and the markup rate being charged to the borrower, from SBP for the contractual period. What will be the permissible rate of markup to be recovered after the contractual period?

Clarification: Refer to Point No. 22 above. Banks are only entitled to receive service charges/markup subsidy (Difference of K+4 and Customer Rate) from 1st installment due month up to settlement of loan or until the loan is classified as "Loss". In case of default of a borrower at any point in time (i.e. customer stops paying markup), banks will continue to claim markup subsidy (Difference of K+4 and Customer Rate) till loan is classified as "Loss" as per applicable PRs at which point bank will stop claiming service charges and will claim credit loss of principal amount.

The EAs can claim service charges subsidy in subsequent months, if the status of the same loan is revised back to "Regular". In such cases, loss claimed will be returned to DFSD or the same will be adjusted by EAs by netting it off from the next quarter loss claim/service charges subsidy claim.

25. Can a bank finance motorcycles/car for business purpose to salaried individuals?

Clarification: Scheme does not restrict financing to private sector employees/salaried individuals. However, government employees are not allowed to avail financing.

26. Is a person guaranteeing a loan can himself apply for loan under the scheme?

Clarification: Yes. A person can apply for loan against his/her personal guarantee. Further, a person being borrower under PMKJ-YES cannot become guarantor for loans to other persons under the scheme.

27. How age criteria can be assessed in case company constitution/business status is Partnership or Private Limited Company

Clarification: The condition of age limit is applicable for individuals and sole proprietors under the scheme. In case of other form of businesses including partnerships and companies, if one of the partner/owners or directors fulfils the age requirement it will be eligible under the scheme to avail financing.

28. The features of scheme are silent regarding making payment to borrower or supplier therefore can we disburse directly to the borrower.

Clarification: Disbursements can be made to the borrower or to the supplier as per the agreement between the borrower and the bank.

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29. Whether Complete Buildup Unit (CBU) can be categorized as locally manufactured vehicle such as FAW Trucks, Commercial Vehicle etc.

Clarification: Under the scheme, financing is allowed for locally manufactured vehicle only. CBU cannot be categorized as locally manufactured vehicles as these vehicles do not require an assembly before they can be sold out to the buyers.

30. In case 2 loans are disbursed to same customer under commercial vehicle then how unique CIN number will be generated by the bank.

Clarification: Under the scheme, an eligible borrower can avail one loan against his/her CNIC. Besides, loan for one vehicle per borrower is allowed under the scheme.

31. Is there a separate Loan Application Form for Islamic finance?

Clarification: The same loan application will be used for Islamic banks/windows.

DISCLAIMER

Every effort has been made to ensure that the explanations given in the Prime Minister's Youth Entrepreneurship Scheme (PMKJ-YES). Scheme FAQs are fully aligned with instructions issued by State Bank of Pakistan from time to time through Circulars/Circular Letters or any other means. However, in case, any inconsistency is found later on, the instructions issued through Circulars/Circular Letters will take precedence over these PMKJ-YES FAQs.

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Annexure A

Form 1: Borrower Profile

Borrowers' Profile (Form 1)-PMKJ-YES Qx-20xx											
Sr No.	Customer Identification No	CNIC No.	Applicant Name	Disctriict	Tier 1/2/3	Amount Approved	Amount Disbursed	Date of Disbursemen	Tenor Including Grace Period	Expiry Date	Nature of Business
1	ABC-12345678	4320827545793	ABC DEF	uvw	1	500000	300000	20191112	5	20241201	Dairy Farm
2	DEF-91011121	4712439874576	GHI	xyz	2	1000000	700000	20191112	8	20271201	Stitching
The Executing Agency (EA) certifies that 1- Loans under the guarantee potfolio are eligible as per instructions of PMKJ-YES and internal due diligence of all of the above mentioned individual loans has been carried out at our end. 2- State Bank of Pakistan will have the right to debit EA account if it fails to carryout due diligence/ ensure compliance of the instructions as detected/observed during inspections by BID/DFSD at later stage. 3- Hardcopy is mirror image of soft data already sent to DFSD, SBP BSC. If mismatch of softcopy and hardcopy is found at a later stage, SBP reserves the right to take appropriate action against the bank. 4. All the above assertions are correct and have also been verified/audited.											
Authorized Signatories: <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> Signature : _____ Name : _____ Designation : _____ </div> <div style="width: 45%;"> Signature : _____ Name : _____ Designation : _____ </div> </div>											
Note: 1. Each EA will issue a unique Customer Identification Number (CIN) to each fresh client in the form "EA-(eight digit successive number of the customer)- i.e ABC Bank Limited may issue CIN of ABC-00000025 for the 25th customer under the PMYES. 2. All PMKJ-YES loans will be uploaded on above format on MS excel file and will be shared with DFSD with undertaking through email. Softcopy of the quarterly report should be submitted to DFSD, SBP BSC HO Karachi with undertaking after internal audit has been carried out by the EA. 3. PMKJ-YES- Form 1 (Borrower Profile) once uploaded/provided should not be submitted again in upcoming quarters.											

Form 2: Tranche File

Tranches File (Form 2) - PMKJ-YES Qx-20xx						
Sr No	Customer Identification No.	CNIC No.	Tier 1/2/3	Tranche (2, 3 etc)	Tranche Amount Disbursed	Date of 2nd Disbursement
1	ABC-12345678	4130323403251	1	2	200000	20190101
The Executing Agency (EA) certifies that 1- Loans under the guarantee potfolio are eligible as per instructions of PMKJ-YES and internal due diligence of all of the above mentioned individual loans has been carried out at our end. 2- State Bank of Pakistan will have the right to debit EA account if it fails to carryout due diligence/ ensure compliance of the instructions as detected/observed during inspections by BID/DFSD at later stage. 3- Summary of data submitted in cover letter matches with data submitted in soft data already submitted to DFSD. If mismatch is found at a later stage, SBP reserved the right to take appropriate action against the bank. 4- All the above assertions are correct and have also been verified/audited.						
Authorized Signatories: <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> Signature _____ Name _____ Designation _____ </div> <div style="width: 45%;"> Signature _____ Name _____ Designation _____ </div> </div>						
Note: 1. All PMKJ-YES loans will be uploaded/reported on above format on MS Excel whereas softcopy of the quarterly report should be submitted to DFSD, SBP BSC HO Karachi with undertaking after internal audit has been carried out by the EA. 2. Tranch disbursements against loans (to be disbursed in tranches) should be reported on Form PMKJ-YES-3						

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Form 3: Transaction Form (Quarterly Subsidy Claim Form)

Transaction File (Form - 3) Quarterly Services Charges Subsidy Claim due from the Government of Pakistan PMKJ-YES Qx-20xx																	
S.NO	Quarter	Customer Identification	CNIC No.	Tier 1/2/3	Kibor M1	Kibor M2	Kibor M3	OS PRIN M1	OS PRIN M2	OS PRIN M3	GoP Subsidy M1	GoP Subsidy M2	GoP Subsidy M3	Total subsidy (M1+M2+M3)	LoanStatus M1	LoanStatus M2	LoanStatus M3
1	Q1-2020	ABC-00000002	4230112342575	2	11.65	11.65	11.65	1,119,684	1,098,987	1,078,187	9,937	9,754	9,569	29,260	REGULAR	REGULAR	REGULAR
2	Q1-2020	DEF-00000003	4220137511234	2	8.45	8.45	8.45	1,181,158	1,160,769	1,140,278	7,333	7,206	7,079	21,618	REGULAR	REGULAR	REGULAR

The Executing Agency (EA) certifies that

- Loans under the guarantee portfolio are eligible as per instructions of PMKJ-YES and internal due diligence of all of the above mentioned individual loans has been carried out at our end.
- State Bank of Pakistan will have the right to debit EA account if it fails to carryout due diligence/ ensure compliance of the instructions as detected/observed during inspections by BID/DFSD at later stage.
- Data submitted in cover letter matches with data submitted in soft data already sent to DFSD. If mismatch of softcopy and data in cover letter in hardcopy is found at a later stage, SBP reserves the right to take appropriate action against the bank.
- All the above assertions are correct and have also been verified/audited.

Authorized Signatories:

Signature : _____ Name : _____ Designation : _____	Signature : _____ Name : _____ Designation : _____
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Note:

- Mark up calculation is based on 12 months/year as the product requires Equal Monthly Instalments (EMI). Mark up for each quarter is calculated on monthly basis and then aggregated to make up the total mark up for the Quarter. During grace period, monthly service charges count as customer instalment amount.
- Possible status of loan: Regular, OAEM, Substandard, Doubtful and Loss. Portfolio loss sharing will be available against loss classified cases only.
- All quarterly PMKJ-YES services charges subsidy claims due from the government will be reported on this Form PMKJ-YES-3 on MS excel. Soft copy of the quarterly subsidy claim should be submitted to DFSD, SBP BSC HO Karachi after internal audit has been carried out by the EA.