

Rupee-based discounting facility under EFS/IERS – Frequently Asked Questions (FAQs)
(IH & SMEFD Circular No. 03 dated February 16, 2022)

Q1: What will be discounting rate and SBP’s refinance rate?

Ans: End user rates based on tenor of export bill/export receivable, as mentioned in para 2(d) of circular will be used for discounting; whereas, banks will get refinance from SBP at the applicable refinance rates given in the circular. For example, if a customer approaches a bank on March 1, 2022 (i.e. during first three months from the date of issuance of the circular) for discounting with tenor of up to 120 days, applicable discounting rate will be 1.5% for end user while for bank the SBP’s refinance rate will be 0.5%. However, if the customer approaches the bank on May 19, 2022 (i.e. after expiry of first three months from the date of issuance of the circular) for discounting tenor of up to 120 days, discounting rate for end user will be 2.5% and bank will get refinance rate of 1.5% from SBP.

Q2: Under this Facility, how much PKR will a customer receive through discounting?

Ans: Customer will receive PKR amount based on the following formula:

PKR amount to be received by the customer = Discounted Forward ER x Bill amount in FCY
 whereas:

$$\text{Discounted Forward ER} = \frac{\text{Ready Exchange Rate} + \text{Forward Premium}}{\left(1 + \left\{ \text{Discounting Rate} * \frac{\text{Tenor of Discounting}}{365} \right\}\right)}$$

Q3: Will the customer discount factor be exactly same across the entire banking industry?

Ans: No. There may be variation from bank to bank and customer to customer depending upon various input factors (i.e. exchange rates, forward rates etc.) mentioned in the formula given in FAQ 2.

Q4: Whether the end-user rates are fixed or banks have the flexibility to offer better rates to customers?

Ans: The end-user rates given in IH & SMEFD Circular No.03 of 2022 are the maximum rates and banks can offer same or even lower (i.e. better) rates to their customers. However, SBP refinance rates applicable for banks are fixed, as mentioned in the circular.

Q5: Which rates will be applicable on export bills discounted during first three months of issuance of circular but maturing after May17, 2022?

Ans: First three months’ rates (i.e. rate applicable from Feb 17, 2022 to May 17, 2022 as mentioned in table below) will be applied to all bills discounted during first three months, irrespective of their maturities. For example, if a bill maturing beyond May 17, 2022 is discounted on March 17, 2022, rates applicable to first three months will be applied.

Tenor (remaining days to be discounted)	Rate (applicable from Feb 17, 2022 to May 17, 2022)	
	SBP Refinance Rate	End User Rate
(up to) 90	1.0%	2.0%
(up to)120	0.5%	1.5%
(up to)180	0.0%	1.0%

Q6: Whether exports bills/export receivables can be discounted, where EFS Part-I or Part-II financing has already been availed?

Ans: For exports bills, where EFS under Part-I (pre- or post-shipment) has already been availed, Rupee-based discounting facility will be available only to the extent of remaining days of maturity. However, exporters will have to first settle their earlier availed loan under Part-I against the same bill from the discounting proceeds/from any other export proceeds. Further, exporters who have already availed financing under Part-II can get their bills discounted under Rupee-based discounting facility provided they meet performance requirement under Part-II independently and any E Form in WeBOC/ Financial Instrument in PSW under this Facility cannot be utilized for reporting of shipment and performance under Part-II as provided in the circular.

Q7: Will bills discounted under Rupee-based discounting facility be included in calculating exporters' next year's annual limit entitlement under Part II?

Ans: Yes.

Q8: Whether export bills/export receivable of commodities, which are ineligible under EFS (falling in negative list of EFS) can be discounted under the Rupee-based discounting facility of EFS/IEFS?

Ans: No. Since this Facility is a part of overall EFS/IEFS, all eligibility criteria under EFS/IEFS will remain applicable. Hence, commodities which are ineligible for financing under EFS will remain ineligible under this Rupee-based discounting facility of EFS/IEFS.

Q9: Whether exporters having overdue exports can avail the Rupee-based discounting facility under EFS/IEFS?

Ans: Exporters with maximum export overdue of 5% of last year total exports, as mentioned in IH & SMEFD Circular No. 08 of 2011 will be eligible to avail this Facility.

Q10: When will refinance be repaid to SBP in case a) export bill/export receivable is realized earlier than its maturity and b) export bill/export receivable is realized after its maturity?

Ans: SBP refinance will be for a fixed period determined on the date of discount, irrespective of actual realization. Hence, in either case i.e. early realization of the discounted export bill/export receivable or late realization of the discounted export bill/export receivable, SBP refinance period will not change.

Q11: Can existing export bills /export receivables already sold or discounted before the issuance of this circular be utilized for discounting under this circular?

Ans: No. Exporters who have already sold/discounted an export bill cannot avail SBP's Rupee-based discounting facility against the same bill.

Q.12: Can exporters avail Rupee-based discounting facility against bills/contracts under pre-shipment?

Ans: Yes. Exporters can avail this Facility both for pre-shipment and post-shipment.

Q.13: What would be the process of getting discounting under this circular for pre-shipment export receivables?

Ans: In case of pre-shipment, export bills/export receivables (against LC/contract as the bank consider appropriate) will be discounted, on the basis of predetermined terms (amount, date of shipment and realization etc., within the terms & conditions of the Facility) of the underlying LC or contract. However, refinance will be available for maximum period of 180 days.

Q14: How will a bank provide Facility to an exporter, if total period of a pre-shipment export bill along with realization periods exceeds 180 day?

Ans: Banks can avail refinance against this Facility for a maximum period of 180 days. For the period beyond 180 days, banks may arrange financing from their own sources at predetermined terms and conditions mutually agreed between bank and borrower.

Q15: When will concerned office of SBP SBC recover the principal and markup of refinance?

Ans: As explained in FAQ number 10, the principal will be recovered on the date of maturity of the bill (already determined on the date of discounting) irrespective of actual realization of the export bill, whereas the markup will be recovered on quarterly basis. In case of maturity before quarter end, the principal will be recovered along with markup.

Q16: How much time can a bank take for claiming of refinance against discounted bill in order to receive PKR on the same day?

Ans: Banks can claim refinance against bill discounted latest by 3:00 pm on any working day after discounting in order to receive PKR on the same day provided the documentation submitted to SBP is in order.

Q17: Is forward booking mandatory for discounting under this circular?

Ans: Yes

Q18: What is the treatment if there is a claim when goods are shipped and realized proceeds are less than booking?

Ans: Any differential will be purchased at the prevalent spot price.
