

Press Release

30th June, 2005

**SBP CHANGES METHODOLOGY OF
CALCULATION OF EFS RATES**

Based on feedback and suggestions from various trade associations to further market base the rates under the Export Finance Scheme (EFS), the State Bank of Pakistan has changed the methodology for calculation of these rates. Accordingly, the rates under EFS will be determined on the basis of the weighted average yields on six months T-bills during the preceding three months. Under the revised procedure, the rate of refinance under the EFS applicable for the month of July, 2005 has accordingly been fixed at 7.50% p.a. The commercial banks shall, however, ensure that where financing facilities are extended by them to the exporters for availing refinance facilities under the Export Finance Scheme, their maximum margin/spread does not exceed 1.5% p.a.

It may be pointed out that the Export Finance Scheme of the State Bank of Pakistan has been an important source for meeting financing needs of the exporters. Effective from 2001, the SBP had linked the EFS rates with the six months T-Bills and these rates were being adjusted on a monthly basis with the movement of the weighted average yields during the preceding month. During the last few months, the rates of EFS, which had previously been reducing, have started moving up with the increase in weighted average yields on six months T-Bills. In order to avoid a sharp increase during a particular month, the State Bank, based on feed back and suggestions from various trade associations, has changed the methodology of calculation of these rates to an average of the preceding three months. This new methodology of calculation of EFS rates will remain in force till further instructions.