

31st July, 2006

**ADVANCES AGAINST SUGAR: SBP EXTENDS
DEADLINE UPTO 31ST OCTOBER, 2006**

The State Bank of Pakistan has extended the deadline of adjusting advances against the security of sugar stocks upto 31st October, 2006. However, this extension will only be applicable to such financing facilities whose expiry date is after 31st July, 2006.

A decision to this effect was taken by the Governor, State Bank of Pakistan, Dr. Shamshad Akhtar who chaired two separate meetings of the Chief Executives of banks/DFIs and a delegation of Pakistan Sugar Mills Association (PSMA) at SBP Karachi today.

Both the banks and the PSMA pointed out to the SBP Governor that the Sugar Mills had not been able to liquidate their advances till 31st July, 2006 due to a number of problems being faced by the millers. They said that as per normal cycle loans against sugar are generally repaid by October every year

The PSMA delegation welcomed the decision of the Governor for extending the deadline. The delegation assured the Governor that the advances against sugar stocks would definitely be liquidated by the extended deadline.

The Governor asked the banks/DFIs to reduce their loans by 1/3rd every month to ensure full adjustment of their advances against the security of sugar stocks by the extended deadline i.e. 31st October, 2006. She said the progress in this respect will be closely monitored by the State Bank through the weekly statements which banks/DFIs would submit to it (SBP).

The Governor also allowed the banks/DFIs to extend financing facilities against the securities of imported sugar without 50% cash margin requirement. But she pointed out that such financing should be adjusted within 45 days of the disbursement of funds.

BPD Circular No.10 dated 31st July, 2006 issued in this regard to the presidents/chief executives of all banks is enclosed.
