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SBP to review LC margin requirement for essential raw materials: Dr Akhtar

Dr Shamsah Akhtar, Governor, State Bank of Pakistan has said that the central bank in consultation with the Government will look into the demands of the industry of exempting essential industrial raw materials from mandatory 35% cash margin requirement on opening letters of credit (LCs) to facilitate the industry.

She made these remarks while talking to a delegation of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), which called on her at the State Bank of Pakistan, Karachi this afternoon.

Representatives of the FPCCI apprised the SBP Governor of the problems being faced by the industry after the introduction of cash margin requirements, saying that the industry is facing the problem of shortage of working capital.

Dr Akhtar assured the delegation that the central bank will look into the matter and asked FPCCI to submit a list of raw materials for consideration of the State Bank and the Government. "We are working diligently for the betterment of the economy and the industry...we have always accommodated the industry and will do so in future as well," she remarked.

During the meeting, SBP Governor explained in detail about the rationale behind taking recent interim monetary policy measures and said the 150 basis points increase in the discount rate has been necessitated by the persistent and excessive government borrowing from the SBP to meet the financing requirement of the budget deficit. Stock of government borrowing from SBP is more than double of last year's level and in order to offload this huge debt to the scheduled banks, this rate hike will act as a critical measure to induce the scheduled banks to participate actively in T-bill auctions.

Dr Akhtar also highlighted measures taken by the central bank to stabilize the exchange rate and said that since the interim monetary policy measures announcement, the Pakistan rupee has appreciated over 3% against the dollar in the inter-bank market.

Mr. Tanvir Ahmed Sheikh, President FPCCI, said that they now have better understanding about State Bank's actions and assured that the industry will fully cooperate with the central bank.
