

October 26, 2008

**SBP Governor Announces Further Relaxations in ADR of Banks**

The Governor, State Bank of Pakistan, Dr Shamshad Akhtar today announced further relaxations in Advances to Deposits Ratio (ADR) of banks. The relaxations will enable the banks to lend to the priority sectors of the economy. In this regard, a detailed circular has been issued to the banks. As per the detailed instructions issued, vide BSD Circular No. 28 of 2008, the Advances will comprise all loans and advances (net of provisions) excluding the following haircuts:

- i) Refinance availed from SBP under Export Refinance and Long Term Financing Facility (LTFF) Schemes
- ii) Lending for commodity operations
- iii) Lending for power generation and distribution; and
- iv) Lending to/placements with other banks (if included in loans/advances).

Moreover, the term "Deposits" for the purpose of calculating Advances to Deposits Ratio will also include Tier 1 Capital of the banks. These measures will align the ADR requirements to the underlying liquidity risk parameters and will ensure the adequate availability of credit to all sectors of the economy.

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