

February 28, 2012

## **SBP allows banks to write-off outstanding loans of three more districts under Prime Minister's Fiscal Relief Package**

The State Bank of Pakistan (SBP) has allowed banks/ development finance institutions (DFIs)/ microfinance banks (MFBs) to write-off the total outstanding loans as of December 31, 2009 of the borrowers of Lower Dir, Upper Dir, and Shangla Districts under the Prime Minister's Fiscal Relief Package to Rehabilitate the Economic Life in Khyber Pakhtunkhwa, FATA and PATA as per guidelines given in SMEFD Circular No. 01 dated February 02, 2011.

Banks, DFIs and MFBs shall bear the cost of such write offs to the extent of amount held into provision against Non Performing Loans (NPLs) and interest in suspense account, while the rest of the cost will be paid by the Government of Pakistan as subsidy, says IH&SMEFD Circular Letter No.2 of February 28, 2012.

After internal approvals to write off of outstanding loans of the borrowers of Lower Dir, Upper Dir, and Shangla Districts under Fiscal Relief Package of the Government, the banks/DFIs /MFBs may submit claims to the office of SBP-BSC (Bank), Peshawar on prescribed format duly audited and authenticated by their Internal Audit up-to April 10, 2012.

The amount to be reimbursed by SBP-BSC (Bank), Peshawar shall, however, be subject to on-site inspection by SBP's Inspection Department and if any amount claimed found ineligible, the same shall be required to be refunded by the concerned institutions along-with a fine of 25% of amount reimbursed, the Circular Letter added.

It may be pointed out that the Finance Division, Government of Pakistan informed the State Bank that the Prime Minister has approved to extend the facility of writing off of total loans outstanding as on 31-12-2009 to the residents of Lower Dir, Upper Dir, and Shangla Districts of Malakand Division under Fiscal Relief Package.

It may be recalled that banks, DFIs and MFBs were earlier allowed to write off the entire loans outstanding as of December 31, 2009 of the borrowers of Malakand, Swat, Buner and Chitral Districts.

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