

## **SBP slashes refinance rate under three financing schemes by 150 basis points**

The State Bank of Pakistan (SBP) has with immediate effect reduced the refinance rate under the Export Finance Scheme (EFS) and the service charges under the Long Term Financing Facility (LTFF) and the Scheme for Financing Power Plants Using Renewable Energy by 150 basis points or 1.5 percentage points.

Now the exporters can get financing from banks under EFS at 9.5 per cent per annum (p.a.). Earlier, the exporters were getting the financing under this scheme at 11 per cent p.a.

It has been decided that rate of refinance under the Export Finance Scheme applicable from September 10, 2012 and onward till further instructions shall be 8.50% p.a. The commercial banks shall 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% p.a. says IH&SMEFD Circular No. 4 issued to all banks today.

The reimbursement of mark-up rate benefit to exporters, on excess performance under Part-II of the Scheme, as specified in SMEFD Circular No.15 dated October 31, 2009, will be adjusted accordingly keeping in view the revised mark-up rates, the circular added.

The rates of service charges for Participating Financial Institutions (PFIs) and rates for end users under the Long Term Financing Facility (LTFF) have also been reduced by 150 basis points with effect from September 10, 2012. The rates of refinance under LTFF will now be 9.50% for financing up-to 3 years, 8.60% for over 3 years and up-to 5 years and 8.20% for over 5 years and up-to 10 years. Participating Financial Institutions'(PFIs') spread for these tenors will be 1.50%, 2.50% and 3.00% respectively. Hence, the end users' rates for these tenors have now been reduced to 11.00% from 12.50%, 11.10% from 12.60% and 11.20% from 12.70% respectively, according to IH&SMEFD Circular No.5.

Similarly, the rates of service charges under the Scheme for Financing Power Plants Using Renewable Energy have been re-fixed at 8.60% for financing up-to 5 years and 8.20% for over 5 years and up-to 10 years with effect from September 10, 2012. Banks/DFIs will be allowed to charge 2.50% and 3.00% spread respectively for these tenors. Hence, the end users' rates for these tenors have now been reduced to 11.10% from 12.60% and 11.20% from 12.70% respectively, according to IH&SMEFD Circular No.6.

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