



## External Relations Department

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### **SBP introduces Convertible Debt for raising financing from Abroad**

In order to facilitate the startup companies in raising financing from abroad, State Bank of Pakistan has allowed them to avail loans as “Convertible Debt”. Convertible debt is a type of financing with the option that it may be converted into equity shares of the borrowing company, subject to certain terms and conditions. Before the latest instructions, entities were allowed to raise foreign currency loans from abroad within the parameters defined in Chapter 19 of Foreign Exchange Manual, but there was no specific category that provided the option of convertibility of loan in to equity of the borrowing company.

It is expected that this initiative will help in attracting more foreign investment as it will provide another option to the international investors to invest in startup companies operating in Pakistan. The foreign investors, which are hesitant to participate in the equity of the start-up company at initial stage, may provide financing under this category and decide about participation in equity at some later stage. In order to implement these changes, relevant provisions of Chapter 19 of Foreign Exchange Manual have been updated vide FE Circular No.4 of 2021 dated May 26, 2021, which can be seen at <https://www.sbp.org.pk/epd/2021/FEC4.htm>

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