

A Chronology of Policy Announcements

A-1 Banking Policy & Regulation Group

Circular/Circular Letter No. and Date	Policy Decision
<p>BPRD Circular No. 2 September 13, 2012</p>	<p>Anti-money Laundering and Countering the Financing of Terrorism (AML/CFT) Regulations The previous AML Regulations M-1 to M-5 of Prudential Regulations on Corporate/ Commercial Banking were replaced with new “AML/CFT Regulations”. The revised AML/CFT Regulations inter alia require record retention for 10 years, Risk assessment of new products and services, extended category of identity documents, enhancing controls on online transfers, expanding due diligence requirement on close associates or family members of Politically Exposed Persons, clear responsibilities of respective institutions in wire transfers/correspondent banking, linking Customers’ profiles with automated transaction monitoring systems. The regulations require Due Diligence at the time of hiring employees and require banks to provide adequate training to employees including Online Training and Tests. Moreover, stringent requirements for the accounts of NGOs/NPOs and Charities have been introduced.</p> <p>AML/CFT Guidelines on Risk Based Approach (RBA) Banks/DFIs are also required to improve their Risk Based Approach (RBA) as per “AML/CFT Guidelines on Risk Based Approach” within six months from issuance of subject circular. The salient features of the Guidelines are as under:</p> <ul style="list-style-type: none"> • General requirements on conducting internal risk assessment of banks through quantification of risk using risk matrix, risk registers and taking into account controls and residual risk. • Requirement of risk profiling of customers. • Specific high risk elements in the local context and triggers for enhanced due diligence (EDD). • General high risk scenarios/factors as per international standards. • General low risk scenarios/factors and examples of simplified due diligence.
<p>BPRD Circular No. 3 October 4, 2012</p>	<p>Increasing the Coverage Ratio of ATMs in Pakistan Banks were advised that effective from CY- 2013 onwards, all banks shall add one ATM in their network against each new branch to be opened in a CY. Further, the banks having less than 1:1 ATM per branch ratio were also advised to cover their existing gap in 5 years starting from CY-2013 @ 20% each year.</p>

<p>BSD Circular No. 3 December 24, 2012</p>	<p>Internal Capital Adequacy Assessment Process (ICAAP)- Reporting Template State Bank of Pakistan (SBP) issued broad guidelines on Internal Capital Adequacy Assessment Process (ICAAP) through BSD Circular No. 17 of 2008. The SBP required the banks and DFIs to have effective and sound processes for assessing their overall capital adequacy. However, the first ICAAP documents submitted by the banks had varied length and format which necessitated the development of a standardized ICAAP reporting template. In view of the above, the BSD (now BPRD) issued this circular on standardized ICAAP-Reporting Template. The use of standardized ICAAP reporting template would not only make the Supervisory Review and Evaluation Process (SREP) more efficient for both the bank and SBP, it would also enhance the comparability of respective ICAAPs across different banks having similar business and risk profiles.</p>
<p>BSD Circular No. 1 January 02, 2013</p>	<p>Internal Credit Risk Rating System – Retail Portfolio Banks shall develop an application and behavioral scorecards for their retail borrowers including consumer portfolio. The banks should review and update the assigned scores at regular intervals, which may range from one month to a maximum of one year.</p>
<p>BPRD Circular Letter No. 3 March 12, 2013</p>	<p>Acceptance of Pakistan Smart National Identity Card (SNIC) issued by NADRA In pursuance of Ministry of Interior’s notification, Smart National Identity Card (SNIC) was allowed to be treated as identity document for account opening/banking transactions in lieu of CNIC wherever required in AML/CFT Regulations, Branchless Banking Regulations and other instructions.</p>
<p>BPRD Circular No. 1 March 15, 2013</p>	<p>Minimum Rate of Return on Saving Deposits Banks were advised to pay profit to depositors on average monthly balances.</p>
<p>BPRD Circular No. 4 May 16, 2013</p>	<p>Treatment for Investment in the units of Mutual Fund and AMCs for CAR Purposes The circular contains instructions applicable on banks’/ DFIs’ investment in units of open-ended as well as closed-ended mutual funds and Asset Management Companies for the calculation of Capital Adequacy Ratio (CAR). Moreover, the circular also elaborates treatment for Investment in the units of Mutual Funds and AMCs for CAR Purposes.</p>

A-2 Development Finance Group

Circular/Circular Letter No	Policy decision
<p>IH&SMEFD Circular Letter No. 10</p>	<p>SBP Allowed Finance for Soda Ash Plant and Machinery under LTFF The State Bank of Pakistan (SBP) has allowed banks/ Development Finance Institutions (DFIs) to provide financing facilities for new imported and</p>

July 19, 2012	locally manufactured plant, machinery & equipment to be used by the Export Oriented Projects for producing Soda Ash under the Long Term Financing Facility (LTFF) for Plant & Machinery.
IH&SMEFD Circular Letter No.11 July 30, 2012	SBP Enhanced Scope of Scheme for Financing Power Plants Using Renewable Energy SBP has allowed procurement of plant & machinery to be used in new Renewable Power Projects with a Capacity of up-to 20MW. The maximum financing limit to a single renewable power project under the Scheme has also been fixed at Rs 3 billion to accommodate larger number of borrowers. SBP has also extended expiry date of said Scheme from June 30, 2012 to June 30, 2014 vide Circular Letter No 6 / 2013.
IH&SMEFD Circular Letter No.12 August 06, 2012	SBP Allowed Further Relaxations to Exporters under Export Finance Scheme The State Bank of Pakistan (SBP) has allowed further relaxations to exporters under EFS Part-II to include the export proceeds realized up to August 31, 2012 for entitlement of limit in the EE-1 statement for the year FY13. This relaxation was given to the exporters having shortfall in required performance under EFS Part-II for the monitoring year FY12. Further, limits sanctioned by banks under Part-II of the Scheme for FY12 to the exporters intending to avail this facility were continued up to October 31, 2012.
IH&SMEFD Circular No. 3 August 30, 2012	Technology Up-gradation Fund (TUF) Federal Government had announced TUF Scheme under Textile Policy 2009-14 for Textile Sector to support investment for upgrading textiles machinery and technology. SBP issued necessary instructions to banks/DFIs regarding implementation of said Scheme of the Government. Under the Scheme Federal Government will provide two types of financial support to the investors of Textile Industry [viz. (i) Mark up Support up-to 5 percent p.a. for importing machinery and technology; & (ii) Investment Support to the extent of (a) 5 percent p.a. to Non-SMEs against equity investment in machinery and technology; and (b) 20 percent p.a. of the capital cost for SMEs on account of investment in new Plant and Machinery.
IH&SMEFD Circular Letter Nos. 13,15,16,17 & 18 December 03 & 05 2012	One Year Extension of Time in Expiry Period of Certain Refinance Schemes SBP has extended the expiry date of the Refinance Facility for Modernization of Small & Medium Enterprises (SMEs), Refinance Scheme for Revitalization of SMEs in Khyber Pakhtunkhwa (KPK), Gilgit-Baltistan (GB) and the Federally Administered Tribal Area (FATA), Financing Facility for Storage of Agricultural Produce (FFSAP), and Agri. Loans Refinancing & Guarantee Scheme for War Affected Areas of KPK and FATA by one year. These facilities / schemes will now remain valid up to December 31, 2013. SBP has also extended the validity period of Refinance Scheme for Revival of SMEs & Agricultural Activities in Flood Affected Areas from November 2012 to November 2013.
IH&SMEFD Circular No.2, 3 &	Rationalization of Rates of Service Charges The markup rates of EFS and LTFF & Scheme for Financing Power Plants using Renewable Energy were rationalized keeping in view movement in

7 January 01 & March 29, 2013	Weighted Average Yields of 6month T-bills and PIBs of relevant tenors.
IH&SMEFD Circular No.4 January 03, 2013	SBP Launched New Export Finance Facility for Locally Manufactured Machinery (EFF-LMM) SBP launched Export Finance Facility for Locally Manufactured Machinery (EFF-LMM) with a view to promoting the export of Locally Manufactured Plant & Machinery in January 03, 2013. The exporters can avail long term financing facilities through banks for export of eligible Plant & Machinery and Engineering Goods under the Facility. Under the Facility long term financing facilities up-to the period of five years is available both at pre-shipment and post-shipment stages.
IH&SMEFD Circular Letter No. 1 February 08, 2013	Impact of Change Rate on Islamic Export Refinance Scheme (IERS) SBP advised that for Murabaha, Salam, Istisna agreements etc executed by Islamic Banking Institutions (IBIs) under IERS before issuance of IH&SMEFD Circular No.01 dated January 01, 2013, the price/rate of profit may not be changed. Similarly for all such transactions the profit distribution mechanism ratio between SBP and IBI would also remain unchanged.
IH&SMEFD Circular Letter No. 2 & 3 Marc 14 & May 6, 2013	Payments of Export Finance Mark-up Rate Facility, and Mark-up Rate Support for Textile Sector against Long Term Loans On budgetary allocation for FY13 by Ministry of Textile Industry, SBP announced to release 22 percent Export Finance Mark-up Rate Facility for the period from March 1 to August 31, 2010; and 100 percent Mark-up Rate Support on Long Term Loans to the beneficiaries of Textile Sector for the period from 1st September, 2010 to 28th February, 2011.
IH&SMEFD Circular Letter No. 4 May 10, 2013	Credit Guarantee Scheme for Small and Rural Enterprises Extension of Tenor In order to facilitate eligible farmer's maximum tenor of loans, for purchase of tractors and other agri. Implements, has been raised from 3 to 5 years. However, in order to avoid portfolio concentration in the same, the aggregate financing under this category shall not exceed 20% of the total allocated guarantee limit of the bank.
IH&SMEFD Circular Letter No.5 May 22, 2013	Islamic Export Refinance Scheme (IERS) Eligibility of Government of Pakistan (GOP) Ijara Sukuk in Musharaka Pool (MP) In order to facilitate banks to increase financing under Islamic Export Refinance Scheme, SBP allowed un-encumbered GoP Ijara Sukuk to include in the Musharaka Pool (MP) created under IERS.
IH&SMEFD Circular Letter No.6 June 21, 2013	Export Finance Scheme (EFS)/Islamic Export Refinance Scheme (IERS)-Extension in Limit The limits under export refinance scheme expire on 30-06-2013 and exporters are required to submit EE-1 statement for FY12 duly verified by Foreign Exchange Operations Department, SBP BSC latest by August 31, 2013. Banks would therefore not be in a position to work out revised entitlement of limits for each exporter under Part-II of the Scheme for the year FY14. In order to ensure that the financing facilities are available to exporters till finalization of their new limits under Part-II of Scheme, the limits sanctioned by banks to individual exporters under Part-II of the Scheme for FY13 would continue up to August 31, 2013, to enable

	exporters to avail financing facilities under the Scheme pending preparation of EE-1 statements, their verification by the Foreign Exchange Operations Department, SBP BSC and submission of the same to the Refinance Units of the concerned office of SBP BSC.
IH&SMEFD Circular Letter No.7 June 21, 2013	Long Term Financing Facility (LTEF)-Extension in Limit In order to ensure that financing facilities are available to borrowers till finalization of new limits under LTFF for FY14, it was decided to continue with the existing limit until fresh limits for FY14 are notified.
IH&SMEFD Circular No.9 August 20, 2013	Long Term Financing Facility for the Services Sector SBP introduced Long Term Financing Facility for the Services Sector (LTFF-SS) to promote the exports of Services Sector. LTFF-SS will provide necessary finance to the exporters of services sector for adoption of new technologies and enhance their capacities to perform better services in line with the international competitive environment.

A-3 Financial Market/Reserve Management Group

Circular/Circular Letter No	Policy Decision
Circular Letter No. 1 February 19, 2013	Forward Cover Facilities against Imports Instructions on the forward cover facility provided by Authorized Dealers against imports have been further clarified as under: <ol style="list-style-type: none"> 1. In all cases the maturity of the forward contract against import should coincide with the maturity of the underlying letter of credit. In case of a usance L/C which requires payment to be made after a given number of days of shipment and the shipment date has been determined on or before the L/C expiry date, the forward contract can be rolled over on forward maturity date to coincide with L/C payment date, subject to the condition that the roll over is not for less than one month. In case the shipment period is not determined on the L/C expiry date, forward cover cannot be rolled over and has to be closed out at the prevailing exchange rate on the L/C expiry date. 2. Where L/C payment is due before L/C expiry/forward maturity, forward contract would have to be taken up on the date when the payment is due for delivery to the customer. 3. Even in cases where partial shipments are allowed, the forward contract against import should coincide with the maturity of the underlying letter of credit. In case of partial payment prior to the L/C expiry date, the forward contract can be taken up to the extent of the partial payment. In case of partial payments after the L/C expiry date please refer to our clarification at S. No.1 above.
Circular Letter No.3 February 27, 2013	Operations of Private Foreign Currency Accounts Authorized Dealers have been advised to strictly observe the following in respect of foreign currency accounts, which may be opened with them without prior approval of the State Bank as per the applicable SBP rules and regulations:

	<p>a) All applicable SBP instructions including Prudential Regulations regarding AML/KYC should be strictly followed.</p> <p>b) As already advised in Para 1(iii), Chapter VI of FE Manual, the Corporate Bodies/Legal entities cannot generate funds from the kerb market for deposit in their foreign currency accounts.</p> <p>c) It is reiterated that personal foreign currency accounts of any nature should not be used for commercial and business purposes.</p> <p>d) Further, in case of any deposit of foreign currency notes of more than USD 10,000 (or equivalent in other currencies) in a single day, the account holder shall be required to present the original receipt of acquisition. The Authorized Dealer shall keep on record the copy of such receipt.</p>
FE-1 February 12, 2013	<p>Allowed Buying/Selling Spread for Major Foreign Currencies In order to protect customers from exploitation, it was decided that the maximum spread allowed between the buying and selling rates of foreign currencies must not exceed twenty-five (25) paisas, at any given time.</p>
FE-3 June 3, 2013	<p>Network Expansion Policy of Exchange Companies With a view to simplify the procedure of network expansion of Exchange Companies and to consolidate existing instructions on network expansion, the following policy guidelines were issued. The criteria to consider network expansion requests from exchange companies includes capital adequacy, compliance rating, financial health, corporate governance, anti money laundering issues and future earnings prospects of the company.</p> <p>It has been made mandatory for all Exchange companies that the companies which do not fulfill the paid-up capital requirement in relation to their existing network must fulfill the capital requirement by 31st December 2014.</p>
DMMD Circular No. 12 July 03, 2012	<p>Master Circular-Rules Governing Primary Dealer System In order to streamline and further strengthen the Primary Dealer system, few amendments have been made in the rules governing this system. Purpose of these amendments has been to create a balance between privileges and obligations of Primary Dealers (PDs) to achieve the objective i.e. development of debt market in Pakistan. In addition to the above, instructions issued from time to time on the subject have also been consolidated in this master circular.</p> <p>A- Selection Criteria The applicant for the status of Primary Dealer (PD) must be a Bank / DFI / Investment Bank / Listed Brokerage House.</p> <p>As a measure of financial stability, the Banks/DFIs applying for Primary Dealership must have met the minimum paid-up capital requirement of State Bank of Pakistan as of last financial year end. All other applicant should have minimum equity (net of provisions and capitalized losses if any) of PKR 1,000 million.</p> <p>As an indication of strong managerial /trading capabilities, applicant's treasury operations have to be fully computerized. All applicants must also</p>

	<p>be equipped with standard treasury equipment including:</p> <ol style="list-style-type: none"> a) Dealing Terminals including Reuters and Bloomberg, b) Phone Recording Systems, c) Broker's Hotlines, d) Telex/Swift, e) Fax machines, f) Telephone recording equipment with records retained for a period of 90 days. <p>To ensure competent and knowledgeable staff, a minimum of five years of relevant professional experience would be required for main treasury / front office and back office personnel.</p> <p>Applicant must have adequate risk management systems to measure, manage and provide for the risks emanating from the PD activity.</p> <p>All PDs will have to adhere to quoting obligations as specified by State Bank of Pakistan from time to time. To secure the status of PD, the applicant has to be a "PRICE MAKER", quoting two-way price keeping trading desk open throughout the day for marketable Government securities.</p> <p>Applicants' level of participation in the secondary market for the last one year would also be a criterion for selection as PD.</p> <p>An applicant applying for PD status must display complete information regarding process, methodologies, charges and forms required for investment in Government securities, on their official website.</p> <p>Charges imposed by the applicant on Investor's Portfolio of Securities Account should be reasonable and in line with SBP's objective to broaden the investor base of Government securities.</p> <p>At the time of scrutinizing the application for PDs, State Bank of Pakistan may conduct on-site inspection to ensure compliance of aforesaid requirements.</p> <p>B- Selection Process: Applications for appointment of Primary Dealers will be invited by State Bank of Pakistan each year vide a circular. All applicants including existing PDs shall submit an application for appointment as a Primary dealer and shall be accompanied by the documents referred to in the circular. It will be binding for each applicant to furnish to the SBP any such information as the SBP may consider necessary for the purpose of considering the suitability of the applicant to be appointed as a Primary Dealer.</p> <p>Each new applicant will be evaluated in the light of the selection criteria. However, performance of existing PDs will be measured against performance benchmarks defined in these rules.</p>
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	<p>After an applicant is found fit by the State Bank of Pakistan, a letter would be issued for its appointment as Primary Dealer for a period of one year. However, State Bank of Pakistan may also grant an applicant provisional/conditional status of Primary Dealer subject to periodic review.</p> <p>The market would be intimated about Primary Dealer(s) appointment for next financial year through a circular prior to their formal functioning as a Primary Dealer.</p> <p>At any time during the financial year, if a Primary Dealer is found involved in activities not worthy of PD's status or its performance has been found below minimum benchmark levels, the State Bank of Pakistan may serve it with a show cause notice. In case, the explanation offered by the Primary Dealer is found unsatisfactory, primary dealership could be terminated with a 30-days notice period.</p> <p>Appointment or termination of a Primary Dealer would be the sole discretion of the State Bank of Pakistan.</p> <p>C- Role of Primary Dealers: Primary Dealers are required to: Actively participate in the primary market by bidding in the auctions of Government securities as conducted by State Bank of Pakistan from time to time.</p> <p>Distribute Government securities to non-PD banks and other retail/institutional clients.</p> <p>Play an active role in secondary market development to enhance liquidity and turnover, and to widen the investor base of Government securities by creating awareness among investors.</p> <p>Act as a market maker in Government securities by quoting two-way prices in the market.</p> <p>Continuously upgrade its infrastructure in terms of both physical equipment and skilled manpower for efficient participation in primary auctions and secondary market trading.</p> <p>Provide efficient custody services to its customers (Investors Portfolio of Securities Accounts) for Government securities holding, collection and, payment of profits & maturity proceeds.</p> <p>D- Primary Dealer's Privileges Only designated PDs would be eligible to participate in the auctions of Government Securities. The requirement of other banks and institutional/retail investors would be covered from these PDs or from other secondary market players.</p>
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	<p>PDs will be allowed to entertain Pass-through bids, but such volumes will not be counted towards secondary market performance evaluation of the respective PD. However, PDs have to submit detail of accepted pass-through bids to State Bank of Pakistan after every auction of Government securities.</p> <p>The State Bank of Pakistan would announce the auction date and tenor wise auction target of GoP's long term paper 14 days prior to the auction date. PDs would be allowed to carry out "When issued" trading in that paper during the interim period of auction announcement and auction time.</p> <p>The PD will not be allowed to short sell a particular issue more than 5% of the total target amount, during the "When issued" period. Short selling will be allowed only up to the time of auction and will be available only if the auction is accepted.</p> <p>In case a PD is unable to square its short position, PD will be required to cover the short position from the market. However, dependent on the liquidity position of the particular issue State Bank of Pakistan, at its discretion, would help using various options depending upon the situation. Decision of the State Bank of Pakistan in this regard shall be binding.</p> <p>Only PDs would be allowed to carry a short position in securities managing it through repos up to a maximum of three consecutive months for bonds and two weeks for MTBs. However, they would be required to mark-to-market their short positions on daily basis.</p> <p>PDs will be allowed to submit Non-competitive Bids (NCBs) for both MTBs and PIBs. Non-competitive bids will be accepted as 15% of the pre-announced auction target by the State Bank of Pakistan for investors other than banks (both scheduled and specialized)/ DFIs/ Investment Banks through PDs. However, for non-competitive bidding, the ceiling for one investor will be linked with pre-auction target i.e. 0.25% of the auction target or PKR 25.0million, whichever is higher, subject to a maximum of PKR 250 million. In case of breach of this limit through submission of multiple bids in one tenor, all such bids would be treated as void.</p> <p>PDs will have access to SBP Overnight Repo/Reverse-Repo Facility as per rules governing the operations of interest rate corridor.</p> <p>Each PD shall be eligible to claim underwriting commission, to the extent of minimum underwriting target (as explained in rule E-3) or the bid amount accepted, whichever is less, in respect of auction of Long Term securities. The claim for underwriting commission shall be lodged by PD after the settlement date however, commission will be paid annually.</p> <p>The underwriting commission shall be paid to PD at the rate of paisa 5 per Rs. 100 irrespective of maturities in long term government securities sold in</p>
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	<p>auctions.</p> <p>PDs shall also be eligible to claim commission on NCBs @ 10 paisa per Rs. 100 applicable only on accepted NCBs of Individuals/Employee, Provident & Pension Funds/Corporate except AMCs, Mutual Funds, Insurance, Modaraba and Leasing companies, in MTB and PIB auctions. The claim for the commission shall be lodged by the PD after the settlement date however, commission will be paid annually.</p> <p>Top three performing PDs (based on their performance against benchmarks defined in these rules) will be announced by State Bank of Pakistan at the end of each year (July-June).</p> <p>Since PDs would be the main source of market information for the regulators, State Bank of Pakistan may consult them in periodical meetings as and when required. It will be mandatory for PDs to provide information/feedback/data to SBP on any particular issue to the best of their knowledge.</p> <p>E- Primary Dealers’ Quoting and other Obligations</p> <p>PDs must actively participate in all auctions of tradable Government securities. The State Bank of Pakistan would announce pre-auction target amount in short-term as well as in long-term government securities.</p> <p>An important responsibility of the PD will be to underwrite the auctions of Long-term paper offered by the State Bank of Pakistan. To avoid any out of market quotes the bid price for long-term paper would be confined to a range of ± 50 basis points from the respective tenor prices appearing on Reuters PKRV page on the last working day prior to bidding.</p> <p>Each PD shall be required to ensure compliance of minimum underwriting target of 3.5% to be applied on the Pre-auction target or the issued amount, whichever is lower, for respective tenors of PIBs (July - June) and compliance to this shall not be restricted on each auction basis. The non-compliance for underwriting requirements by PD may affect renewal of its primary dealership for next year.</p> <p>If a PD fails to meet its underwriting commitment in respect of long term paper, fully or partially during the prescribed period it shall be liable to pay fee of 25 paisa for Rs. 100 of face value for the quantum of delinquency. It shall be determined immediately after the settlement date of the last auction of the respective fiscal year. The rate of fee shall be reviewed after evaluating behavior of market participants. The frequent non-compliance for underwriting requirements by PD may affect renewal of its primary dealership for next term.</p> <p>It would be compulsory for all the PDs to quote two-way prices to other PDs, Non-PDs, and institutional investors etc. as per instructions contained in rule E-6, subject to availability of limit.</p>
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	<p>In secondary market, all PDs may quote in terms of yield rather than price. In case of PIBs, the maximum bid/offer spread will be 15bps for on the run issues up to 10 years tenor bonds. In case MTBs, the maximum bid/offer spread for on the run issues will be 25bps.</p> <p>PDs have to ensure two-ways prices in secondary market within above defined maximum bid/offer spreads for marketable lot-size for both MTBs and PIBs. The marketable lot-size for MTBs will be in range of PKR 100.0mln - 300.0mln (multiples of PKR 100.0mln). The marketable lot-size for PIBs will be in range of PKR 50.0mln - PKR 200.0mln (multiples of PKR 50.0mln).</p> <p>On-the-run issues defined for above obligation would represent last the two issues in the market. These instructions will also be applicable on PDs for quoting two-way prices on Electronic Bond Trading System (EBND) for MTBs/PIBs.</p> <p>PDs will be responsible for displaying the prices of Government securities on Reuters/Bloomberg/EBND and in branches. Quoting obligations must be strictly adhered to.</p> <p>At any given day, a PD's holding in a particular issue with days to maturity greater than 1-year will not exceed 30.0% of the total issued amount or PKR 1.5billion, whichever is higher in each tenor. However for Non-PDs the limit will be 15.0% or PKR 1.5 billion, whichever is higher, in each tenor. The PDs issue-wise holding limit of 30.0% will run-down to 15.0% of the issued amount on expiry of 90 days from the last auction date of that particular issue. This revised limit would apply only on issues sold during FY'08 and onward</p> <p>Compliance to above instructions on current holding as on date of this circular by PDs, be effectively met by 30Sep2012.</p> <p>PDs shall segregate the Government securities of its customers from its own securities. In case of listed brokerage house, they shall maintain a firewall between their brokerage and PD business.</p> <p>F- Performance Criteria</p> <p>Each PD should be required to ensure compliance of minimum underwriting target of 3.5% to be applied on the Pre-auction target or the issued amount, whichever is lower, for respective tenors of PIBs (July-June).</p> <p>Each Primary Dealer should short-sell a minimum of 1.0% of auction target of long term paper during a year.</p> <p>Each PD should bring a minimum of 5.0% of the NCB target of MTBs and PIBs during a fiscal year.</p>
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	<p>Each Primary Dealer's turnover in secondary market should be minimum 5.0% of overall market turnover (for PIBs and MTBs separately during the year). Out of the minimum turnover of 5%, at least 1% (for PIBs and MTBs separately) of total turnover should be with non-banks. For the purpose of this rule non-bank means other than Schedule Banks and Primary Dealers.</p> <p>Further, to ensure that each PD is performing its obligation as price maker on both sides, i.e., buying and selling of MTBs and PIBs, out of the above minimum turnover; PDs should ensure a minimum of 25:75 on either side.</p> <p>Each PD will ensure that at least 50% of its trading with other PDs should be through Electronic Bond Trading System (EBND). This would not include transactions inputted via voice trade reporting mode (VTR).</p> <p>Non-compliance of performance criteria by PD may affect its selection as Primary Dealer for the next year.</p>
<p>DMMD Circular No. 17 September 04, 2012</p>	<p>Competitive Auctions of Turkish Lira loan facility Please refer to the FE regulations governing Trade Loans against FE25 deposits; and the Currency Swap Arrangement executed between State Bank of Pakistan (SBP) and the Central Bank of Republic of Turkey (CBRT) on 01Nov2011. In this regard, following instructions are issued with immediate effect:</p> <ol style="list-style-type: none"> 1. All commercial banks will be allowed to take FE25 deposits and extend FE25 loans in Turkish Lira (TRY) for financing of Imports / Exports in accordance with our prevailing instructions on FE25 loans / deposits. 2. In order to provide TRY funding to scheduled banks, so that they can on-lend the TRY to importers / exporters with underlying Trade documents in TRY, SBP will conduct competitive auctions of Turkish Lira loan facility using proceeds of the currency swap transaction with CBRT. 3. SBP will conduct 'uniform price' competitive TRY auctions in 3 and 6 month tenors. Only scheduled banks will be eligible to participate in these auctions 4. SBP's lending to scheduled banks in TRY will be on execution of a Promissory Note by the scheduled bank in favor of SBP and backed by an L/C or a firm trade contract. 5. Participation in auctions will be dependent on the submission of documentary evidence of: <ol style="list-style-type: none"> a- Underlying Export or Import bills denominated in TRY b- Tenor of the Trade documents should be equal or more than the tenor of the TRY loan request from SBP. 6. On the maturity date of the TRY loan, bank will be liable to repay the loan to SBP. 7. Pricing of the TRY loan auction will be benchmarked to the 'reference rate' which will be announced by SBP along with the auction details. Participation in TRY loan auction will be based on

	<p>spread over / under the 'reference rate'. Minimum participation amount will be TRY 5 million and in multiples thereof.</p> <ol style="list-style-type: none"> 8. In order to provide sufficient time for banks to arrange on-lending of funds to importers / exporters, TRY auctions will be announced at least 14 days in advance and will be settled on T+2 basis. 9. Details of auction dates, announcement of the auction results, settlement dates and corresponding cut off timings will be announced on Reuters pages SBPK21 and SBPK22. 10. In case of pre-payments from the customer, banks will be liable to repay TRY to SBP within 2 working days from the pre-payment from the customer. There will be no penalty charged by SBP for pre-payment. Accrued interest will be charged by SBP. 11. TRY borrowings from SBP, as described above, will not be subject to maintenance of CRR in Cash Reserve Account (CRA) and Special Cash Reserve Account (SCRA).
DMMD Circular No. 18 September 28, 2012	<p>Held to Maturity Securities (HTM) Given the liquidity position of the market, it has been decided that securities classified under Held to Maturity category cannot be used for borrowing from SBP in OMOs / reverse repo facility.</p> <p>These instructions will be effective from 19th October, 2012. All other instructions on subject remain unchanged.</p>
DMMD Circular No. 21 October 05, 2012	<p>Maintenance of Cash Reserve Requirements (CRR) In order to facilitate banks in context of their liquidity management, following amendments are being introduced in maintenance of Cash Reserve Requirement (CRR):</p> <ol style="list-style-type: none"> 1. The reserve maintenance period will now be of two weeks starting from Friday and ending on Thursday of subsequent week. 2. Time and Demand Liabilities (TDL) as of close of business on Friday (first day of reserve maintenance period) will be taken into account for determination of required CRR. If Friday is a holiday then TDL as of close of business on preceding working day will be taken into account. 3. All banks (including Islamic Banks/Branches) have to maintain CRR at an average of 5.0% of total demand liabilities (including time deposits with tenor of less than 1 year) during the reserve maintenance period, however daily minimum requirement is being decreased to 3.0%. Time liabilities (including time deposits with tenor of 1 year and above) will continue to be exempt from cash reserves. 4. DFIs will continue to maintain CRR at 1.0% of their time and demand liabilities during the reserve maintenance period. <p>The above instructions will be effective from October 12, 2012. The TDL to be used for CRR maintenance period starting from October 12, 2012 and ending on October 25, 2012 would be as of October 12, 2012.</p>
DMMD Circular No. 22 October 05, 2012	<p>Maintenance of Statutory Liquidity Requirements (SLR) It has been decided that, for the purpose of maintaining SLR during the fortnight starting from Friday and ending on Thursday of subsequent week,</p>

	<p>Time and Demand Liabilities (TDL) as of close of business on Friday (first day of the fortnight) will be taken into account for determination of required SLR. If Friday is a holiday then TDL as of close of business on preceding working day will be taken into account.</p> <p>The above instructions will be effective from October 12, 2012. The TDL to be used for SLR maintenance during fortnight starting from October 12, 2012 and ending on October 25, 2012 would be as of October 12, 2012.</p>
<p>DMMD Circular No. 3 February 14, 2013</p>	<p>Online Auction of Market Treasury Bills and Pakistan Investment Bonds</p> <p>In order to bring more efficiency, State Bank of Pakistan has decided to automate the auction process of Market Treasury Bills and Pakistan Investment Bonds through Bloomberg auction module. Auction of MTBs and PIBs will be conducted online under Bloomberg ticker AUPD according to following instructions and guidelines:</p> <p>1. Competitive Auctions</p> <ol style="list-style-type: none"> a. Effective February 20, 2013, the manual process of submitting the sealed auction bid letters will be discontinued. b. Primary Dealers will be required to submit bids through online auction system during the stipulated time period. c. The auction module is integrated with SBP systems; therefore, the entire auction process, from bidding to settlement, has been fully automated. d. The online auction module, along with the integration, has been extensively tested with PDs in parallel with manual auctions. <p>2. Non Competitive Bids</p> <ol style="list-style-type: none"> a. Effective February 19, 2013, Non Competitive Bids shall also be submitted online one day before the competitive auction day during the stipulated time period. b. PDs must input client name in Block Letters in Account fields available in online auction system. c. The PDs will continue to submit the copies of clients' letters, along with their original covering letters, at SBP counter within one hour after close of online NCB bidding. <p>3. Other Auction Details</p> <ol style="list-style-type: none"> a. SBP, two days before the competitive auction day, w.e.f February 18, 2013, will setup the Auction page on AUPD for both the Competitive Auction and the Non Competitive Auction, which will include all the relevant details. b. No change in Bids will be allowed after the closure of bidding time. c. Primary Dealers are required to keep a high speed internet connection as backup in case the primary internet connection is not available for Bloomberg services due to technical or any other reason. d. In case, the backup internet also fails. Primary Dealer shall

	<p>approach SBP, before auction close time, with sealed bid letters, along with an authority letter, requesting SBP to incorporate bids in the competitive auction.</p> <p>e. If there is a city/country wide internet connectivity issue, SBP at its discretion may cancel online submission of bids and require PDs to submit sealed bid letters at SBP counter. In this regard, all PDs will be informed accordingly on Reuter's page SBPK23 and Bloomberg's page 14 of SBPK1.</p> <p>f. Bid report of auction will be available on SBP website after announcement of auction result.</p>
<p>DMMD Circular No. 7 April 11, 2013</p>	<p>Foreign Exchange Exposure Limit (FEEL) It has been decided to increase the maximum cap on aggregate Foreign Exchange Exposure Limit (FEEL) of Authorized Dealers to PKR 3,500 million effective from April 15, 2013. Based on the review of the annual audited accounts, the FEEL of each Authorized Dealer was advised separately.</p>
<p>DMMD Circular No. 9 May 07, 2013</p>	<p>Competitive Auctions of Chinese Yuan Loan Facility Please refer to the FE regulations governing Trade Loans against FE25 deposits; and the Currency Swap Arrangement executed between State Bank of Pakistan (SBP) and the People's Bank of China (PBoC) on 23Dec2011. In this regard, following instructions are issued with immediate effect:</p> <p>All Authorized Dealers are allowed to take FE25 deposits and extend FE25 loans in Chinese Yuan (CNY) for financing of Imports / Exports in accordance with our prevailing instructions on FE25 loans / deposits vide FE Circular No.4 dated 04Sep2012.</p> <p>In order to provide CNY funding to scheduled banks, so that they can on-lend the CNY to importers / exporters with underlying Trade documents in CNY, SBP will conduct competitive auctions of Chinese Yuan loan facility using proceeds of the Currency Swap Arrangement with PBoC.</p> <p>SBP will conduct 'uniform price' competitive CNY auctions in 3 and 6 month tenors. Only Scheduled Banks (Authorized Dealers) will be eligible to participate in these auctions.</p> <p>SBP's lending to banks in CNY will be on execution of a Demand Promissory Note by the bank in favor of SBP and backed by an L/C or a firm trade contract denominated in CNY.</p> <p>This demand promissory note will be signed each time a lending transaction is executed with a bank. An agreement will also be executed once with each bank, which will define the overall broad terms and conditions governing the lending transaction and the execution of the promissory note. Standard Formats of the Demand Promissory note and the Agreement will be issued separately.</p> <p>Participation in auctions will be dependent on the submission of</p>

	<p>documentary evidence of:</p> <ol style="list-style-type: none"> a. Underlying Import or Export bills denominated in CNY. b. Tenor of the Trade documents should be equal or more than the tenor of the CNY loan request from SBP. <p>On the maturity date of the CNY loan, bank will be liable to repay the loan to SBP.</p> <p>Pricing of the CNY loan auction will be benchmarked to the ‘reference rate’ which will be announced by SBP along with the auction details. Participation in CNY loan auction will be based on spread over / under the ‘reference rate’. Minimum participation amount will be CNY 25 million and in multiples thereof.</p> <p>Details of auction dates, announcement of the auction results, settlement dates and corresponding cut off timings will be announced on Reuters pages SBPK24 and SBPK25. Tender form will be issued separately.</p> <p>In case of pre-payments from the customer, banks will be liable to repay CNY to SBP within 2 working days from the pre-payment from the customer. There will be no penalty charged by SBP for pre-payment. Accrued interest will be charged by SBP.</p> <p>CNY borrowings from SBP, as described above, will not be subject to maintenance of CRR in Cash Reserve Account (CRA) and Special Cash Reserve Account (SCRA).</p>
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A-4 Operations Group

Circular/Circular Letter No	Policy Decision
FD Circular No. 1 August 10, 2012	<p>Issuance of Fresh Banknotes SBP Banking Services Corporation (Bank) has made arrangements for issuance of fresh notes to commercial banks for onward issuance to the general public on the occasion of Eid-ul-Fitr-2012, for which a press release was also issued on July 30, 2012.</p> <p>Banks are advised not to issue bundles of small denominations (Rs.10 to Rs.100) of fresh banknotes as these tend to be sold in the market on premium, if such bundles/packets are found on sale in the market, the bank to which they were issued will be penalized at the rate of Rs. 100,000/- per bundle found in the market and Rs.50,000/- for 5 packets found in serial.</p> <p>Verification teams of SBP BSC will monitor compliance with the above mentioned instructions by visiting bank branches and their vaults, as per the procedure defined by SBP/SBP BSC.</p> <p>All banks are advised to ensure strict compliance of the above mentioned instructions as any violation thereof would attract punitive action under the</p>

	<p>relevant provisions of the banking Companies Ordinance, 1962.</p> <p>SBP to Facilitate General Public in Obtaining Fresh Currency Notes during Ramazan-ul-Mubarak The State Bank of Pakistan (SBP) has decided to fully utilize the large network of over 10,000 branches of commercial banks for distribution of fresh currency notes to the general public during the holy month of Ramazan-ul-Mubarak, 2012.</p> <p>For this purpose, the SBP Banking Services Corporation (SBP BSC) has made elaborate arrangements for the supply of adequate quantity of fresh currency notes particularly of small denominations (Rs.10/- to Rs.100/) to commercial banks depending upon their branch network.</p> <p>The branches of commercial banks will issue only one packet each of Rs. 10/- and Rs. 20/ - per person to the visiting general public / account holders from 1st August, 2012 till the last working day before Eid-ul-Fitr 2012 (or until the stock ends) on presentation of original Computerized National Identity Card along-with the photocopy of it for record. Banks' branches, however, may also issue a maximum of 5 packets each of Rs.10/- & Rs.20/- denomination fresh notes to their corporate clients on receipt of request on the company's letter head duly signed by the authorized representative.</p> <p>With the view to redressing the grievances of general public, if any, in obtaining fresh currency notes from commercial banks, the SBP BSC has established a Help Desk which may be contacted at the telephone numbers 021-32455470 and 021-32455454. Complaints may also be lodged at the following email address: freshnotes@sbp.org.pk or with the Chief Spokesperson, State Bank of Pakistan, at his email address: syed.wasimuddin@sbp.org.pk</p> <p>The SBP BSC has put in place a mechanism for penalizing the banks in case any irregularity is committed by them in issuance of fresh currency notes. Penalty will also be imposed on banks found violating SBP instructions with regard to issuance of notes to the general public during the holy month of Ramazan-ul-Mubarak, 2012.</p>
<p>CSD/392/7/ (Demo-500) /2012 September 26, 2012</p>	<p>Exchange of Demonetized Rs. 500 Old Design Banknote In order to exchange of demonetized Rs 500 old design banknote by banks, all banks is invited to the instructions issued on the subject vide our Circular Letter No.CSD/288/7-2012 dated June 26, 2012, copy of which is attached.</p> <p>To this end, we would like to re-emphasize the implementation and strict compliance of steps outlined for exchange of Rs 500 old design banknotes (bigger size) by the branches of banks/ NBP Chests/Sub-Chests, whose last date of exchange is October 1, 2012.</p> <p>Further, kindly convey to all your branches to ensure facilitating the</p>

	<p>general public for receipt of these banknotes. Please also ensure that posters provided by SBP BSC for acceptance of demonetized Rs 500 old design banknotes are placed at visible places in and outside the branches.</p>
<p>CSD/507/7 (Demo-5)-2012 December 11, 2012</p>	<p>Exchanging/Reporting/Surrendering of Demonetized Rs. 5 Banknote As per the Federal Government Gazette Notification No.3(8)IF-IV/2009 dated December 15, 2011 public has been facilitated to exchange demonetized Rs.5 banknote from all banks and SBP BSC Field Offices till December 31, 2012. Consequently, following schedule/steps for exchange of demonetized Rs 5 banknote are advised:</p> <p>A. Collection of Demonetized Rs 5 Banknotes (i) Branches of all banks/ NBP Chests/Sub-Chests should ensure to surrender their stock of Rs. 5 banknotes (collected till December 10, 2012) by December 21, 2012 to the nearest SBP BSC Field Office. (ii) Branches of all banks/NBP Chests/Sub-Chests will collect the demonetized Rs. 5 banknotes until close of banking hours on December 31, 2012.</p> <p>B. Reporting of Rs. 5 Banknotes (i) Branches of all banks/NBP Chests/Sub-Chests will report the collected balances of demonetized Rs. 5 banknotes to their regional head and regional head will acknowledge receipt thereof by January 02, 2013. (ii) The regional heads of all banks/NBP Chest/Sub-Chests will report the reported branch-wise balances to the nearest SBP BSC field office and endorse copies thereof to their concerned head office through fax/email by January 3, 2013. (iii) The Head Office of concerned bank will forward consolidated balances along with list of branch wise position to the Director, Currency Management Department (CMD), SBP BSC Head Office, Karachi by January 7, 2013 as per contact details provided at Para 3 below. (iv) The SBP BSC field offices will acknowledge receipt of the reported balances by regional offices of the banks and CMD, SBP BSC, Head Office, Karachi will acknowledge receipt to the Head Offices of the banks by January 8, 2013. For any queries, write to CMD, SBP BSC, Head Office, Karachi. (v) The State Bank of Pakistan/SBP BSC (Bank) will neither exchange nor be liable to pay any value of such banknote to any person or a bank after the deadline. (vi) SBP BSC field office shall credit the value of only those surrendered banknotes, which have been reported to them within stipulated time, to the account of the banks maintained with them. Misreporting or overstated balances, by the banks/NBP Chests/Sub-Chests, will be penalized under the powers of Banking Companies Ordinance, 1962.</p> <p>C. Surrender of Rs. 5 Banknotes (i) Branches of all banks/NBP Chests/Sub-Chests will surrender the reported (Para 2-B above) stock of Rs. 5 banknotes to their nearest SBP BSC field office until February 4, 2013. (ii) You are requested to issue the necessary instructions to your respective</p>

	<p>branches to ensure meticulous compliance of the times lines.</p> <p>D. Public Awareness & Exchange of Value of Rs. 5 Banknotes Branches of all banks/NBP Chests/Sub-Chests should ensure to display posters/banners regarding date for exchange of demonetized Rs. 5 banknotes, at public counters and other visible places in and outside their branches.</p>
<p>FD Circular No. 2 May 3, 2013</p>	<p>Currency Management – Monitoring Following instructions and penalty scales were issued in order to promote better currency management practices. In this regard banks are advised to implement the following instructions, any violation / non-compliance shall continue to be penalized by SBP under the Banking Companies Ordinance 1962 and other relevant laws of SBP as per the scale mentioned against each instruction:</p> <ul style="list-style-type: none"> • Banks shall accept all the legal tender coins (Re.1, Rs.2 and Rs.5 etc.) and shall provide banknotes-coins exchange facility to all the customers and general public. (Penalty on violence: Rs. 2,000/- per instance). • Banks shall strictly ensure that the forged notes are not dispensed through ATMs. (Penalty on violence: Rs. 10,000/ -- per note plus value of banknote). • Banks shall avoid repetition of any irregularity pointed out in the previous report. Repetition of any irregularity will attract additional penalty besides fine on routine violation. (Penalty on violence: Rs. 10,000/- per instance).