

OSME Finance Department
(Refinance Division)

FAQs

Fiscal Relief to Rehabilitate the Economic Life in Khyber Pakhtunkhwa, FATA and PATA- Payment of Mark-Up Rate Subsidy on Business Loans for the Period from 01-01-2010 to 30-06-2010

i. Is the Mark up of 2nd quarter can be adjusted in first quarter difference?

In cases where the amount of mark up rate has already been recovered, the bank/DFIs shall allow refund or adjust mark up rate charged over and above 7.5% p.a. to the borrowers concerned before approaching SBP-BSC (Bank), Peshawar for reimbursement of mark up rate differential (Para B (vi), Circular # 11).

However, the issue of adjustment or refund has to be resolved by the banks/DFIs internally.

ii. What treatment will be given to the loans under ERF Scheme?

Markup rate subsidy will be eligible to the extent of difference in 7.5% and rate applicable under EFS (i.e. for the period 01-01-2010 to 31-3-2010, EFS rate was 8.50% and for the period from 1-4-2010 to 30-06-2010 EFS rate was 9.0%)

iii. Are the business activities (i.e. whole sale, trade etc) of excluded sectors eligible under the scheme?

Any business loan which is extended under the head of excluded sectors is not eligible for markup rate subsidy.

iv. How the claims can be submitted? Branch wise consolidated data or individual basis.

The claim should be submitted on consolidated basis.

v. What documents required with the claim form?

No document is required with the claim form. However these claims are subject to verification by SBP's Banking Inspection Department, therefore, banks/DFIs should provide up dated record to the Inspection Teams during their onsite Inspection.

vi. Is the facility available for Running Finance & Trade Finance?

Running Finance (RF), Finance against Trust Receipt (FATR), Finance Against Packing Credit (FAPC), and Finance against Imported Merchandise (FIM) are eligible under the Scheme if the same were outstanding as on 31-12-2009 and earlier reported to SBP.

vii. In case of Running Finance, how the subsidy can be calculated where outstanding balance increased after 31-12-2009?

In case of Running Finance markup subsidy will be provided to the extent of loans, outstanding as on 31-12-2009.

- viii. What will be the treatment of facilities that have already been adjusted during the period 01-01-2010 to 30-06-2010 but were outstanding as on 31-12-2009 & markup was also charged thereon?

It will also be eligible for markup rate subsidy for the period involved. In cases where the amount of mark up rate has already been recovered, the bank/DFIs will allow refund or adjust mark up rate charged over and above 7.5% p.a. to the borrowers concerned before approaching SBP-BSC (Bank), Peshawar for reimbursement of mark up rate differential.

- ix. Are the NBFIs e.g. Leasing Companies and Modarbas also come with in the scope of circular?

No

- x. What will be the mechanism of loans against cash deposit, having fixed rate of above 7.5% p.a. but less than six month KIBOR?

Collateral of loan is internal issue of bank concerned. Mark up subsidy can be claimed if any loan is eligible under the Scheme.

- xi. Are the advances in FCY eligible for the relief?

All business loans will be eligible for relief package if the same were outstanding as on 31-12-2009 and reported to SBP. However, KIBOR will remain benchmark rate.

- xii. Do bank need specific written request of the customer for this relief?

No

- xiii. What will be the treatment of Bank's spread over and above KIBOR?

The spread/ premium over and above the 6 month KIBOR has to be forgone by the bank.

- xiv. What treatment will be given to the Markup on PAD?

Payment against Document (PAD) is a very short term facility and therefore the same is not covered under the Scheme.

- xv. Whether markup to be calculated on outstanding balance assumed on scheduled payments or actual payment?

Mark-up should be calculated on actual outstanding balance basis.
