



Refinance Facility for Combating COVID – 19 (RFCC)



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1. Scope and Eligibility:

- a) Under Refinance Facility for Combating COVID – 19 (RFCC), Participating Financial Institutions (PFIs) can provide long term local currency finance for imported and locally manufactured medical equipment to be used for combating COVID – 19 (see Schedule 1 for illustrative list of equipment eligible for financing under this facility). The facility will be available to all the Hospitals and Medical Centres duly registered with respective provincial/federal agencies/commissions and engaged in controlling & eradication of COVID – 19. In case of isolation ward development, up to 60% cost of entire civil works will be financed under the facility.
- b) Financing under the facility will be available to the extent of the C & F value of the imported new medical equipment and ex-factory/showroom price of the new locally manufactured medical equipment to be purchased by the eligible borrowers.
- c) The borrowers may also purchase imported equipment from the commercial importers or authorized dealers of the foreign manufacturers in Pakistan and authorized suppliers in case of locally manufactured medical equipment.
- d) Maximum financing of banks/DFIs to a borrower shall not exceed Rs 200 million under RFCC. However, banks/DFIs may provide financing facilities as per their credit policies over and above the said maximum limit from their own sources subject to adherence of applicable Prudential Regulations.
- e) The RFCC will expire on 30th September, 2020.

2. Rate of Service Charges for End Users:

- a) State Bank of Pakistan (SBP) will provide refinance to the PFI at 0%, whereas, PFIs shall be permitted to charge a maximum spread of 3% from the borrowers, availing finance under the facility.
- b) The State Bank shall provide refinance to each PFI on service charge basis in terms of Section 22 read with Section 17 (2) (d) of State Bank of Pakistan Act 1956.

3. Period of Financing and its Repayment:

- a) The maximum period for which the financing under the facility can be availed shall not be more than 5 years including a maximum grace period of 06 months.
- b) The repayment of financing (principal amount of loan) availed under the facility shall be made by the borrowers in equal half yearly / quarterly installments depending upon the tenure for which the facility is availed. PFIs, however, shall not be permitted to require borrowers to pay markup / service charges at a frequency of less than three months except at the time of pre-payments/liquidation of loan.
- c) In case, a borrower repays the loan amount or its installment, in part or in full, on or before the due date(s), the PFIs shall repay the loan amount so received from the borrower immediately, but not later than three working days, to SBP BSC, failing which fine for late adjustment of amount will be charged to the PFI at the rate as specified below.



- d) As the refinance granted to the PFIs shall be recovered on the due date(s) reported to SBP BSC, as per the original repayment schedule, from the account of the PFI maintained with SBP BSC, thus in case the borrower fails to make repayment of the amount of installment as per the original repayment schedule, the PFI will be entitled to charge normal rate of mark up on such overdue principal amount besides taking other actions to recover the same as are incidental to such defaults.
- e) Where a PFI has allowed rescheduling of a loan, the principal amount of refinance will only be rescheduled so as to be repaid within a maximum period of 5 years from the date of original disbursement. Any rescheduling that allows the borrower to avail funding facilities under the facility for a longer period will not be considered for the purpose of this facility and in all such cases the entire loan would be considered to have been repaid within the period of 5 years.

4. Sanctioning and Disbursement of Loans:

- a) PFI shall not take more than a week in evaluating an application for financing under the facility from the date of receipt of complete information from the borrower. Where the request is declined, the PFI will explicitly apprise the reason for rejecting the application to the prospective borrower. The PFIs shall undertake due diligence process as per their lending policies before sanction of the loan to protect their interests subject to the respective Prudential Regulations prescribed by the SBP for each type of borrower.
- b) PFIs shall at all times remain within the limits assigned to them for disbursements under the facility in a given financial year. Facilities should not be sanctioned in favour of borrowers in anticipation of sanction of limits by the SBP.
- c) Disbursements by PFIs should not be made to the borrower directly; instead payments shall be made to the manufacturers / suppliers or foreign seller of the medical equipment through import letter of credit as per payment/delivery schedule agreed to between the manufacturer and the purchaser. Likewise, payment for the locally manufactured medical equipment shall invariably be made through Inland Letter of Credit as per payment/delivery schedule agreed to between the manufacturer and the purchaser.
- d) Under the facility, advance payment as per the foreign exchange rules & regulations.

5. Sanction of Limits and Disbursement of Refinance:

- a) Limits shall be allocated to individual banks/DFIs.
- b) After disbursements of the loan under the facility, the PFI can approach SBP BSC for availing refinance. SBP BSC shall provide refinance within three working days from the date of receipt of request on submission of duly filled in prescribed documents.
- c) Failing repayment by PFIs on respective due dates, SBP BSC reserve the right to recover the amount of refinance falling due, as per repayment schedule reported at the time of availing refinance, by debit to concerned PFI's account at SBP BSC along with any applicable penalties.



6. Risk Assessment:

- a) Each PFI shall be required to assess the technical and financial viability of the projects.
- b) PFIs shall undertake necessary due diligence process as per their lending policies before sanction of the loan under the facility, which shall invariably be subjected to the applicable Prudential Regulations as prescribed by SBP for each type of borrower. Further, in case of imported equipment, PFIs shall ensure compliance of rules & regulations under Chapter XIII of Foreign Exchange Manual.

7. General Terms and Conditions:

- a) The cost of insurance, transit insurance, erection and commissioning charges and other incidentals (including transportation charges, in case of locally manufactured medical equipment) etc; shall not be financed under the facility.
- b) PFIs shall reasonably ensure fulfillment of the pre-disbursement formalities by the borrower through due diligence as per their own internal arrangements to avoid misutilization of the facility through over invoicing, wrong selection of equipment etc.
- c) Disbursement under the facility shall be made by PFIs after ensuring that all the pre-disbursement formalities have been completed in accordance with the terms of agreement between the PFI & borrower, and between the supplier / manufacturer and the purchaser / importer of the medical equipment.
- d) PFIs shall make necessary arrangements to ensure that the amount of refinance availed by them from State Bank and outstanding as on the date of preparation of their financial statements is shown separately in Annual Audited Accounts, under appropriate heads, vis-à-vis their claims (principal amounts only) against their constituent to whom the financial facilities were sanctioned by them.
- e) State Bank shall have the right to appoint an independent consultant to verify the use of the refinance under the facility for the purposes spelt out under the facility. In case, the report of the consultant points out irregularity on the part of the financing PFI or the borrower, State Bank reserves the right to recover the amount of refinance granted to the PFI along with fine at the prescribed rate including the cost of such verification. As the PFIs are expected to fulfill the conditions prescribed by SBP under the facility, fine so recovered shall be absorbed by them. In case, they pass on the fine so recovered to the borrower, the PFI shall be under obligation to justify the same and would not pass it on to the borrower merely on the strength of the action of SBP.
- f) PFIs should ensure adequate training arrangements for the staff/officials handling cases under the facility with a view to ensure compliance with internal rules / regulations / procedures and those prescribed by SBP.
- g) All LCs established after announcement of the RFCC till September 30, 2020 shall be eligible for financing.



8. Fines for Default:

- (i) Under RFCC, fine for any irregularity shall be imposed on the borrower or the PFI as the case may be, depending upon the nature of irregularity. In all cases it shall be recovered through the PFI who availed refinance. It will be the responsibility of the PFI to secure its interest in this regard, however, in no case, fine imposed on PFI due to its negligence shall be passed on to the borrower. In case, PFI pass on the fine so recovered from it to the borrower, the PFI shall be under obligation to justify the same to ensure that the fine is not passed on to the borrower merely on the strength of the action of the State Bank of Pakistan.

- (ii) Fine shall be recovered at the following rates:-
 - a. In case of violation of the terms & conditions laid down in the facility, State Bank shall reserve the right to recover the amount of refinance granted to the PFI alongwith fine at the rate of paisa 60 per day per Rs 1,000/- or part thereof including the cost of such verification.

 - b. Where the borrowers of PFIs repay their obligations in part or in full, whether premature or on due date(s), PFIs shall repay the amount so received from the borrower immediately, but not later than three working days, to the concerned office of SBP BSC, failing which fine for late adjustment of amount will be charged from the PFI at the rate of paisa 70 per day per Rs. 1,000 or part thereof. The PFIs would ensure that at no point of time, outstanding amount (principal) repayable to them by their borrower and appearing in their books of accounts falls below the outstanding amount of refinance, which they owe to State Bank of Pakistan.



Schedule-1

Refinance Facility for Combating COVID – 19 – (RFCC) Illustrative List for the Scheme

Only new medical equipment to be used by the Hospitals & Medical Centers as per following illustrative list provided below:-

1. Ventilators
2. Testing Equipment and Testing Kits
3. Sterilization Equipment
4. Personal Protective Equipment
5. Surgical protective dresses
6. Surgical Sets
7. Examination beds
8. Oxygen cylinders
9. Oximeters
10. Bed screens & separators
11. Setting up of isolation ward (up to 60% cost of entire civil works)