
BenchMatrix>

Regulatory Bulletin

March 2021



Latest Circulars/Notifications issued by SBP

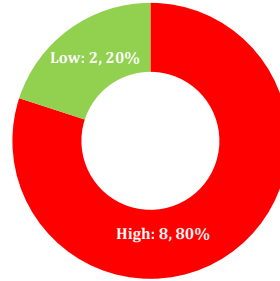
This document provides a summary of all the circulars/notifications issued by the State Bank of Pakistan during the month. The Regulatory Bulletin is a risk wise dissemination of significant matters issued by BenchMatrix.

Summary

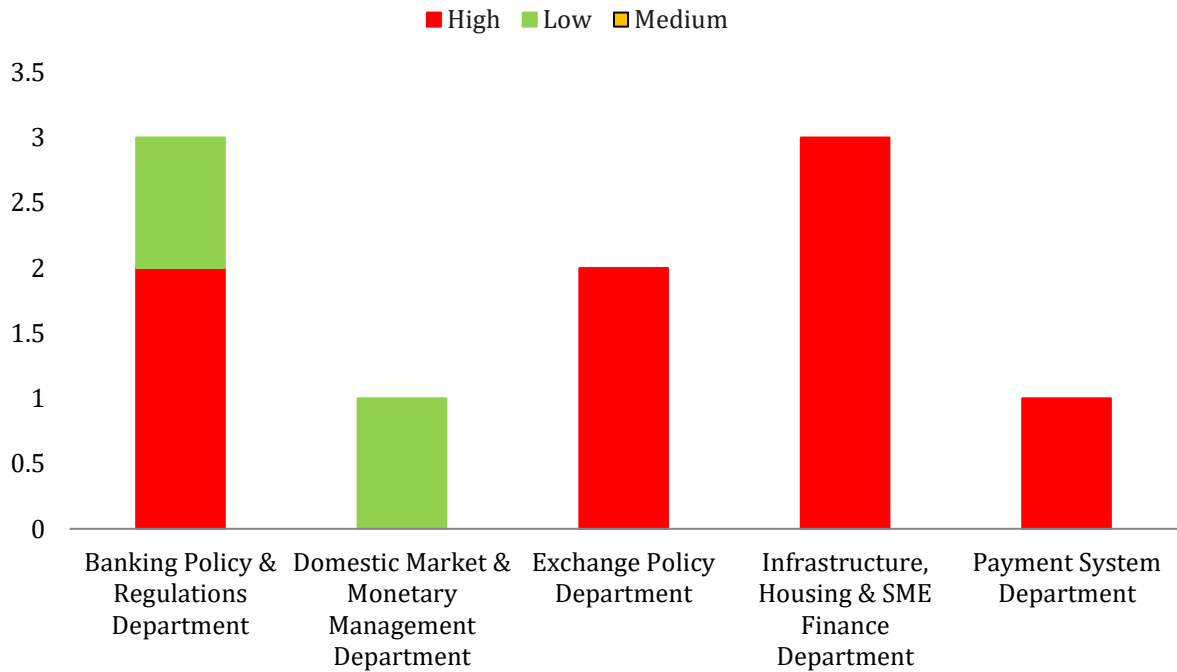
During the month of March 2021, the State Bank of Pakistan (SBP) issued a total of 10 circulars/notifications/ actions on significant matters.

Circulars / Notifications by Risk Level

Risk Level	Total
High	8
Medium	0
Low	2



Circulars / Notifications by Regulator Department & Risk Level



Key (High Risk) Circulars/Notifications

Enhancing Digitization Initiatives in Banks/MFBs

via PSD Circular No. 01 dated 10-Mar-2021

To promote the digitization in the banking sector and encourage use of digital channels, SBP has taken the following decisions for Banks/MFBs:

- Governance Structure for Digitization: FIs should create a role of Chief Digital Officer (CDO) or a similar role with a different designation. The CDO should preferably be a Key Executive responsible for steering the digitization efforts of the organization. The FIs may consider recommended Terms of Reference (ToRs) for the above position as given in Annexure-A. (attached with circular).
- Instructions Regarding Internet Banking /Mobile Banking: All FIs providing IB/MB services should Offer the minimum set of services as identified in Annexure-B (attached with circular) through their IB/MB channels. Ensure that there is no activation, subscription or annual charges for customers using IB/MB services and provide full-fledged digital portal for their corporate customers.
- Banks must consider the deployment of Cash Deposit Machines (CDMs) at selected locations especially at branches with large number of customers.
- Participants and member FIs of a PSO should ensure that all other participants, member FIs and billers of that PSO are enabled on their IB/MB/ATM channels. New participants/member FIs and billers are added on their respective channels within 30 days of the date of intimation from the PSO.
- FIs should ensure that all new-to-bank account holders and those customers who have not opted for a debit card previously, should be issued a debit card. Photo account holders, visually impaired and illiterate persons should be exempted from mandatory card issuance.
- FIs are now allowed to authenticate their customers at branch counters using chip-and-pin cards.

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- Cheque-books that are currently being issued by default shall only be issued upon customer's request.

Effective Date: **10-Mar-2021**

Regulator Department: **Payment System Department**

Related FI Department: **Operation / Information Technology**

Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary, Clients, products and business practices - Product flaws**

[Read more on the website](#)

Cash Margin Restriction on Import of Items

via BRPD Circular Letter No. 05 dated 11-Mar-2021

SBP has decided to waive the condition of 100 percent cash margin requirement on imports made under HS Codes which details as given in circular.

“SBP has further clarified that cash margin requirement will not be applicable on the imports made under HS Code 87021090 (Others) by Category-A and Category-B investors as defined in the Automotive Development Policy, 2016-2021.”

All other instructions contained in the aforementioned Circulars shall, however, remain unchanged.

Effective Date: **11-Mar-2021**

Regulator Department: **Banking Policy & Regulations Department**

Related FI Department: **Foreign Trade**

Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary, Clients, products and business practices - Improper business or market practices**

[Read more on the website](#)



End-To-End Digitalization of Foreign Exchange related Cases

via EPD Circular Letter No. 03 dated 16-Mar-2021

To further extend the digitalization drive, enhance operational efficiency and transparency, promote ease of doing business, SBP encouraged ADs to develop their own portals to connect their customers. ADs were advised to provide an online platform to their customers to submit the Foreign Exchange (FX) cases digitally, thus abolishing paper based case submission.

SBP informed that twenty-one (21) Authorized Dealers have already developed their portals, started onboarding their customers and receiving FX cases digitally, while the rest are in process of developing their digital platforms/ portals.

All ADs are advised by SBP to complete development of portals, onboard & educate their customers and take all necessary measures, with immediate effect, to discontinue paper-based submission of FX related cases to them by their clients latest by June 30, 2021. In order to address legal, technology and other risks arising due to use of digital medium, ADs must make comprehensive mitigation arrangements and institute effective contingency plans to ensure operational continuity in case of any disruption in their portals' service.

SBP advise the ADs to ensure meticulous compliance of the above instructions. In case of failure, the relevant AD's may not be able to provide all the foreign exchange related services to their customers resulting in reputational risk and business loss for the concerned.

Effective Date: **06-Jun-2021**

Regulator Department: **Exchange Policy Department**

Related FI Department: **Foreign Trade/Information Technology**

Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary, Clients, products and business practices - Product flaws**

[Read more on the website](#)



Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme (PMKJ-YES)

via *IH&SMEFD Circular No. 02 dated 18-Mar-2021*

Prime Minister's Kamyab Jawan SME Lending Program was introduced vide IH&SMEFD Circular Letter No. 08 dated July 11, 2019 and issued subsequent instructions on the captioned subject time to time. In this regard, SBP advise the banks which are working as Executing Agencies should observe standard business rules for calculation of markup subsidy under PMKJ-YES placed at Annexure-A. (Attached with circular).

Effective Date: **18-Mar-2021**

Regulator Department: **Infrastructure, Housing & SME Finance Department**

Related FI Department: **Operation/Risk Management Department**


Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary, Clients, products and business practices - Product flaws**

[Read more on the website](#)

Procurement of Wheat by the Private Sector-2021

via *IH&SMEFD Circular Letter No. 02 dated 19-Mar-2021*

For private sector participation in the wheat procurement season 2021, banks are required to strictly fulfill the following minimum conditions for extending financing to eligible borrowers;

- Banks will provide financing to eligible borrowers only for the procurement of indigenous wheat for the harvest season of 2021.
 - Banks will ensure that the subject financing will be used only for intended purposes.
 - Fresh financing for procurement of wheat shall start from commencement of wheat procurement season 2021 in respective provinces. Financing against wheat and by-
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products of wheat viz. flour, meada, sujee etc. will be subject to minimum cash margin requirement of 10% of the value of the wheat stock & by-products.

- Financing to private sector for procurement of wheat shall be provided against pledge of fresh wheat stock only and hypothecation / charge of moveable or immovable property would not be acceptable as collateral for such financing.
- Banks will not entertain any application for grant of fresh loans after 30th June, 2021 for procurement of wheat. Banks will also monitor that existing stock of wheat purchased by the concerned functional flour mill, has been grinded and that the by-products of wheat (financed against bank loan) have also been released to the market gradually to repay the loans so obtained.
- Banks are also allowed to provide financing facilities for wheat procurement by the seed processing plants duly evidenced by the testing certificates issued by the Federal Seed Certification and Registration Department, in line with their lending policies and the capacity/production plans of the seed processing plants ensuring that such stock of wheat will be used for processing purposes.
- These Loans verify the same will be fully settled on or before 31st January 2022
- In order to curb the possibility of hoarding, banks should require client(s) to disclose their storage location and verify the same, strictly monitor the wheat stock held by the client, immediately recall the advances allowed to the private sector in case of hoarding of wheat, ensure that no financing is allowed to client for retirement of loans availed from other banks and ensure that their clients are in strict compliance with the guidelines of respective government.
- Banks will submit a monthly statement in respect of financing to private sector for wheat procurement to this department as per format as Annexure-A (attached with circular) within ten working days from the close of the relevant month.

Effective Date: **19-Mar-2021**



Regulator Department: **Infrastructure, Housing & SME Finance Department**

Related FI Department: **Risk Management/ Operation**

Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary, Clients, products and business practices - Improper business or market practices**

[Read more on the website](#)

Amendments in Regulation R-6 of Prudential Regulations for Corporate/Commercial Banking

via *BPRD Circular Letter No. 07* dated 22-Mar-2021

SBP has decided to do the following amendments in Regulation R-6 of the PRs for Corporate/Commercial Banking:

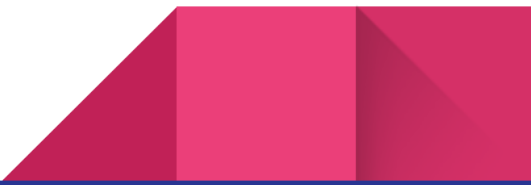
Para 1 A

- “(ii) - Banks/DFIs will obtain prior approval from the State Bank for purchasing shares of a company exceeding, in aggregate, 10% of the capital of Investee Company or 5% of their paid-up capital, whichever is lower. However, in case of investment in REIT, the limits shall be 15% of paid up capital of Investee Company or 5% of equity of a bank/DFI, whichever is lower. These limits (other than investment in REITs) shall be calculated as under,”

Para 1 B

- “(v) - Aggregate investment limit in units of REIT shall be 15% of equity of the bank/DFI, exclusive of the above aggregate limits.”

Para 5: The Banks/DFIs shall not:

- “(d) – take exposure on any company against the security of shares/TFC/Sukuk issued by that company.”
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Effective Date: **11-Feb-2021**

Regulator Department: **Offsite Supervision & Enforcement Department**

Related FI Department: **Compliance**

Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary**

[Read more on the website](#)

Government's Mark-up Subsidy Scheme for Housing Finance

via IH&SMEFD Circular No. 03 dated 25-Mar-2021

Government of Pakistan (GoP) has decided to revise the features of the Government's Mark-up Subsidy Scheme for Housing Finance (G-MSS). These revisions aim at significantly enhancing outreach of Scheme to the individuals and households who currently do not own a house. The key features of the revised markup of G-MSS approved by the GoP are given below:

- Loan amount up to Rs.2.00 million loan amount then markup rate will be 5% for first 5 years & 7% for next 5 years. (Bank Pricing KIBOR+700 BPS)
- Loan amount up to Rs.2.7 million loan amount then markup rate will be 3% for first 5 years & 5% for next 5 years. (Bank Pricing KIBOR+250 BPS)
- Loan amount up to Rs.6.00 million loan amount then markup rate will be 5% for first 5 years & 7% for next 5 years. (Bank Pricing KIBOR +400 BPS Spread may vary)
- Loan amount up to Rs.10.00 million loan amount then markup rate will be 7% for first 5 years & 9% for next 5 years. (Bank Pricing KIBOR +400 BPS Spread may vary)
- For loan tenors exceeding 10 years, market rate i.e. (KIBOR+400 BPS Spread may vary) bank pricing will be applicable for the period exceeding 10 years.

Further details are available in the circular. All instructions are immediately applicable.



Effective Date: **25-Mar-2021**

Regulator Department: **Infrastructure, Housing & SME Finance Department**

Related FI Department: **Risk Management / Operation**

Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary, Clients, products and business practices - Product flaws**

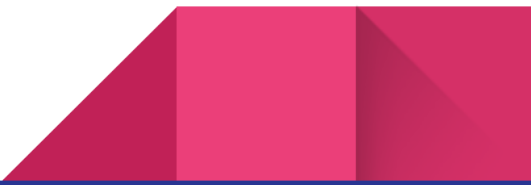
[Read more on the website](#)

Import of Raw Sugar with Tax Concessions

via *EPD Circular No. 04 dated 29-Mar-2021*

SBP informed to all AD's to informed that the Government of Pakistan has allowed import of 300,000 MT of raw sugar by sugar mills as per the terms and conditions mentioned in the Ministry of Commerce's Public Notice No. PID(I) No. 4864/20 (attached with circular).

Accordingly, ADs may process the requests of the sugar mills for import of raw sugar under the aforementioned Public Notice subject to the following:

- Import may be allowed to Sugar mills who have been issued quota by the Ministry of Commerce under the above-mentioned Public Notice.
 - Import on CFR Free out basis may be allowed as an exception to the instructions given under Para 5 Chapter 13 of the FE Manual.
 - Advance payment up to 100% of the value of the contract/performa invoice may be allowed, subject to compliance with other applicable foreign exchange regulations given under Chapter 13 of the FE Manual. SBP advise the ADs to must submit consolidated data of LCs issued and advance payments made, against issued quotas, to Foreign EOD, SBP BSC, Head Office, Karachi on daily basis, by close of business same day, as per the enclosed reporting format (Annexure-II) at sugar.epd@sbp.org.pk.
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Effective Date: **29-Mar-2021**

Regulator Department: **Exchange Policy Department**

Related FI Department: **Foreign Trade**

Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary**

[Read more on the website](#)



Other (Medium/Low Risk) Circulars & Notifications

Public Holiday

via *BPRD Circular No. 06* dated 17-Mar-2021

The State Bank of Pakistan will remain closed on 23rd March, 2021 (Tuesday) being public holiday on the occasion of "Pakistan Day" as declared by the Government of Pakistan.

Effective Date: **23-Mar-2021**

Regulator Department: **Banking Policy & Regulations Department**

Related FI Department: **Human Resources**

Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary**

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Rate of Remuneration on Special Cash Reserve Account Maintained with SBP Under FE-Circular 25 of 1998

via *DMMD Circular No. 05* dated 31-Mar-2021

It is notified by SBP that the rate of remuneration for the month of April 2021 on Special Cash Reserve Account (US\$) maintained with the State Bank of Pakistan will be 0.00%.

Effective Date: **1-Apr-2021**

Regulator Department: **Domestic Market & Monetary Management Department**

Related FI Department: **Treasury**

Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary**

[Read more on the website](#)



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