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BenchMatrix>

# Regulatory Bulletin

May 2021

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## Latest Circulars/Notifications issued by SBP

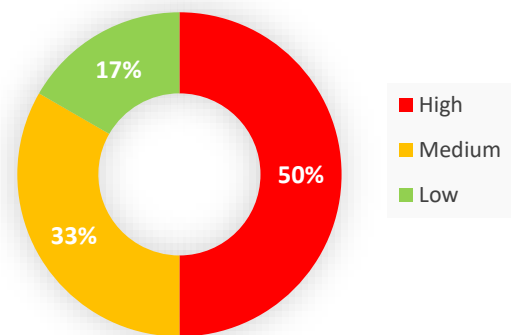
This document provides a summary of all the circulars/notifications issued by the State Bank of Pakistan during the month. The Regulatory Bulletin is a risk wise dissemination of significant matters issued by BenchMatrix.

## Summary

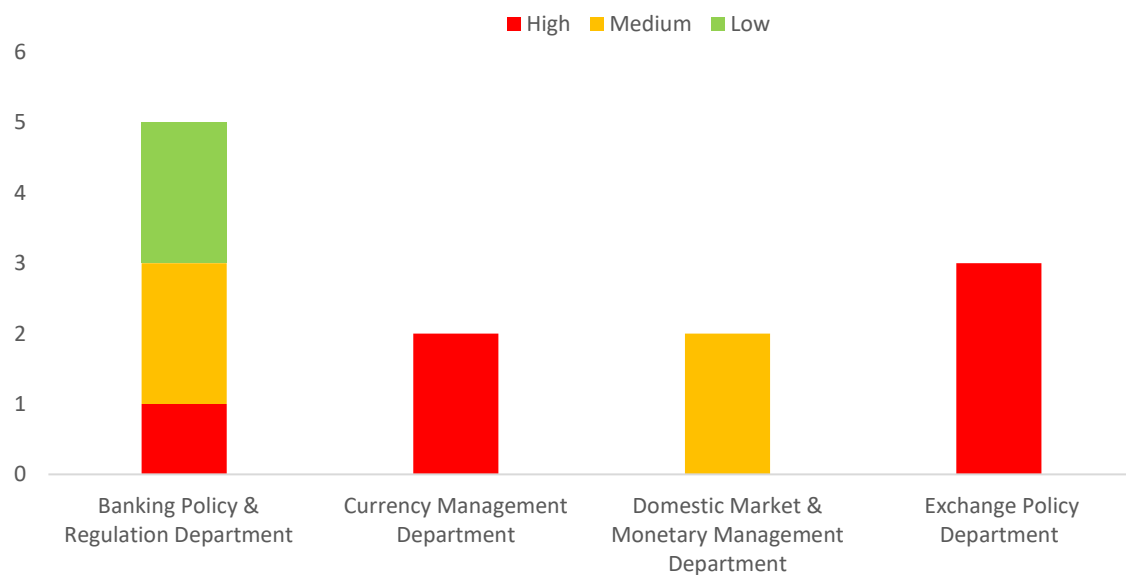
During the month of May 2021, the State Bank of Pakistan (SBP) issued a total of 12 circulars/notifications/ actions on significant matters.

### Circulars / Notifications by Risk Level

<i>Risk Level</i>	<i>Total</i>
High	6
Medium	4
Low	2



### Circulars / Notifications by Regulator Department & Risk Level



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## Key (High Risk) Circulars/Notifications

### Withdrawal of Rs.15,000/- and Rs.7,500/- Denomination National Prize Bonds from Circulation

via *CMD Circular No. 1 dated 30-Apr-2021*

According to government of Pakistan notification No. F.16 (1) BS /2021-750 and F.16 (1) BS /2021-751 dated April 28, 2021, regarding conversion / encashment of Rs. 15,000/- and Rs. 7,500/- denomination National Prize Bonds, with immediate effect. The following instructions are issued for information, guidance and meticulous compliance:

- Governance National Prize Bonds of Rs. 75,00/- and Rs. 15,000/ denomination shall not be sold with immediate effect and not be encashed / redeemed after 30.06.2021 and 31.12.2021 respectively.
- Cash payment for encashment of said bonds is NOT allowed. But the following options available to replace / encash these bonds:
  - Conversion to Premium Prize Bonds (Registered)
    - I. The Bonds can be converted to Rs. 25,00/- and Rs. 40,000 Premium Prize Bonds (Registered) through the 16 field offices of SBP and branches of 19 authorized commercial banks, list of which is available at [https://www.sbp.org.pk/sbp\\_bsc/PrizeBond/ConsolidatedListBranches\\_PPb.pdf](https://www.sbp.org.pk/sbp_bsc/PrizeBond/ConsolidatedListBranches_PPb.pdf).
    - II. The bondholder must submit a written request for conversion of bearer bonds to Rs. 25,000/- and Rs. 40,000/- Premium Prize Bonds (Registered) on the prescribed application form attached at Annexure A.
    - III. The bondholder shall also be required to submit prescribed application forms for registration / purchase of Premium Prize Bonds.
  - Replacement with Special Savings Certificate (SSC) / Defense Savings Certificate (DSC)

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- I. The Bonds can be replaced with SSC / DSC through the 16 field offices of SBP, authorized commercial banks and National Savings Centers.
  - II. All authorized commercial banks shall, accept requests for replacement of bearer bonds with SSC or DSC on the prescribed application form attached at Annexure A.
  - III. The bondholder shall also be required to submit application form for purchase of SSC / DSC (SC-1) as per the prescribed procedure.
  - Encashment at Face Value
    - I. The Bonds will only be encashed by transferring the proceeds to the bond holder`s bank account through the 16 field offices of SBP, at authorized commercial bank branches and to the Savings Accounts at National Savings Centers.
    - II. All commercial banks shall receive request for encashment of bearer bonds on the prescribed application form attached at Annexure A.
  - A copy of the application form duly signed and stamped, should be provided to the bond holder as an acknowledgement receipt.
  - The prize bonds encashed / replaced by general public must be surrendered to concerned SBP BSC office through respective regional office of the commercial bank.
  - SBP advise that a notice regarding the above-mentioned facilities must be displayed at prominent places within branch premises for awareness and information of general public.
  - The banks should submit data regarding conversion / encashment / redemption to CMD HOK on daily basis as per the format attached at Annexure-B. The Head Offices of commercial banks shall solicit details of prize bonds physically held by each Branch / Regional Office as on June 30, 2021 for Rs. 15000/- denomination and as on December 31, 2021 for Rs. 7500/-. Accordingly, the consolidated Bank wide position shall be shared with CMD SBP BSC on the prescribed format attached at Annexure C via email at [CMD.HOKPB@sbp.org.pk](mailto:CMD.HOKPB@sbp.org.pk) latest by next

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working day from the last date for encashment. NIL report is also required in case no prize bonds are held by a bank.

- No further draws of Rs. 15,000/- and Rs. 7,500/- denomination NPBs will be held hereafter.

Effective Date: **30-Apr-2021**

Regulator Department: **Currency Management Department**

Related FI Department: **Operations**

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

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## Statutory Liquidity Reserve (SLR)

*via EPD Circular Letter No. 05 dated 20-May-2021*

SBP informed that the Exchange Companies are required to maintain 25 % of Paid-up Capital as Statutory Liquidity Reserve (SLR) with the State Bank of Pakistan. The amount of SLR may be kept in current account maintained with SBP as well as invested in unencumbered approved government securities through SBP's Subsidiary General Ledger Account (SGLA) facility.

The requirement of SLR has been decreased from 25% to 15% of paid-up capital of Exchange Companies. Accordingly, the related instructions contained in the following paras of Exchange Companies Manual stand replaced, as under:

- Governance Para (3) of Chapter (3)  
"Fifteen (15) percent of the paid-up Capital shall be maintained as Statutory Liquidity Reserve (SLR) with the State Bank in the form of cash and/or unencumbered approved
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government securities. State Bank would extend current account and SGLA facilities to Exchange Companies.”

- Sub-para (ii)(f) of Para (2) of Chapter (4)

“Franchise Deposit’ is treated as “Second Tier Capital” in the books of the Franchiser. For the purpose of calculation of 15% SLR requirement and 50% of the Exposure Limit, this “Second Tier Capital” is added to the paid up capital of the Franchiser. At any point of time, combined exposure of Franchiser and Franchisee should not exceed 50% of the sum of paid up capital and Second Tier Capital (Franchise Deposit) of the Exchange Company.”

Effective Date: **20-May-2021**

Regulator Department: **Exchange Policy Department**

Related FI Department: **Foreign Trade Department**

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

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## Regulation R-7 of Prudential Regulations for Corporate / Commercial Banking

via *BPRD Circular Letter No. 17* dated 24-May-2021

SBP has decided to revise Para 2 of Regulation R-7 of Prudential Regulations for Corporate / Commercial Banking as under:

“The banks/DFIs can issue guarantees on behalf of Pakistani firms and companies functioning in Pakistan against the back to back/counter-guarantees of banks/DFIs rated at least ‘A’ or equivalent by a credit rating agency on the approved panel of State Bank of Pakistan. Besides, the counter-

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guarantee of bank/DFI situated in a foreign country is also acceptable if it has the rating of at least 'A' or equivalent on global or National Rating scale by Standard & Poor, Moody's, Fitch, Japan Credit Rating Agency (JCRA) or a local credit rating agency of the respective country provided the guarantee issuing bank in Pakistan is comfortable with and accepts the counter-guarantee of such foreign bank.

Subject to the following conditions and limits, banks/DFIs can issue guarantee against the back-to-back/counter guarantee of an unrated, or rated below 'A', bank/DFI that is situated in a foreign country:

- The aggregate amount of all such guarantees at any point in time should not exceed 10% of the bank's/DFI's own equity as disclosed in the latest audited financial statements.
- The banks/DFIs will have a board of directors (BoD) approved policy having internal limits for acceptance of such counter guarantees based on, inter alia, their own risk appetite and relevant risk factors. The policy may also set more conservative limits than as prescribed in para (a) above. There shall also be instituted a mechanism to monitor such exposures and limits."

Effective Date: **24-May-2021**

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

Related FI Department: **Risk Management Department**

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

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## Revision of Chapter-5 (Export of Foreign Currencies)

via *EPD Circular Letter No. 06* dated 24-May-2021

To further streamline the business of Exchange Companies keeping in view of the AML/CFT standards, SBP has decided that the Exchange Companies may export foreign currencies other than US Dollars on consignment basis only through cargo/security companies registered in Pakistan.

Further, the earlier mechanism for individual based export/import of foreign currencies by Exchange Companies stands discontinued.

Accordingly, Chapter-5 of the Exchange Companies Manual along with its Annexure-5 has been revised which is enclosed with circular for meticulous compliance.

Further Para 9(iv), Chapter-3 of Exchange Companies Manual also stands revised as under:

- "Exchange Companies can export foreign currencies other than United States Dollar (USD) and bring in equivalent USD in their foreign currency accounts maintained with banks in Pakistan. Prior authorization from State Bank is mandatory before starting the foreign currency exports business. Detailed procedure for undertaking foreign currency export business is given in Chapter 5".

Effective Date: **24-May-2021**

Regulator Department: **Exchange Policy Department**

Related FI Department: **Foreign Exchange Department**

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

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## Raising of Convertible Debt from Abroad by Startup Companies

via FE Circular No. 04 dated 26-May-2021

In order to facilitate the startup companies, in raising convertible debt from abroad, SBP has decided to introduce a new category of loan in Chapter 19 of Foreign Exchange Manual. For this purpose, following new paras are being introduced:

- 7(vii). PSBA mobilized as Convertible Debt: A company may raise funds from abroad in the form of convertible debt i.e. the loan with the option to be converted into equity shares of the borrowing company (which should be as a private limited/public unlisted company under the Companies Act, 2017) subject to terms and conditions as detail given in the circular.
- 18(xiv). PSBA mobilized as Convertible Debt This section describe the documents and conditions as required in this regard which detail as below:
  - The loan/credit agreement having specific clause(s) regarding conversion of loan into equity shares of the borrowing company.
  - A list of the Directors of the borrowing company along with their National identity numbers/ passport number and certified true copies of the same.
  - Beneficial ownership of the borrowing company.
  - An authenticated copy of the final repayment schedule (as per Appendix V-92).
  - On complete disbursement of foreign currency loan, as per the underlying loan agreement, the Authorized Dealer will maintain the Proceeds Realization Certificates (PRC).
  - The AD's can affect the remittance of principal, interest and other fees as per repayment schedule. A copy of the PRC, a certificate confirming the applicable benchmark rate and a certificate confirming payment of applicable taxes will be attached with the Form 'M' indicating LRN as remittance authority shall be maintained with Authorized Dealer at all times.

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- In case of conversion of outstanding loan amount into equity shares of the borrowing company, the same shall be intimated to the respective authorized dealer who will intimate the changes to the SBP during the following month, for reporting purposes.

Effective Date: **26-May-2021**

Regulator Department: **Exchange Policy Department**

Related FI Department: **Operation Department / Foreign Exchange Department**

Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary, Execution, delivery and process management - Customer intake and documentation**

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## Withdrawal of Rs. 15,000/-, Rs. 25,000/- & Rs. 40,000/ Denomination National Prize Bonds from Circulation

*via CMD Circular No. 2 dated 31-May-2021*

SBP informed that the Finance Division, Government of Pakistan has extended the last date for encashment / replacement / conversion of Rs. 40,000/-, Rs. 25,000/- & Rs. 15,000/- denomination National Prize Bonds (bearer) up to September 30, 2021, vide Notification Nos. F.16(3) GSI/2014-915, 916 & 917 dated May 28, 2021 (copy enclosed with circular).

SBP advised the banks that the branch / region wise consolidated data of cited denomination prize bonds held by them on last date i.e. September 30, 2021 should be submitted latest by October 1, 2021, as per the instructions mentioned in earlier CMD Circulars.

Effective Date: **31-May-2021**

Regulator Department: **Currency Management Department**



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Related FI Department: **Operation Department**

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

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## Other (Medium/Low Risk) Circulars & Notifications

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

*via DMMD Circular No. 08 dated 30-Apr-2021*

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

Effective Date: **05-May-2021**

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

Related FI Department: **Treasury Department**

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

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## Opening of Branches on May 8, 2021

via *BPRD Circular Letter No. 14 dated 04-May-2021*

In the wake of forthcoming Eid-ul-Fitr holidays from 10th to 15th May, 2021 and to cater the banking needs of public at large, SBP has been decided that all branches of banks / MFBs shall remain open on May 8, 2021 (Saturday) from 9:00 a.m. to 2:00 p.m. (without break).

Effective Date: **08-May-2021**

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

Related FI Department: **Human Resources**

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

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

via *DMMD Circular No. 09 dated 31-May-2021*

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

Effective Date: **01-June-2021**

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

Related FI Department: **Treasury Department**



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

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## Opening of Authorized Branches Dealing in Foreign Exchange and Trade Activities on 10<sup>th</sup> and 11<sup>th</sup> May, 2021

*via BPRD Circular Letter No. 15 dated 05-May-2021*

To availability of banking services to trade & industry in particular and public in general during the extended holidays before the forthcoming Eid-ul-Fitr, SBP has decided that banks should open 50% of their total authorized branches dealing in foreign exchange & trade activities on 10th May, 2021 (Monday) while the remaining 50% of such branches on 11th May, 2021 (Tuesday) from 9:00 a.m. to 2:00 p.m. (without break).

Effective Date: **10-May-2021**

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

Related FI Department: **Operations Department / Human Resources Department**

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

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## Public Holidays

*via BPRD Circular Letter No. 13 dated 04-May-2021*

The State Bank of Pakistan will remain closed from 10th to 15th May, 2021 (Monday to Saturday) on the occasion of Eid-ul-Fitr.

Effective Date: **10-May-2021**

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

Related FI Department: **Human Resources**

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

[Read more on the website](#)

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## Reverting to Normal Office Timings

*via BPRD Circular Letter No. 16 dated 16-May-2021*

Effective from May 17, 2021, the State Bank of Pakistan will revert to normal office hours, which shall also be followed by all banks / DFIs / MFBs as under:

- Office Hours:
  - Monday to Thursday: 9:00 a.m. to 5:30 p.m. (with prayer / lunch break from 1:30 p.m. to 2:15 p.m.)
  - Friday: 9:00 a.m. to 6:00 p.m. (with prayer / lunch break from 1:00 p.m. to 2:30 p.m.)

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Banks / MFBs may prescribe business (banking) hours for public dealing as per their business requirements subject to observance of business (banking) hours of SBP Banking Services Corporation as a minimum benchmark for this purpose.

Effective Date: **17-May-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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