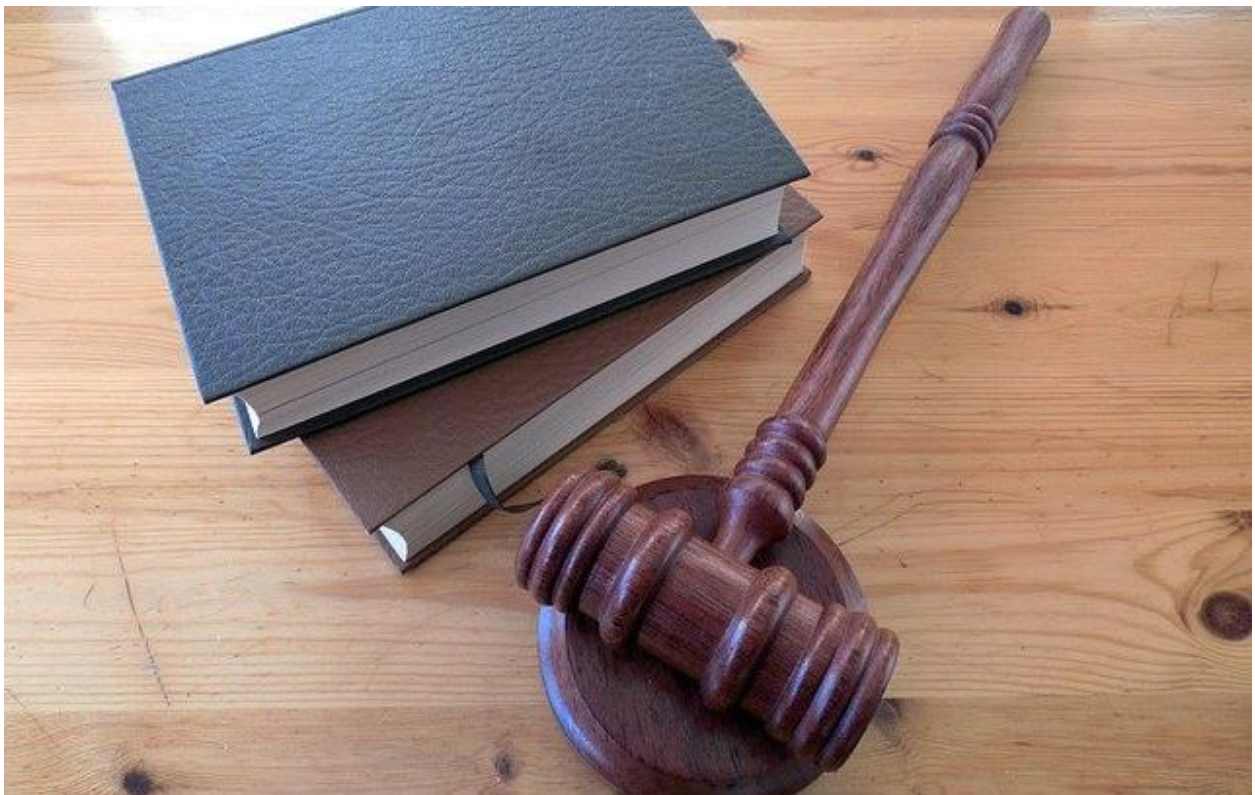

BenchMatrix>

Regulatory Bulletin

September 2021



Latest Circulars/Notifications issued by SBP

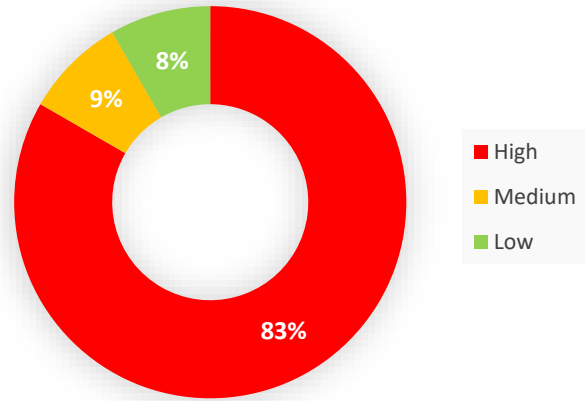
This document provides a summary of all the circulars/notifications issued by the State Bank of Pakistan during the month. The Regulatory Bulletin is a risk wise dissemination of significant matters issued by BenchMatrix.

Summary

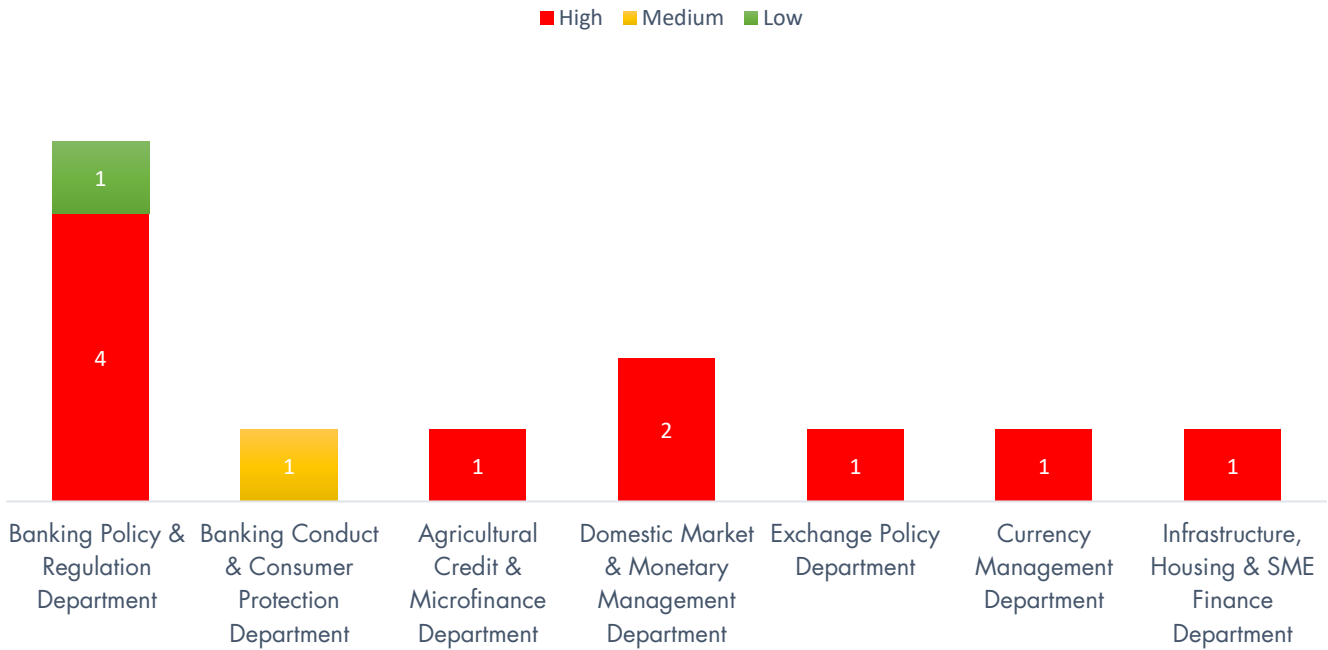
During the month of September 2021, the State Bank of Pakistan (SBP) issued a total of 12 circulars/notifications/ actions on significant matters.

Circulars / Notifications by Risk Level

| Risk Level | Total |
|------------|-------|
| High | 10 |
| Medium | 1 |
| Low | 1 |



Circulars / Notifications by Regulator Department & Risk Level



Key (High Risk) Circulars/Notifications

Guidelines for Financing of Housing Units in Under-Construction Projects

via *IH&SMEFD Circular No. 10 dated 02-Sep-2021*

State Bank has decided to issue guidelines to encourage banks/DFIs to extend housing finance to the housing units in under construction projects for which they have already entered into arrangements of project financing with builders/developers. These Guidelines for Financing of Housing Units in Under-construction Projects have been developed considering current market norms of buying/selling of housing units in under construction projects by addressing issues of legally enforceable rights and responsibilities. While guidelines comprehensively cover various aspects, it may be noted that all payments to the builder/developer for completion of construction/project shall be routed through an escrow account maintained by the bank/lead bank of consortium. The builder's/developer's equity and purchasers' equity contribution and subsequent payments of the purchasers through mortgage financing shall be routed through the same account. (Guideline is attached with circular.)

State Bank has decided to exempt banks/DFIs extending housing finance for under construction housing units from requirements as specified under Regulation HF 8: Creation of Mortgage for Housing Finance. This exemption will be available till arrangement of completion certificate, NOCs, approvals, utility connections and registered title deed between builder/developer and buyers of housing units. In order to avail this exemption, the banks/DFIs will, however, be required to meticulously comply with provisions of Guidelines for Financing of Housing Units in Under-construction Projects.

Effective Date: **02-Sep-2021**

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



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

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

[Read more on the website](#)

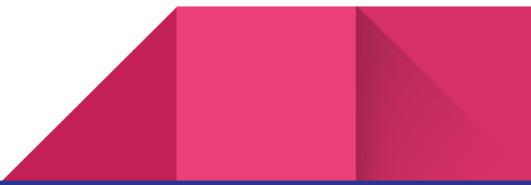
Customers' Digital Onboarding Framework

via BPRD Circular No. 02 dated 15-Sep-2021

State Bank of Pakistan (SBP) has decided to issue "Customers' Digital Onboarding Framework" for opening of bank accounts digitally by Resident Pakistanis. (As attached with circular). This Framework sets minimum requirements and standards that banks/Microfinance Banks (MFBs) have to meet while designing and implementing a seamless and standardized digital onboarding experience for their customers. The Framework is envisaged to promote SBP's digitization efforts and it is expected that the banking industry would also welcome and support these efforts, resulting in increased convenience for the customers to fulfil their financial needs through swift and secure digital infrastructure in Pakistan.

For "Customer Due Diligence", banks/MFBs shall utilize available technological and other resources for customer identification and verification, while complying with the enclosed Framework along with all applicable laws and regulations including but not limited to AML Act 2010, AML/CFT/CPF Regulations, Foreign Exchange Regulations and Enterprise Technology Governance & Risk Management Framework for Financial Institutions, as amended from time to time.

The banks/MFBs should implement this Framework at the earliest but not later than December 31, 2021. In this regard, banks/MFBs are advised to submit their tangible plans along with concrete timelines for the implementation of this Framework within 30 working days from the issuance date of this Circular.



Effective Date: **31-Dec-2021**

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

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

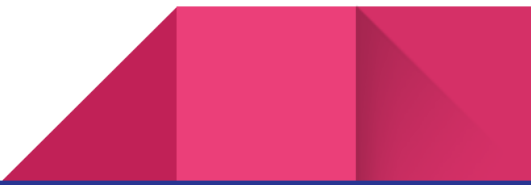
Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary, Clients, products and business practices - Product flaws**

[Read more on the website](#)

Women Branchless Banking Agents under Banking on Equality Policy

via BPRD Circular No. 03 dated 17-Sep-2021

SBP is introducing following measures to improve ratio of women BB agents in Financial Institutions:

- All BB (Branchless Banking) providers should formulate a clear and well-documented 'Gender Mainstreaming in Agents Strategy' (GMAS) duly approved by its Board, with a goal to reach 10% women in their agent portfolio. It should be developed and implemented in line with the Framework for BB Agent Acquisition & Management and cascaded down the line to concerned employees for strict compliance as per the following timelines: a) Share of women agent's portfolio should be increased 4% up to 31-12-2022, 7% up to 31-12-2023 and 10% up to 31-12-2024
 - All BB providers will submit the progress against the above targets to SBP on quarterly basis
 - SBP, as it deems fit, shall carry out inspection and/or diagnostic study of BB service providers and their agents to monitor compliance of mandatory requirements of maintaining women agents
 - All BB providers shall undertake training programs for women BB agents on ongoing basis
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- The said instructions are immediately applicable on all Authorized Financial Institutions (AFIs) providing BB services

Effective Date: **17-Sep-2021**

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

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

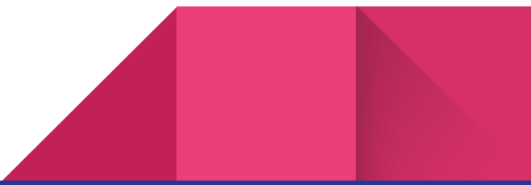
Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary**

[Read more on the website](#)

Banking on Equality Policy

via *AC&MFD Circular No. 1 dated 17-Sep-2021*

SBP is State Bank of Pakistan has launched “Banking on Equality Policy: Reducing the Gender Gap in Financial Inclusion” to enhance women’s financial inclusion. Under the policy, it has been decided to introduce a gender lens within the financial sector through specific measures in key areas, to bring a shift towards women friendly business practices.

- The Framework of Measures under Banking on Equality Policy: The implementation of this policy will facilitate in reducing the gender gap in bank staff, as well as in improving the access and use of financial products & services by women. It will also be helpful in achieving National Financial Inclusion Strategy (NFIS) headline target of 20 million active women bank accounts by 2023. These instructions should be applicable on Commercial Banks, Islamic Banks, Microfinance Banks (MFBs), Development Finance Institutions (DFIs) and those Electronic Money Institutions (EMIs) that have received commercial approval, hereinafter
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referred collectively as Financial Institutions (FIs). Proportionate improvement in the ratio of women working in FIs is expected to aid the development of policies and practices for improving gender balance across the financial sector as well as developing women friendly products & services. Accordingly, FIs should take the following measures:

- **Comprehensive Policy** - All FIs should develop a comprehensive gender mainstreaming policy to reduce the gender gap, duly approved by their Boards within six months of issuance of this circular. The policy must include measures as mentioned in circular.
- **Governance** - In order to have institutional readiness for creating more focus on gender intentional approaches:
 - I. FIs must have at least one female independent director in their Board of Directors preferably within six months of the issuance of this circular, in-line with the SECP's instructions under Section 154 of Companies Act, which states "Public interest companies shall be required to have female representation on their board"
 - II. FIs should create a dedicated Management Sub-Committee on Gender, or amend TORs of existing Management Committee within three months of the issuance of this circular, to create gender perspective in their institutions' policies and practices
 - III. FIs should set up a specialized dedicated Women's Financial Services Department within six months of the issuance of this circular. The key functions of the department are detailed in Annexure I
- Gender Women Centric Products & Services and Outreach Targets to shift from gender neutral to gender inclusive product design and marketing, it is imperative that all FIs have dedicated teams tasked to embed a gender lens in all product offerings and marketing strategies. In this regard the specialized Women Financial Services Department at FIs would:
 - I. Be responsible for reviewing and designing the FIs' products, services and marketing strategies from a gender perspective, while keeping in view

various use cases of women demographics of all ages and life cycle stages

- II. Develop new digital financial products for specific segments including startups with focus on women segments
 - III. The FI's should explore partnerships with statutory bodies such as NADRA to create opportunities for raising awareness and facilitating bank account opening of women when they are registering/updating ID cards, and/or voting etc.
 - IV. Partner with women associations/networks and civil society organizations to engage with women at the grassroots levels for provision of financial services
 - V. FIs should ensure that all of their employees including those involved in mobilizing, onboarding and serving women customers, must go through gender sensitivity training
 - VI. To create awareness and impart financial literacy among women to access formal financial products & services to make well-informed financial decisions
 - VII. To make the financing process easier for women, all FIs must Simplify the credit policies & processes for financing to women and provide non-financial advisory services especially to women SMEs to access formal financial services and Provide digital access to SBP Refinance & Credit Guarantee Scheme for Women Entrepreneurs in due course of time
- Women's Champions at all Customer Touch Points Presence of women champions and specialized resources at all customer touch points, such as bank branches, branchless banking agents, call centers and alternate delivery channels is critical to aid women's adoption of conventional and digital financial services. In order to make women comfortable to approach FIs and access financial products & services suited to their needs, all FIs shall preferably place women champions at all customer touch points, such as branches, call centers and alternate delivery channels etc.

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- I. **Women Champions Targets** - FIs must ensure that at least 75% of touch points should have women champions within three years of the issuance of this circular, as per timelines stipulated in circular.
- Robust Collection of Gender-Disaggregated Data and its Reporting Framework Absence of gender-disaggregated data can create a mismatch between perceived barriers to women's financial inclusion and policy interventions to address these constraints. Therefore, FIs should immediately make necessary arrangements to collect reliable gender-disaggregated data, to accurately reflect the uptake and usage of products & services by men, women and transgender, at-least in terms of bank accounts, deposits, financing, payments, etc. as per Annexure II attached with circular
 - I. FIs will submit the gender-disaggregated data to SBP on periodic basis in the prescribed areas as per the attached Annexure II
 - II. FIs will share regular progress with SBP against the headline targets and instructions/measures as laid down in this circular and Banking on Equality Policy

SBP advise the all FIs to submit a comprehensive compliance/progress report to SBP on quarterly basis. All FIs must make necessary arrangements, preparations, allowances in budgets and infrastructure, for implementation of Banking on Equality Policy within three months of issuance of this circular

Effective Date: **17-Sep-2021**

Regulator Department: **Agricultural Credit & Microfinance Department**

Related FI Department: **Operation Department / 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](#)

Facilitation of Afghan Transit Trade

via EPD Circular Letter No. 14 dated 20-Sep-2021

Based on representations received from various stakeholders and to facilitate Afghan Transit Trade in current circumstances, SBP has been decided to defer the following requirements until March 31, 2022:

- Submission of proceed realization certificate for freight and container detention charges in respect of consignment of Afghan Transit Trade as mentioned in Para 4((i(n)) & 4A((ii(g))), Chapter 14 of Foreign Exchange Manual
- Maintaining separate PKR account by shipping companies/agents for accepting container detention charges as mentioned in Para 4A(i), Chapter 14 of Foreign Exchange Manual

Effective Date: **20-Sep-2021**

Regulator Department: **Exchange Policy Department**

Related FI Department: **Foreign Trade Department**

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

[Read more on the website](#)

SBP's Policy Rate and Overnight Repo / Reverse-Repo Facilities

via DMMD Circular No. 15 dated 20-Sep-2021

- SBP has decided to increase its 'Policy Rate' (Target Rate) from 7.00% to 7.25%
- SBP Overnight Reverse Repo (Ceiling) rate will be at 8.25% i.e. 100 bps above the SBP Policy Rate
- The SBP Overnight Repo (Floor) rate will be at 6.25% i.e. 100 bps below the SBP Policy Rate
- Accordingly, the Floor and Ceiling levels for the Interest Rate Corridor are 6.25% and 8.25% p.a. respectively (i.e. width of 200bps)

Above changes are effective from September 21, 2021. Other instructions on the subject shall, however, remain unchanged.

Effective Date: **21-Sep-2021**

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

Related FI Department: **Treasury Department**

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

[Read more on the website](#)

Prudential Regulations for Consumer Financing

via BPRD Circular Letter No. 29 dated 23-Sep-2021

In terms of FE SBP has decided to make the following amendments in Prudential Regulations for Consumer Financing:

- **Regulation R-3 (Total Financing Facilities to be Commensurate with the Income)** - The total monthly amortization payments of consumer financing facilities, as prescribed in paragraph 1 of the regulation, should not exceed 40% of the net disposal income of the prospective borrower. Similarly, in paragraph 3 of the regulation Debt Burden Ratio for Consumer Financing may be read as 40 percent instead of 50 percent
- **Regulation R-11 (Auto Loans/Financing): Maximum tenor** - The maximum tenure of the auto finance facility is reduced from seven (7) years to five (5) years
- **Regulation R-12 (Auto Loans/Financing)** - The minimum down payment is increased from 15 percent to 30 percent of the value of vehicle. The existing paragraph of the regulation has been numbered as paragraph 1 with title: "minimum down payment requirement" and a new paragraph 2 with title "Limit on Auto Financing" has been inserted as follows:
 - Limit on Auto Financing: Overall auto loans/financing limits availed by one person from all banks/DFIs, in aggregate, shall not exceed Rs3,000,000/-, at any point in time. However, the financing limit of borrowers whose approved limit already exceeds Rs3,000,000/- may be amortized as per existing terms and the same shall not be further increased
- **Regulation O-7 (Auto Loans / Financing)** - Following sentence has been inserted at the end of existing regulation O-7: "New as well as used imported vehicles shall not be eligible for auto financing from banks/DFIs"
- **Regulation R-17 (Personal Loans/Financing)** - The maximum tenure of personal financing, except the financing extended for educational purpose as prescribed in the regulation, is decreased from five (5) years to four (4) years

The aforesaid amendments in PRCF will not apply on:

- Financing for locally assembled/manufactured vehicles of up-to 1000cc engine capacity
- Roshan Apni Car product of banks
- Locally assembled/manufactured Electric Vehicles

Accordingly, these financings will continue to be governed by PRCF existing prior to these amendments. Besides, the regulatory treatment of Roshan Apni Car product already communicated to RDA participant banks will continue to remain effective. The above amendments in PRCF shall be applicable, with immediate effect, on new financing facilities.

Effective Date: **23-Sep-2021**

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

Related FI Department: **Operation Department / Consumer Financing Department**

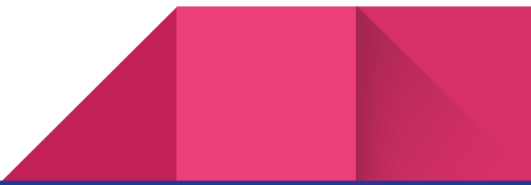
Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary, Clients, products and business practices - Improper business or market practices**

[Read more on the website](#)

Government of Pakistan Ijara Sukuk

via *DMMD Circular No. 16* dated 27-Sep-2021

In accordance with provisions of the notification of GOP Ijara Sukuk Rules, 2008 ('Annexure-A'), GIS will be issued as per the Structure and Assets described in 'Annexure- B'. The GIS auction



details such as target amount, tenor, rental rate (variable or fixed) and auction schedule etc. will be announced by SBP on Refinitiv/Bloomberg SBPK pages.

The details covering the structure, documentation and sample tender form ('Annexure- C' for Variable Rental Rate-and 'Annexure- D' Fixed Rental Rate GIS-) are enclosed for information. (All annexures are attached with circular)

Effective Date: **27-Sep-2021**

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

Related FI Department: **Treasury Department / Finance Department**

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


[Read more on the website](#)

Margin Restriction on Import of Items

via BPRD Circular Letter No. 30 dated 30-Sep-2021

SBP has decided that banks, with immediate effect, shall obtain 100 percent cash margin on the import of items as listed in the enclosed Annexure-A.

Furthermore, it has been decided to waive the condition of 100 percent cash margin requirement on imports made against HS Code 8414.8090-Air Pumps and Gas Compressors (S. No. 17 of Annexure-A of BPRD Circular No. 05 of 2018).



Effective Date: **30-Sep-2021**

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

Related FI Department: **Foreign Trade Department**

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

[Read more on the website](#)

Extension in Last Date for Encashment / Conversion/ Redemption of Rs. 40,000/-, Rs. 25,000/- & Rs. 15,000/- denomination National Prize Bonds (NPBs) Withdrawn from Circulation

via CMD Circular No. 3 dated 29-Sep-2021

SBP has informed that 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 December 31, 2021, vide Notification Nos. F.16(3) GS-I/2014-1565, 1566 & 1567 dated September 29, 2021 respectively (copy enclosed with circular).

Accordingly, all banks are advised to accept requests for encashment / conversion / redemption of cited denominations of NPBs from general public till December 31, 2021. Further, the banks shall submit branch / region wise consolidated data of cited denomination prize bonds held by them on last date i.e. December 31, 2021 latest by next working day i.e. January 4, 2022, as per the instructions stipulated in CMD Circular No. 02 2021.

Effective Date: **30-Sep-2021**

Regulator Department: **Currency Management Department**



Related FI Department: **Operation Department**

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

[Read more on the website](#)

Other (Medium/Low Risk) Circulars & Notifications

Realignment of Function - Unclaimed Deposits

via BC&CPD Circular Letter No. 03 dated 23-Sep-2021

SBP has decided to transfer all operational functions related to unclaimed deposits under Section 31 of Banking Companies Ordinance, 1962 to SBP Banking Services Corporation (SBPBSC) with effect from October 01, 2021. These include surrendering of unclaimed deposits by banks/ DFIs, making information about surrendered deposits public, processing of applications for refunds of such deposits, etc.

SBP advise to Banks/ DFIs to submit all applications related to refund of unclaimed deposits to the Director, Accounts Department, SBPBSC, Karachi with effect from October 01, 2021.

Effective Date: **01-Oct-2021**

Regulator Department: **Banking Conduct & Consumer Protection Department**

Related FI Department: **Operation Department / Finance Department**

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



[Read more on the website](#)

Assuming Charge as Executive Director, Banking Policy & Regulations Group, State Bank of Pakistan

via BPRD Circular Letter No. 28 dated 13-Sep-2021

SBP has informed that Mr. Arshad Mehmood Bhatti has assumed the charge of Executive Director, Banking Policy & Regulations Group (BPRG), State Bank of Pakistan with effect from September 10, 2021. His specimen signature is appended:

Effective Date: **10-Sep-2021**

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

Related FI Department: **Company Sectary / President Office**

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

[Read more on the website](#)



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