
BenchMatrix>

Regulatory Bulletin

October 2021



Latest Circulars/Notifications issued by SBP

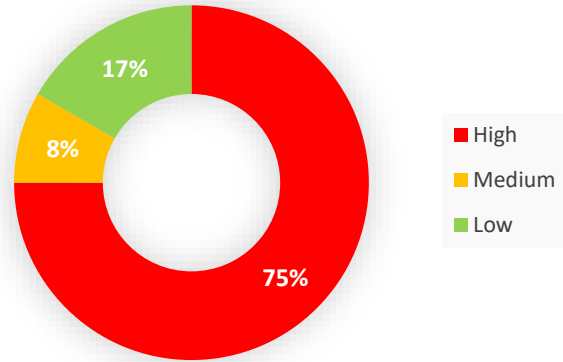
This document provides a summary of all the circulars/notifications issued by the State Bank of Pakistan during the month. The Regulatory Bulletin is a risk wise dissemination of significant matters issued by BenchMatrix.

Summary

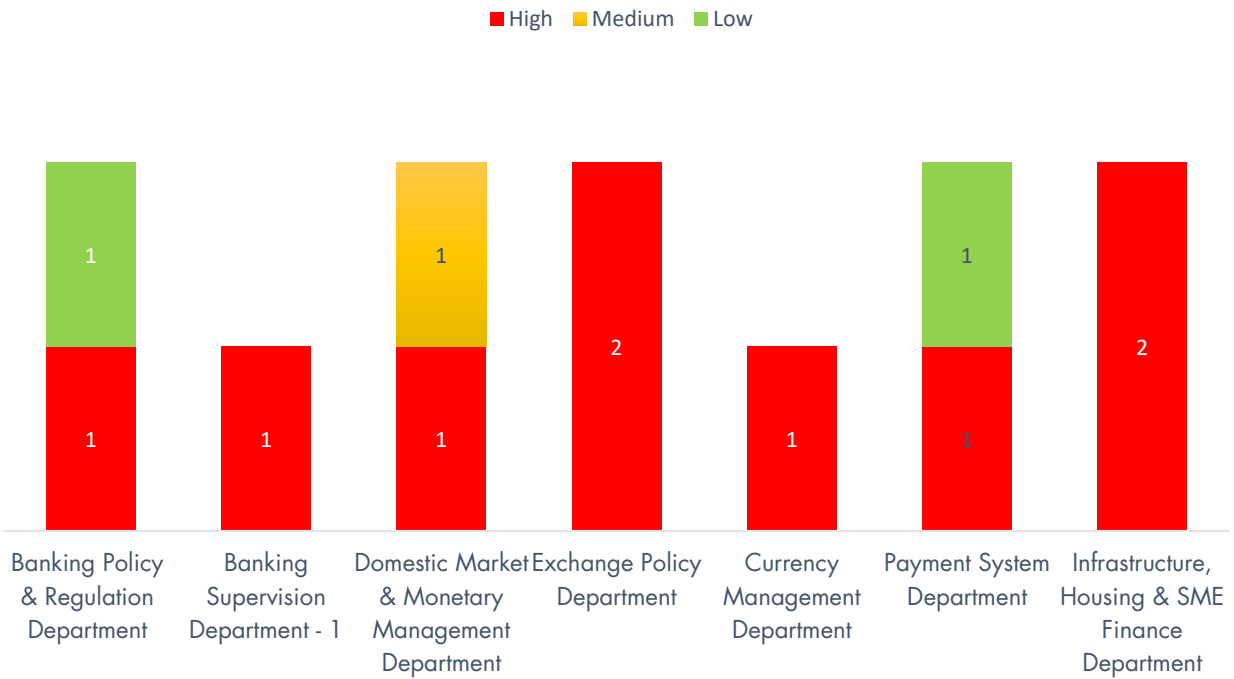
During the month of October 2021, the State Bank of Pakistan (SBP) issued a total of 12 circulars/notifications/ actions on significant matters.

Circulars / Notifications by Risk Level

Risk Level	Total
High	9
Medium	1
Low	2



Circulars / Notifications by Regulator Department & Risk Level



Key (High Risk) Circulars/Notifications

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Encashment/Conversion/Redemption of Rs. 40,000/-, Rs. 25,000/- & Rs. 15,000/- denomination National Prize Bonds (NPBs) Withdrawn from Circulation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

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: **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](#)

Kamyab Pakistan Program (KPP)

via *IH&SMEFD Circular No. 11* dated *04-Oct-2021*



Finance Division, Government of Pakistan, has issued letter No. F.No.6(2)BKg-II/2021-817 dated September 30, 2021 (copy attached with circular), wherein Federal Cabinet's approval of Kamyab Pakistan Program of GoP which communicated to State Bank of Pakistan.

KPP has three components related to financing i.e.

- Kamyab Karobar
- Kamyab Kissan
- Naya Pakistan

Low Cost Housing as per the terms and conditions mentioned in Annexure I, II & III of the attached Finance Division's letter. Interested banks/DFIs/MFBs are advised to take necessary action in this regard.

Effective Date: **04-Oct-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, Clients, products and business practices - Product flaws**

[Read more on the website](#)

Retention period of Export Proceeds with Authorized Dealers upon Realization and Remittance of Export Commission, Brokerage & Discount

via EPD Circular Letter No.15 dated 04-Oct-2021



SBP has made partial changes in Para 7 & 35, Chapter 12 of Foreign Exchange (FE) Manual as below:

- Para 7, Chapter 12 - Retention period of Export Proceeds with Authorized Dealers upon realization first sentence of Para 7 Chapter 12 has been replaced with the following:

It is permissible for exporters to retain the export proceeds including 'Advance Payments' in foreign currency with an Authorized Dealer in Pakistan for three working days of receipt of funds by Authorized Dealer (value date of Nostro Account) and to sell the same within this period to any Authorized Dealer

- Para 35 Chapter 12 - Remittance of Export Commission, Brokerage & Discount and Retention of Export Proceeds in Exporters Special Foreign Currency Account. Sub-para (ii) (c) of para 35 of Chapter 12 has been replaced with the following:

By remittances from Pakistan, when the full export proceeds are received, within three working days of the receipt of funds by Authorized Dealer (value date of Nostro Account). The Authorized Dealers should report the full export proceeds of the bill as "Purchase" and the amount of commission remitted should be reported as "Sale"

Effective Date: **04-Oct-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](#)

Amendments in Instructions for Exchange Companies

via *EPD Circular Letter No. 16 dated 06-Oct-2021*



This circular pertains to Exchange Companies. SBP has decided to amend the applicable regulations relating to scope of business of Exchange Companies and Exchange Companies of 'B' Category. Accordingly, the following Paras of Exchange Companies Manual stand replaced as under:

- Para 9 (i) (f) Chapter 3 of Exchange Companies Manual;

For all foreign currency sale transactions equivalent to USD 500/- or above, Exchange Companies shall retain copies of identification documents i.e. NIC /NICOP/ POC/ Passport (having valid visa on it or any other proof of legal stay of a foreigner in Pakistan) after having seen the document in original. In addition, Exchange Companies shall also carry out biometric verification of Pakistani Nationals for all such transactions and maintain the record there.

- Para 9 (i) (g) Chapter 3 of Exchange Companies Manual;

All sale transactions of USD 10,000/- or above (or equivalent in other currencies) shall be conducted by the Exchange Companies through Cheque/ Bank Transfer from the personal account of the customer. Instrument/ transaction reference number and issuing bank's name shall be mentioned on the transaction receipt along with identification document number of the customer.

- Fresh Para 9 (iii) (f) Chapter 3 of Exchange Companies Manual;

Exchange Companies shall retain copies of identification documents i.e., CNIC/NICOP/POC/Passport (having valid visa on it or any other proof of legal stay of a foreigner in Pakistan) for conducting transfers/ remittances transaction regardless of the amount. The name, address and identification document number of the customer shall also be mentioned on the receipt after due verification and with stamp of "original seen". In addition, Exchange Companies shall also carry out biometric verification of Pakistani Nationals for all transactions and maintain record thereof

- Financing Para 9 (iii) (g) Chapter 3 of Exchange Companies Manual;

All outward transactions of USD 10,000/- or above or equivalent in other currencies shall be conducted by the Exchange Companies through Cheque/ Bank transfers from the personal account of the customer. Instrument/ transaction reference number and issuing bank's name shall be mentioned on the transaction receipt along with identification document number of the customer.

- Para 12 (i) (c) Chapter 8 of Exchange Companies Manual;

For all foreign currency buy and sale transactions equivalent to USD 500/- or above, Exchange Companies of 'B' Category shall retain copies of identification documents i.e., CNIC /NICOP/ POC / Passport after having seen the document in original. In addition, Exchange Companies of 'B' Category shall also carry out biometric verification of Pakistani Nationals for all such sale transactions and maintain the record thereof.

- Para 12 (i) (d) Chapter 8 of Exchange Companies Manual

All sale transactions of USD 10,000/- or above or equivalent shall be conducted by the Exchange Companies of 'B' Category through Cheque/ Bank Transfer issued from the personal account of the customer. Instrument/ transaction reference number and issuing bank's name shall be mentioned on the transaction receipt along with identification document number of the customer.

All above instructions are applicable with immediate effect. However, for implementing the requirements for biometric verification, Exchange Companies and Exchange Companies of 'B' Category shall make necessary arrangements, including procurement of hardware and software and establishing connectivity with NADRA latest by October 21, 2021, while the instructions shall be applicable with effect from October 22, 2021.

Effective Date: **06-Oct-2021**

Regulator Department: **Exchange Policy Department**



Related FI Department: **Foreign Exchange Department**

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

[Read more on the website](#)

SBP Financing Scheme for Renewable Energy and Islamic Financing Facility for Renewable Energy

via IH&SMEFD Circular No. 12 dated 11-Oct-2021

In order to streamline features of this category with market dynamics, SBP has decided that any Renewable Energy Investment Entity (RE-IE) shall be eligible to avail financing under the category III for installation of renewable energy projects/ solutions. The RE-IE shall be any business entity which is established to invest in renewable energy generation through installation of renewable energy projects/ solutions for selling electricity or leasing/ renting out/ selling on deferred payment of renewable energy equipment to ultimate owners/ users. A renewable energy investment entity shall also include vendors/ suppliers of renewable energy equipment.

Accordingly, the revised features of Category III of both Conventional and Shariah compliant Schemes are placed as Annexures I and II as attached with circular. The Annexure-I shall replace Section 9 of SBP Financing Scheme for Renewable Energy (IH&SMEFD Circular No. 10 dated July 26, 2019) while Annexure II shall replace Section 1.6 and Section 2.3.3 of IFRE (IH&SMEFD Circular No. 12 dated August 21, 2019). These Annexures shall also replace and override instructions/ revisions introduced vide IH&SMEFD Circular Letter No. 23 dated July 22, 2020.

Effective Date: **11-Oct-2021**

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

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



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

[Read more on the website](#)

Enhancing Digitization Initiatives in Banks/MFBs

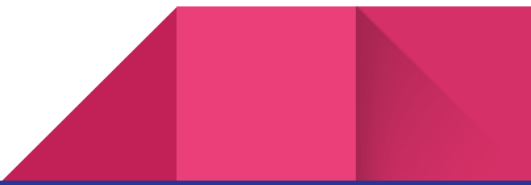
via PSP&OD Circular Letter No. 05 of 2021 dated 15-Oct-2021

In order to further facilitate small businesses/corporates and encourage them to adopt digital means of payments, it has been decided that henceforth Banks/MFBs/PSOs/PSPs (herein referred to as Regulated Entities (REs)), shall mandatorily provide digital payments and facilitation of financial services, to the institutional clients (Corporation/Companies/Partnerships), including but not limited to:

- Online portals/platforms for digital payments/receipts)
- Online Interbank Fund Transfer services
- Online bill/invoice presentment and payments services
- Over the Counter (OTC) digital payments services/facilities
- Card payments using Point of Sale (POS) terminals, QR codes, mobile devices, ATMs, Kiosk and/or any other digital payments enabled devices
- Any other digital/online payment modes

REs shall ensure that a comprehensive authority matrix and necessary access controls are in place to avoid any unauthorized use of online corporate portals as well as other means of digital payments.

For improved reporting purposes, REs should ensure that all modes of transactions i.e. cash, digital, paper-based are recorded with proper identifiers for each transaction.



For invoice-based transactions, REs shall create provision in their systems to record payer and payee account numbers/IBAN, title and type (individual/business), where available, and invoice numbers.

REs shall submit detailed plan/roadmap along with timelines, within 30 days from the issuance of this Circular Letter, for the implementation of the above provisions.

REs shall also make all efforts to onboard non-corporate players including Sole Proprietors, SMEs and MSMEs for the provision of digital payment services. To monitor performance, REs are advised to provide the requisite information as per Annexure A (attached with circular) on quarterly basis by the 15th of every month for the preceding quarter. For this purpose, banks are encouraged to enter into partnerships with other FinTech including EMIs, payment aggregators, PSOs and PSPs.

All other instructions including but not limited to compliance of AML/CFT/ CPF laws and regulations on the subject shall remain unchanged.

Effective Date: **15-Oct-2021**

Regulator Department: **Payment Systems Policy & Oversight Department**

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


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

[Read more on the website](#)

Government of Pakistan Ijara Sukuk

via *DMMD Circular No. 18 dated 24-Oct-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: **24-Oct-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](#)

Details of Significant Enforcement Actions by SBP during the Quarter ended Sep 30, 2021

via *NIL* dated 30-Sep-2021

During the quarter ended September, 2021 the SBP imposed total regulatory penalty of Rs.465.042 million on five banks i.e. NBP Rs. 280.509 million, SBL Rs. 132.437 million, UBL Rs. 38.554 million, ICBCP Rs. 13.542 million. Monetary penalty was imposed mainly on violations of regulatory requirement especially in the areas of KYC/CDD, General Banking Operation, Assets Quality and FX Operations. Banks are advised to maintain timelines to bring improvements in its systems/controls to avoid recurrence of such lapses/violations in future. Detail of Penalty is available on SBP website. (All Annexures are attached with circular)

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

Regulator Department: **Banking Supervision Department-1**

Related FI Department: **Compliance Department / Finance 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](#)

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. 19 dated 29-Oct-2021

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

Effective Date: **01-Nov-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](#)

Assuming Charge as Executive Director, Digital Financial Services Group, State Bank of Pakistan

via PSP&OD Circular Letter No. 04 dated 11-Oct-2021

SBP has informed that Mr. Syed Sohail Javad has assumed the charge of Executive Director, Digital Financial Services Group (DFSG), State Bank of Pakistan with effect from October 08, 2021.

Effective Date: **08-Oct-2021**



Regulator Department: **Payment Systems Policy & Oversight Department**

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

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

[Read more on the website](#)

Public Holiday

via *BPRD Circular Letter No. 31* dated 15-Oct-2021

The State Bank of Pakistan was closed on Tuesday, October 19, 2021 (i.e. 12th Rabi-ul-Awal, 1443 A.H) on the occasion of Eid Milad-un-Nabi (Sallallahu Alayhi Wa-Sallam).

Effective Date: **19-Oct-2021**

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

Related FI Department: **Human Resources Department**

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

[Read more on the website](#)



Canada

53 Village Center Place,
Mississauga, ON, Canada
noman.zahid@benchmatrix.com
D: + 1 (647) 546-1985

Pakistan

A301-4, 3rd Floor, Lakson Square
Building # 3, Sarwar Shaheed Road,
Karachi, Pakistan
taimur.kaleem@benchmatrix.com
M: +92 332 5432689

Bahrain

Office 63, Building 2317,
Road 2830, Block 428, Al Seef,
Manama, Kingdom of Bahrain
waqas.alam@benchmatrix.com
M: +973 3513 9689

Saudi Arabia

3373, Abdulaziz Alkhuraijy,
Alzahra District, Jeddah
sultan.malki@benchmatrix.ca
M: +966 50 666 0202

Dubai

Business Centre, Building C, 3rd Floor,
Dubai Logistics City, Dubai,
United Arab Emirates
asad.ali@benchmatrix.com
M: +971 50 8508325

Kuwait

nadeem.mukaddam@benchmatrix.com
M: +965 9406 7607

Algeria

imed.ouitis@benchmatrix.com
M: +213 7714 78444

This document contains copyrighted material, the use of which may not have been specifically authorized by the copyright owner.

© 2021 BenchMatrix Private Limited. All rights reserved.

