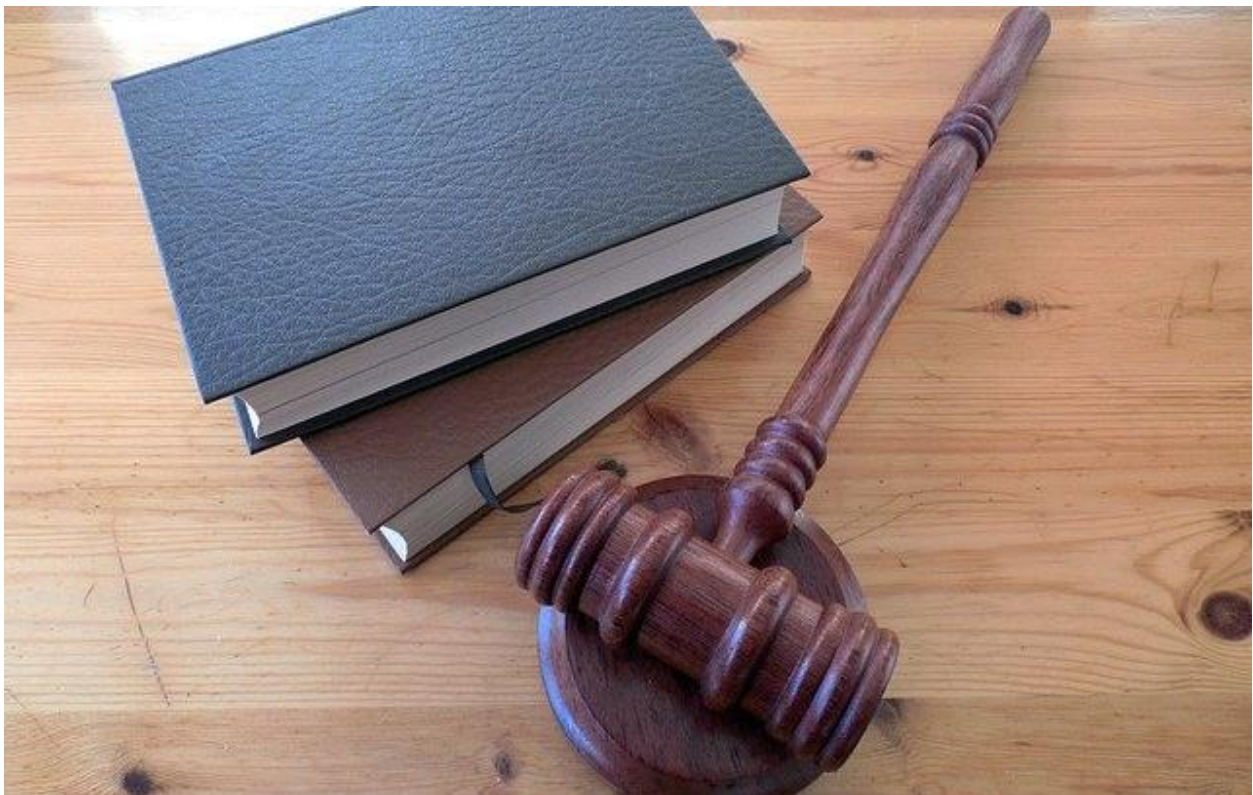

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Regulatory Bulletin

March 2022



Latest Circulars/Notifications issued by SBP

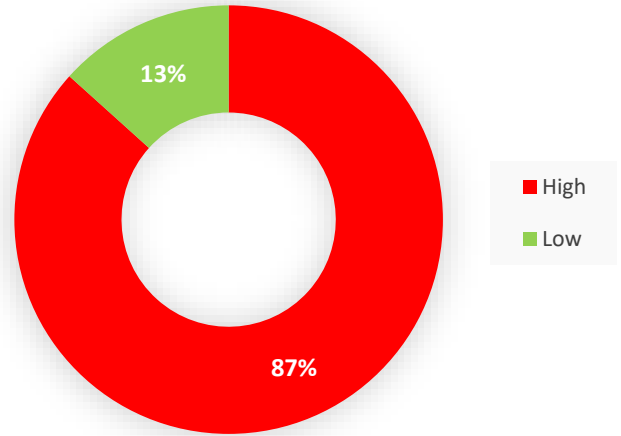
This document provides a summary of all the circulars/notifications issued by the State Bank of Pakistan during the month. The Regulatory Bulletin is a risk wise dissemination of significant matters issued by BenchMatrix.

Summary

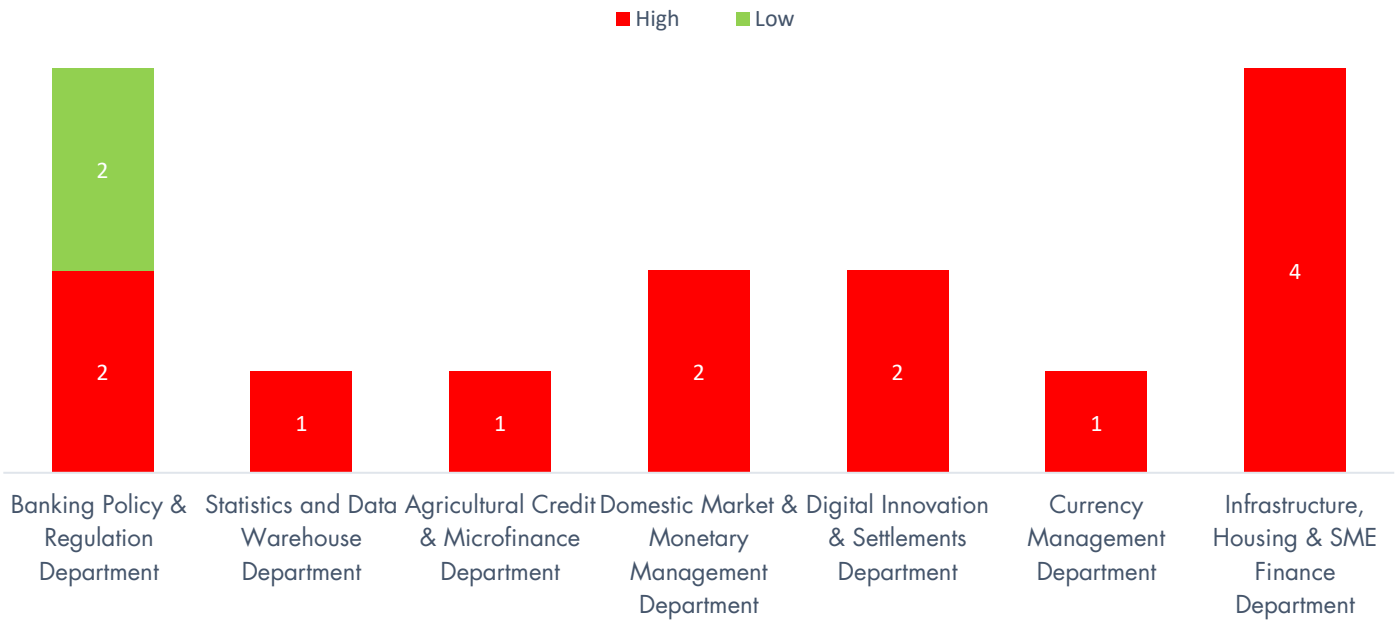
During the month of March 2022, the State Bank of Pakistan (SBP) issued a total of 15 circulars/notifications/ actions on significant matters.

Circulars / Notifications by Risk Level

Risk Level	Total
High	13
Medium	
Low	2



Circulars / Notifications by Regulator Department & Risk Level



Key (High Risk) Circulars/Notifications

Standardization of Quick Response (QR) Codes for Payments in Pakistan

via DI&SD Circular Letter No. 1 dated 02-Mar-2022

SBP has decided to issue a specific Standard for QR Codes (QRCs) for Merchant payments as well as Person to Person (P2P) payments in Pakistan with the aim of standardizing the QR Issuance and acceptance practices in the country.

With effect from 1st July 2022, all new QR codes should be issued as per the new standard. Similarly, all issuers shall develop their QR reading/scanning systems to adopt to the attached standard with circular not later than 30th June 2022. The existing QR codes issued by the acquirers also need to be replaced as per the new standard by 30th June 2022.

The standard has the capability to incorporate multiple QR schemes; however, it will be mandatory for all acquirers and issuers to be part of the Raast merchant payment scheme by 30th June 2022. From 1st July 2022, all issuers of the QR Codes should have the capability of reading/scanning any QR code issued in Pakistan and process payments accordingly irrespective of the scheme. The acquirers/issuers may also align themselves with other QR Code schemes as per their own feasibility and choice.

Domestic schemes desirous of offering QR codes as a payment mechanism will need to acquire the scheme ID from SBP. Only authorized PSO/PSPs will be issued the first two digits of the Merchant Account Information (MAI) which are used to recognize the scheme for QR payments.

FIs are advised to create awareness through written and digital modes of communication as well as other means including but not limited to:

- Mobile apps and internet banking portals
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- Printing customer's personalized QR Code on their cheque books, bank statements, welcome letters etc.
 - Issuing especially designed "personalized QR Cards" that would help customer to receive payments conveniently
 - Any other mode deemed fit by Fis

The detailed Standard for QR codes for Merchant Payments and P2P Payments is enclosed as Annexure-I with circular.

Effective Date: **01-Jul-2022**

Regulator Department: **Digital Innovation & Settlements Department**

Related FI Department: **Operation 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](#)

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

via BPRD Circular Letter No. 04 dated 08-Mar-2022

SBP decided to revise Para 1 A of Regulation R-6 of Prudential Regulations for Corporate / Commercial Banking as under:

Para 1 A. Acquisition of Shares - Single Company Investment Limit:

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- The investment of banks/DFIs, in aggregate, in shares of any single company shall be lower of the following two limits:
 - 5 percent of Tier-I Capital of the bank/DFI reported in preceding half-yearly reviewed / annual audited financial statements; or,
 - 10 percent of paid-up shares of Investee Company

The above limits shall also be applicable to investment of banks/DFIs in units of all types of mutual funds.

- The investment of banks/DFIs, in aggregate, in shares/units of any single startup (including Fintech Startups) or any single Real Estate Investment Trust (REIT) shall be lower of the following limits, respectively:
 - Startups: 5 percent of Tier-I Capital of the bank/DFI reported in preceding half-yearly reviewed / annual audited financial statements or Rs. 500 million.
 - REITs: 5 percent of Tier-I Capital of the bank/DFI reported in preceding half-yearly reviewed / annual audited financial statements or 15 percent of paid up shares of Investee Company
- The banks/DFIs shall have an approved policy incorporating therein an internal evaluation process for an objective analysis and assessment of their equity investment decisions, which must consider factors including, inter alia, financial standing of the bank/DFI, aggregate investment portfolio, risk appetite and expected return, level of expertise, business strategy including exit strategy etc.

Effective Date: **08-Mar-2022**

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

Related FI Department: **Risk Management 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 Letter No. 06 dated 10-Mar-2022

Finance Division, Government of Pakistan (GoP), vide its letter No. F.No.6 (2) BKg-II/2021-57 dated March 03, 2022 (copy attached with circular) has communicated the Federal Cabinet's approval regarding expansion of Kamyab Pakistan Program throughout Pakistan as per already approved features by the Cabinet to enhance its outreach and impact. Interested banks/DFIs/MFBs are advised to take necessary action in this regard.

Other instructions on the subject, issued from time to time, shall remain unchanged.

Effective Date: **10-Mar-2022**

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

Related FI Department: **Operation Department**

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

[Read more on the website](#)

Financing Facility for Storage of Agricultural Produce (FFSAP) to Enhance Infrastructure for Electronic Warehouse Receipt Financing (EWRF)

via IH&SMEFD Circular Letter No. 07 dated 11-Mar-2022



SBP desire to further promote investment in storage of agriculture produce and to enhance infrastructure for Electronic Warehouse Receipt Financing (EWRF), the following measures should be applicable with immediate effect;

- Maximum period of financing shall be up to 10 years with maximum grace period of up to 2 years.
- Markup/service charges shall be paid on quarterly/half-yearly.
- All other terms & conditions of the scheme shall remain unchanged.

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

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

Related FI Department: **Agricultural Credit Department / Risk Management**

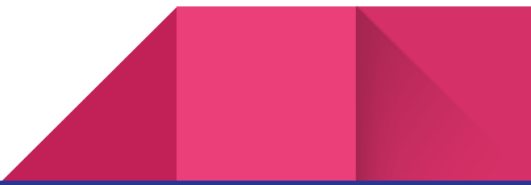
Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary, Clients, products and business practices - Improper business or market practices**

[Read more on the website](#)

Transaction Limits for Raast Payments

via DI&SD Circular Letter No. 02 dated 15-Mar-2022

To further facilitate users of Raast services, SBP has decided that:

- With effect from April 1, 2022, there will be no transactional limits on Raast system by SBP. Banks/MFBs/EMIs may however set, in their system Raast transaction limits for their
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customers based on their risk profile in compliance with the relevant AML/CFT requirements. Further details as below:

- Customer transaction limits for Raast payments shall not be less than Rs. 200,000/- per transaction or the transaction limits applicable as per the account type and prescribed by SBP from time to time.
- The aggregate customer limit assigned to Raast payments shall not be less than the Interbank Fund Transfer (IBFT) limit.
- The aggregate limit shall be communicated to the customers and available transaction limit shall be shown in their mobile apps/internet banking portals.
- Banks/MFBs/EMIs must ensure that above mentioned technical as well as operational arrangements and readiness are in place not later than March 21, 2022.
- Banks/MFBs/EMIs shall ensure strict compliance with PSD Circular No. 01 of 2021 by providing their customers with the option to increase or decrease the transaction limits by using their mobile apps/internet banking portals, no later than April 10, 2022.
- SBP again instruct the Banks/MFBs/EMIs to must put in place robust internal controls and strong risk mitigates to prevent fraudulent activities, misuse/abuse of the transaction limits and risks related to the safety and security of Raast system at their end.
- All remaining instructions are not changed

Effective Date: **01-Apr-2022**

Regulator Department: **Digital Innovation & Settlements 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](#)

Investor Portfolio Securities Account (IPS)

via DMMD Circular No. 03 dated 16-Mar-2022

In order to enhance the scope of Investor Portfolio Securities (IPS) Account to a wider set of institutions and investors, and to promote diversification of marketable government securities, the following has been decided by SBP:

Microfinance Banks are permitted to offer IPS accounts to their customers. Any Microfinance Bank intending to offer IPS accounts to their customers must fulfill the provisions of the above mentioned circular, inter-alia, regarding opening of IPS accounts, recording transactions in IPS accounts and reporting to customers and SBP.

Any individual or entity, maintaining their accounts with Microfinance Banks including Branchless Banking, are also allowed to open IPS account with any Scheduled Bank to buy or sell marketable government securities.

All institutions (Scheduled Banks, Primary Dealers and MFBs) offering IPS accounts should ensure complete disclosure of prices, risks and other necessary information pertaining to investment in government securities through IPS accounts to their clients. SBP advise the all institutions to must, at minimum, display such information at their branches/place of business and websites to enable their clients to make informed decision regarding investment in government securities.

All other instructions on the subject shall remain unchanged.

Effective Date: **16-Mar-2022**

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



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

Estimation of Freight Margin - Quarterly

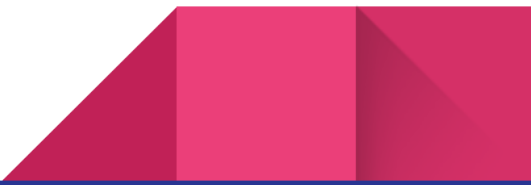
via *Circular DS/BP/002933/2022 dated 15-Mar-2022*

According to circular No. DS.ITS/GEN/2020009454/20 dated August 24, 2020, banks are required to submit the International Transactions Reporting System (ITRS) data to State Bank of Pakistan on monthly basis.

Import payments reported by authorized dealers in ITRS are on mixed basis (fob, cfr, cif, cpt). To segregate freight component from reported import payments, Statistics and Data Warehouse Department (SDWD) of SBP estimates freight payments by applying a uniform factor to import payments. This factor (freight margin) is periodically assessed through studying a representative sample of imports in detail.

In the past, such study purpose surveys were conducted after longer intervals of time. Now, considering volatility in international transportation costs, SBP has decided to do such surveys on quarterly basis to have an accurate estimate of the freight margin for compilation of country's Balance of Payments.

Every quarter, SDWD of SBP will be providing each bank a sample selected from respective bank's import transactions. Banks are advised to submit additional information (as per



annexure) on freight pertaining to import transactions selected in the sample within 30 days of the receipt of sample through email at fca.stat@sbp.org.pk

For Oct - Dec 2021 quarter, sample import transactions have already been sent to each bank's representative and aforementioned information is due on April 15, 2022.

Effective Date: **11-Feb-2022**

Regulator Department: **Statistics and Data Warehouse Department**

Related FI Department: **Trade Department / Operation Department**

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

[Read more on the website](#)

Report Revision in Prudential Regulations for Microfinance Banks: R-5: Maximum Loan Size and Eligibility of Borrowers, R-8: Classification of Assets and Provisioning Requirements & R-10: Charging-off Non-Performing Loans (NPLs)

via AC&MFD Circular No. 02 dated 16-Mar-2022

In order to align classification and provisioning requirements with enhanced loan sizes, SBP decided to revise Prudential Regulations R-5, R-8 and R-10 for MFBs as under;

Regulation R-5:

Maximum Loan Size and Eligibility of Borrowers: The maximum size for general loans shall be up to Rs. 350,000/- to a poor person with annual income (net of business expenses) up to Rs. 1,200,000/-

The maximum size for housing loans shall be up to Rs. 3,000,000/- to a single borrower with annual income (net of business expenses) up to Rs. 1,500,000/-.

Microenterprise Loans: The maximum size for microenterprise loans shall be up to Rs. 3,000,000/- to a single project or business. The MFBs shall extend the microenterprise loans only in the name of micro entrepreneurs to ensure traceability and reduce the incidence of multiple borrowing. The aggregate exposure against the microenterprise loans in excess of ceiling prescribed for general loans shall not exceed 40% of the MFB's gross loan portfolio.

Pre-requisites for Undertaking Microenterprise Lending: Only those MFBs that are fully compliant with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) shall be eligible to undertake microenterprise lending.

Miscellaneous:

- **Income Eligibility Assessment for General & Housing Loans:** While assessing income eligibility on individual borrowers (including salaried persons) for housing & general loans, MFBs must ensure that the total installment of the financing facilities extended by the financial institutions is commensurate with monthly income and repayment capacity of the borrowers, such that total monthly amortization payments of financing facilities should not exceed 50% of the net disposable income of the prospective borrowers.
- **Consumption Financing against the Security of Gold:** In line with SBP's instructions issued, MFBs may also extend loans against gold collateral for consumption purposes categorized as domestic needs/emergency loans. However, MFB's aggregate loan exposure against the security of gold shall not exceed 35% of its gross loan portfolio.
- **Asset Liability Mismatches:** MFBs must prudently manage the maturity mismatches arising out of their housing and other long term financing portfolios by raising long-term funds for on-lending and vice versa.

Regulation R-8:

Classification of Assets and Provisioning Requirements:

Specific Provisioning: The outstanding principal and mark-up of the loans and advances, payments against which are overdue, shall be classified as Non- Performing Loans (NPLs) as prescribed in circular.

General Provisioning: MFBs must maintain a General Provision equivalent to 1.0% of the net outstanding loans/advances. However, where the loans/advance have been secured against gold and/or other liquid assets, the general provisioning against outstanding amount net of such security shall be required.

General Instructions for Classification / Provisioning of all loan categories: MFBs must maintain a watch list of all overdue accounts, Classified loans/ advances as guaranteed by the Government would not require provisioning to the extent of guaranteed portion, in addition to the time-based criteria prescribed in this regulation, subjective evaluation of performing and non-performing credit portfolio may be made for risk assessment purposes and, where necessary, any account including the performing account can be classified.

Reversal of Specific Provisions: In case of recovery against classified loan, other than rescheduling / restructuring under R-9 of PRs for MFBs, MFBs may reverse/adjust specific provision held against classified assets.

Quarterly Review: MFBs must review, at least on a quarterly basis, the collectability of their loans / advances portfolio and shall properly document the evaluations so made.

Benefit of Forced Sale Value: MFBs can avail the benefit of Forced Sale Value (FSV) of collateral held against loans / advances but profit arising from availing the benefit of FSV shall not be available for the payment of cash or stock dividend. In case of misuse of this facility, SBP may also withdraw the benefit of FSV from the concerned MFB.

Regulation R-10:



Charging-off Non-Performing Loans (NPLs) The intent of 'charge-off' is to clear the balance sheet of MFBs, and this shall in no way extinguish the MFBs' right of recovery of such loans. NPLs shall be charged off as prescribed criteria as mentioned in circular.

The aforesaid revisions shall come into force with immediate effect.

Effective Date: **16-Mar-2022**

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

Related FI Department: **Agricultural Credit Department / Risk Management Department**

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

[Read more on the website](#)

Statutory Liquidity Requirement (SLR)

via DMMD Circular No. 04 dated 17-Mar-2022

In terms of Government of Pakistan, Ministry of Energy (Power Division) notification S.R.O. 255(I)/2019 and upon issuance of GOP Guarantee in relation thereof, the Pakistan Energy Sukuk-II (PES-II) issued by Power Holding Limited (PHL) shall be an approved security for maintenance of Statutory Liquidity Requirement (SLR) under sub-section (1) of section 29 of the Banking Companies Ordinance, 1962. to the Authorized Dealer before shipment or within fourteen (14) days from the date of shipment.

Effective Date: **17-Mar-2022**



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](#)

Challenge Fund for SMEs

via IH&SMEFD Circular No. 04 dated 21-Mar-2022

State Bank of Pakistan has been taking various measures to facilitate banks in improving access to finance for SME sector. In this regard, SBP is launching a Challenge Fund for SMEs (CFS) to support innovative solutions for SME banking in the country. This fund in form of grant will facilitate banks in developing innovative technological solutions to cater the banking needs of SME sector. This will also enable to increase the access and usage of digital financial services by SME sector.

Following are the key features of CFS:

- **Scope of CFS:** The scope of CFS will focus, however, it will not be limited to the following areas:
 - Developing SME banking solutions
 - Developing digital payment solutions for SMEs
 - Developing E-Commerce / market place
 - Digitizing loans application and credit management
 - **Eligibility:** Commercial Banks (conventional & Islamic) are eligible to apply for grant under CFS. Banks can also apply in partnership with Non-banking financial Institutions (NBFIs), FinTech, Electronic Money Institutions (EMI) and software houses. However, lead responsibility will rest with the applicant bank.
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- **Grant Size:** Grant size will be determined according to the financing requirements of the proposal under consideration. Each grantee will contribute 15% of the total cost. Depending upon the quality & innovations of proposal, the grant size can vary, however one bank will get only one grant. The duration of the projects to be implemented through CFS grant should not exceed 8 months.

SBP invites interest of banks through Expression of interest (EOI) placed at Annexure A (attached with circular) for availing grant under CFS to improve their SME financing portfolio. Banks proposals will be evaluated as per technical criteria developed by SBP. Last date to apply as per EOI on prescribed format placed at Annexure-B (attached with circular) to SBP is April 18, 2022.

Effective Date: **21-Mar-2022**

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

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

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

[Read more on the website](#)

Amendment in Prudential Regulations for SME Financing

via IH&SMEFD Circular No. 05 dated 29-Mar-2022

In order to align the definitions of small enterprise and medium enterprise with the SME definition prescribed in SME Policy 2021, notified by Government of Pakistan, following definition related regulations have been updated:

Regulation SE R-1: Definition of Small Enterprises: Criteria for annual Sale for small enterprises is up to Rs. 150 million and a small enterprise up to 5 years old will be considered as start-up SE.

Regulation ME R-1: Definition of Medium Enterprise: Criteria for annual Sale for small enterprises is above PKR 150 million to PKR 800 million and a medium enterprise up to 5 years old will be considered as start-up ME.

These amendments are applicable with immediate effect on new financing. However, since the banks/DFIs need to segregate their existing portfolio according to the revised definition of Small Enterprise and Medium Enterprise, they are allowed an implementation period up to June 30, 2022.

Moreover, updated copy of Prudential Regulations for SME financing also incorporating above changes is attached as Annexure-1 with circular.

Effective Date: **29-Mar-2022**

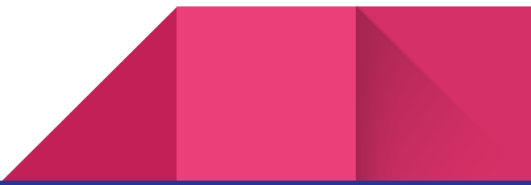
Regulator Department: **Infrastructure, Housing & SME Finance Department**

Related FI Department: **Risk Management**

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/- & Rs.7500/- Denomination



National Prize Bonds Withdrawn from Circulation

via *CMD Circular No. 2 dated 30-Mar-2022*

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/- & Rs. 7,500/- denomination National Prize Bonds (bearer) from 31st March 2022 to June 30, 2022, vide Notification Nos. F.16(3) GS-I/2014-296, 297, 298 & 299 dated March 29, 2022 (copies enclosed with circular).

SBP advises the bank to instruct the branches to accept the requests for encashment / conversion / redemption of cited denominations from general public till June 30, 2022. Further, the banks must submit branch / region wise consolidated data of cited denomination NPBs held by them on last date i.e. June 30, 2022 latest by July 4, 2022 as per the instructions stipulated in aforementioned CMD Circular.

Effective Date: **01-Apr-2022**

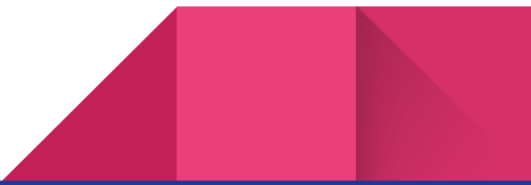
Regulator Department: **Currency Management Department**

Related FI Department: **Operation Department**

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

[Read more on the website](#)

Deduction of Zakat at Source in Respect of Saving Banks / Profit & Loss Sharing and Similar Bank Accounts (Asset Code No.101)



and Deposit Thereof Immediately After Deduction Date

via *BPRD Circular Letter No. 07 dated 30-Mar-2022*

SBP informed that government of Pakistan fixed the zakat exemption limit (Nissab of Zakat) is Rs. 88927/- and zakat will be deducted on first day of this Ramzan 1443 A.H. As per the instruction received via Notification No. CE-1001(36)/NISAB/1442-43/2022 dated March 30, 2022 issued by the Poverty Alleviation & Social Safety Division, Cabinet Secretariat, Government of Pakistan, Islamabad.

All banks must deduct the zakat as per instruction in above circular and after deduction a copy of return form CZ-08A submit to said department after depositing zakat in account maintained in SBP.

Effective Date: **03-Apr-2022**

Regulator Department: **Banking Policy & Regulations 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

Public Holiday

via BPRD Circular Letter No. 05 dated 16-Mar-2022

The State Bank of Pakistan was closed on 23rd March, 2022 (Wednesday) being public holiday on the occasion of “Pakistan Day” as declared by the Government of Pakistan.

Effective Date: **23-Mar-2022**

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](#)

Bank Holiday

via BPRD Circular Letter No. 06 dated 28-Mar-2022

The State Bank of Pakistan will remain closed for public dealing on Monday, April 4, 2022, which shall be observed as “Bank Holiday” for the purpose of deduction of Zakat.

All banks / DFIs / MFBs shall, therefore, remain closed for public dealing on the afore-mentioned date. However, all employees of the banks / DFIs / MFBs must attend the office on Bank Holiday treating it as a normal working day (except for public dealing).

Effective Date: **04-Apr-2022**



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](#)

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