

Regulatory Bulletin

July 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.

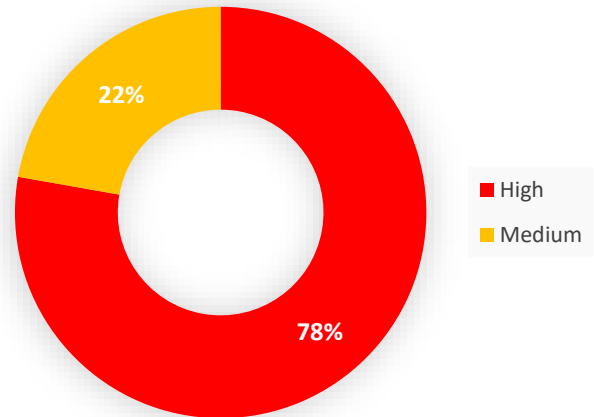


Summary

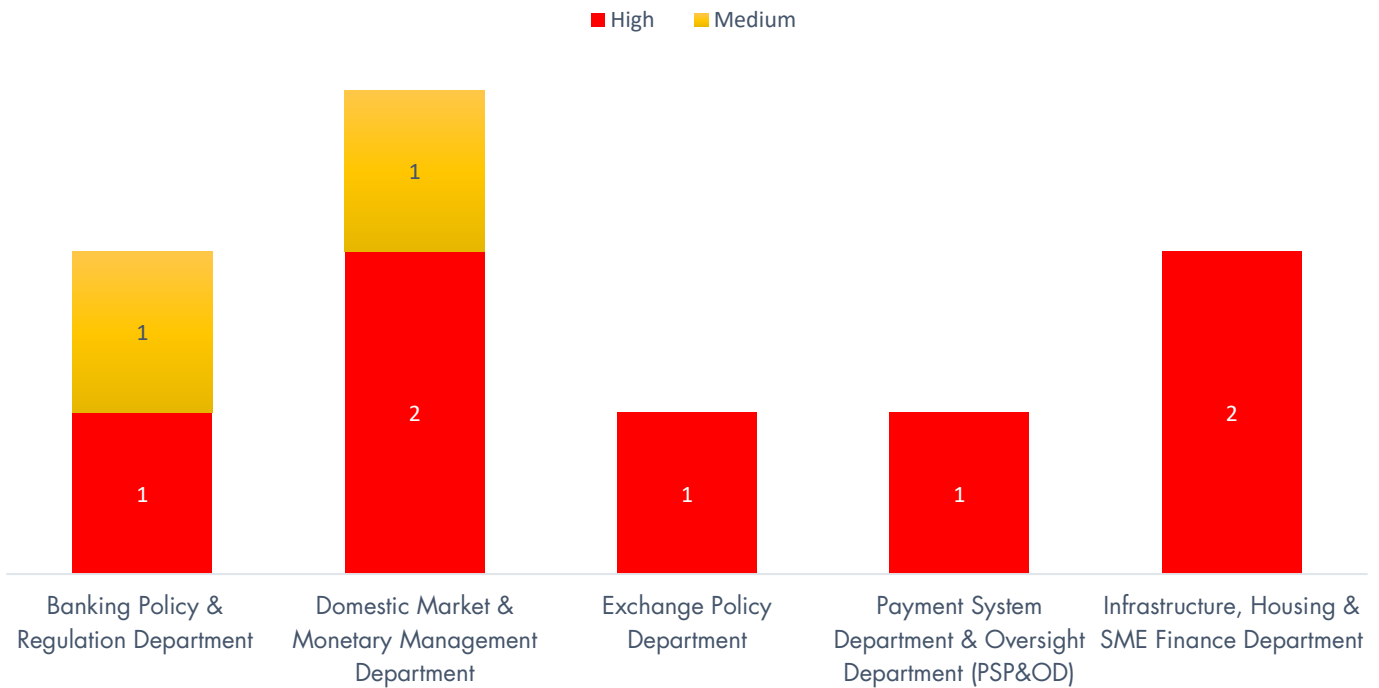
During the month of July 2022, the State Bank of Pakistan (SBP) issued a total of 9 circulars/notifications/ actions on significant matters.

Circulars / Notifications by Risk Level

Risk Level	Total
High	7
Medium	2



Circulars / Notifications by Regulator Department & Risk Level



Key (High Risk) Circulars/Notifications

Import of Goods

via EPD Circular Letter No. 11 dated 05-July-2022

The list of goods for which Authorized Dealers are required to seek prior permission from Foreign Exchange Operations Department (FEOD), SBP-BSC for initiating the import transaction, has been updated. Henceforth, Authorized Dealers should be required to seek prior permission from FEOD before initiating transactions for import of goods listed in the enclosed Annexure with circular.

All other instructions on the subject shall remain unchanged. Authorized Dealers are advised by SBP to bring the same to the knowledge of all the concerned and ensure meticulous compliance of the above & other applicable regulations on the subject.

Authorized Dealers are especially instructed to bring these instructions to the knowledge of their customers and advise them to approach the bank before initiation of import transaction of any item covered under this circular letter.

Effective Date: **05-July-2022**

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](#)

Open Implementation of International Financial Reporting Standard 9 (IFRS 9)

via BPRD Circular No. 03 dated 05-July-2022

- SBP has finalized the instructions on IFRS 9 for ensuring smooth and consistent implementation of the Standard in the banks/DFIs/MFBs. The IFRS 9 Application Instructions are hereby enclosed for meticulous compliance).
- SBP has decided to extend the implementation date of IFRS 9 from January 01, 2022 as per the following timelines:
 - Effective Date of Implementation - January 1, 2023: For banks having asset size of PKR 500 billion or above as per their Annual Financial Statements of December 31, 2021. The same implementation date is applicable for all DFIs.
 - Effective Date of Implementation - January 1, 2024: For all other banks and MFBs.
 - Nevertheless, early adoption of the Standard is permissible.
- During the transition period, the FIs are required to carry out the parallel run reporting as per following timelines
 - Timelines for submission of IFRS 9 pro-forma Annual Financial Statement(s) for year ending 2022 is within four months of the year end.
 - Timelines for submission of IFRS 9 pro-forma Quarterly and Half-Yearly Financial Statements for year 2022 and 2023 is within two months of end of respective period.
- The list of relevant instructions that will stand superseded with respective implementation of IFRS 9 are attached at Annexure of IFRS 9 Application Instructions. Further, the Guidelines for absorption of expected credit loss for Capital Adequacy Ratio (CAR) purposes are attached at Annexure B. (All annexures are attached with circular.)

Effective Date: **05-July-2022**

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

Related FI Department: **Finance Department**

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

[Read more on the website](#)

Implementation of Regulatory Approval System (RAS) for Payment Systems Policy & Oversight Department (PSP&OD)

via PSP&OD Circular No 02 dated 06-July-2022

- The SBP has developed Regulatory Approval System (RAS) which provides a secure online portal to Banks/MFBs/EMIs/PSOs/PSPs to submit requests/proposals and subsequently receive regulatory decisions digitally and securely. RAS has previously been implemented for Banking Policy & Regulations Department and Exchange Policy Department. Similarly, RAS for PSP&OD has been completed and is ready for industry-wide implementation.
- User Manual and Administrator User Manual covering detailed guidance as a user and an administrator are enclosed with circular as Annexures A and B respectively. Administrator of a regulated entity shall be able to create maximum five users, who will be able to further perform tasks as detailed in the User Manual.
- RAS will function in parallel with manual submission of requests/proposals for a period of one and a half months from the issuance of circular. Afterward all submissions to PSP&OD shall be entirely paperless (except for some documents that shall continue to be submitted manually e.g. legal documents).
- All the regulated entities are advised by SBP to submit requests/proposals pertinent to the functions of PSP&OD through RAS using the following link: <https://portal.sbp.org.pk/km>.
- To ensure standardized submission process, regulated entities.

- Must submit requests/proposals along with all necessary documents including cover letter on company letterhead. The requests/proposals must include detailed description of the case and should be duly signed by Group/Business Head and Compliance Chief.
- All entities must keep complete record of cases processed through RAS and shall furnish the same to SBP as and when required.
- A Service Help Desk has also been set up where complaints regarding business and technical aspects of RAS may be lodged. Service Help Desk User Manual has been enclosed as Annexure C to help users navigate through Service Desk. The Service Desk can be accessed at the following link: <https://support.sbp.org.pk/>

Effective Date: **06-July-2022**

Regulator Department: **Payment Systems Policy & Oversight Department (PSP&OD)**

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](#)

Export Finance Scheme (EFS) and Long Term Financing Facility (LTFF)

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

As mentioned in the previous circular, the rates of EFS and LTFF have now been linked with SBP



Policy Rate by keeping these rates currently 5% below Policy Rate. Accordingly, with effect from July 08, 2022:

Mark up rate for financing under EFS (Part-I & Part-II) is increased from 7.5% p.a. to 10% p.a.; and mark up rate for financing under LTFF is increased from 7% p.a. to 10% p.a.

Accordingly, with any change in the Policy Rate, markup rates for EFS and LTFF will be revised automatically so that the gap between Policy Rate and EFS and LTFF rates is maintained at 5%. However, this gap is subject to revisions in view of future economic activity.

Effective Date: **07-July-2022**

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

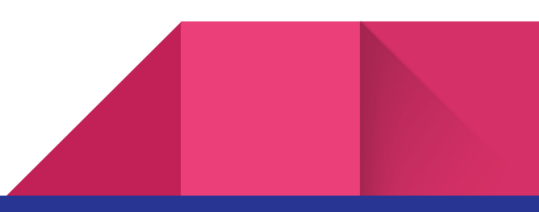
Related FI Department: **Foreign Trade Department / Risk Management Department**

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. 13 dated 07-July-2022

- SBP has decided to increase 'Policy Rate' (Target Rate) from 13.75% to 15.00%.
 - SBP Overnight Reverse Repo (Ceiling) rate will be at 16.00% i.e. 100 bps above the SBP Policy Rate.
 - The SBP Overnight Repo (Floor) rate will be at 14.00% i.e. 100 bps below the SBP Policy Rate.
- 

- Accordingly, the Floor and Ceiling levels for the Interest Rate Corridor are 14.00% and 16.00% p.a. respectively (i.e. width of 200bps).

SBP will continue to ensure that the money market overnight rate remains close to the SBP Policy Rate (Target Rate). Above mentioned changes are effective from Jul 13, 2022. Other instructions on the subject shall however, remain unchanged.

Effective Date: **13-July-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](#)

Appointment of Primary Dealers/Special Purpose Primary Dealers for Financial Year 2022-23

via DMMD Circular No. 14 dated 12-July-2022

SBP invited applications for selection of PDs/PPDs/SPDs for the Financial Year (FY) 2022-23 vide DMMD Circular Letter No. 03 dated May 9, 2022 from all eligible institutions under the rules.

Upon evaluation of all applicants under the criteria laid down in the rules, the following institutions have been selected for roles as specified below:

Primary Dealers:

- Bank Al-Falah Limited
- Habib Bank Limited
- National Bank of Pakistan
- United Bank Limited
- MCB Bank Limited
- JS Bank Limited
- Standard Chartered Bank (Pakistan) Limited
- Pak Oman Investment Company Limited
- The Bank of Punjab
- Citi Bank N.A-Pakistan Operations
- Industrial and Commercial Bank of China-Pakistan Operations
- Habib Metropolitan Bank Limited

Special Purpose Primary Dealer:

- National Clearing Company of Pakistan Limited
- Central Depository Company of Pakistan.

Top three performing PDs during FY 2021-22 are:

- Bank Al-Falah Limited
- Habib Bank Limited
- National Bank of Pakistan

Effective Date: **12-July-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](#)

Government's Mark-up Subsidy Scheme for Housing Finance

via IH&SMEFD Circular Letter No. 10 dated 25-July-2022

- Government of Pakistan has decided to allow banks/DFIs/MFBs to disburse financing as per existing terms of MPMG in respect of cases approved and meeting any of the following conditions on or before June 30, 2022 subject to observance of condition at para 3:
 - Approved cases (Purchase and/or Construction) pending for disbursement due to any legal formality. All pre-disbursement formalities have been done and bank has communicated the same (Being in advance stages, these customers have completed almost all pre-disbursement formalities, paid token money and incurred all incidental expenses (legal & processing fee, etc). This refers to Benchmark 1 against which SBP has solicited data from banks on July 7, 2022.
 - Approved cases where customers have entered into agreements, paid token money & obtained property documents from sellers or in case of construction loans, PTM / Fard for loan has already been issued. (These cases are just short of 'approved cases pending for disbursement' (Benchmark 1), as in such cases, a few internal procedures of banks may still be required to be completed but the borrowers have incurred all major costs/expenses based on approvals from banks). This refers to Benchmark 2 against which SBP has solicited data from banks on July 7, 2022.
 - Peri-urban/NAPHDA project(s) cases where down payment has been received from customer. This refers to Benchmark 5 against which SBP has solicited data from banks on July 7, 2022.

- The Government has decided that spread of banks and DFIs on the disbursements against cases mentioned at (a) and (b) above and falling under Tiers 2 and 3 of MPMG will be maximum of 250 bps over and above KIBOR (instead of maximum allowed spread of 400 bps currently allowed).
- The banks/DFIs/MFBs are advised to ensure that markup subsidy claims in respect of disbursements against above allowed customers should be accompanied by certificates of their respective internal audit departments verifying meticulous compliance with above conditions and other features of MPMG. SBP will also conduct inspection of these cases.
- SBP informed that Government of Pakistan is in process of reviewing/revising features of the subject Scheme. Therefore, all other cases except those mentioned above at para 2 will be considered as and when revised features are announced by the Government.

Effective Date: **25-July-2022**

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 - Improper business or market practices**

[Read more on the website](#)

Other (Medium/Low Risk) Circulars & Notifications

Opening of Selected Branches on Friday, July 8, 2022

via BPRD Circular Letter No. 23 dated 07-July-2022

SBP has decided that banks / MFBs must arrange to open selected branches, only on Friday, July 8, 2022 from 9:00 a.m. to 4:00 p.m. situated in close proximity of cattle markets, big cities, business centers, commercial markets & hubs, ports etc. throughout the country. It may, however, be noted that RTGS System and Clearing through NIFT will not be available on the afore-mentioned date.

Accordingly, all clearing transactions including foreign exchange conversion transactions will be settled on the next working day i.e. Wednesday, July 13, 2022.

Banks / MFBs should ensure the deployment of minimal number of staff necessary to carry out smooth working at such branches on the above date. Further, the banks / MFBs must arrange to communicate the opening of branches on their respective websites as well as through social media.

Effective Date: **08-Jul-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](#)

Rate Of Remuneration on Special Cash Reserve Account Maintained with SBP Against Deposits Raised Under Fe-Circular 25 Of 1998

via DMMD Circular No. 15 dated 29-July-2022

SBP notified that the rate of remuneration for the month of August 2022 on Special Cash Reserve Account (US\$) maintained with the State Bank of Pakistan will be 1.36%

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

Canada

72 St. Leger Street Kitchener,
Ontario N2H6R4, 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

2839 Sufayyah bint Abdulmutalib Street,
Alnaeem district, Zipcode 23621, Jeddah
sultan.malki@benchmatrix.ca
M: +966 55 031 3461

UAE

Office # 45A 27th Floor Prime Tower
Business Bay, Dubai, United Arab Emirates
asad.ali@benchmatrix.com
M: +971 501 292279

Kuwait

sanju.francis@benchmatrix.com
M: +965 555 09074

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.

©2022 BenchMatrix Private Limited. All rights reserved.

