

Regulatory Bulletin

January 2023

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.

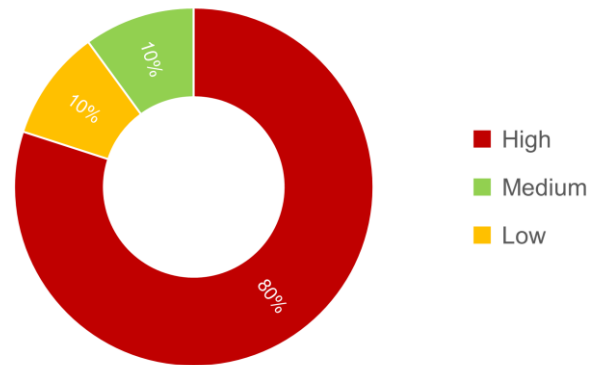


Summary

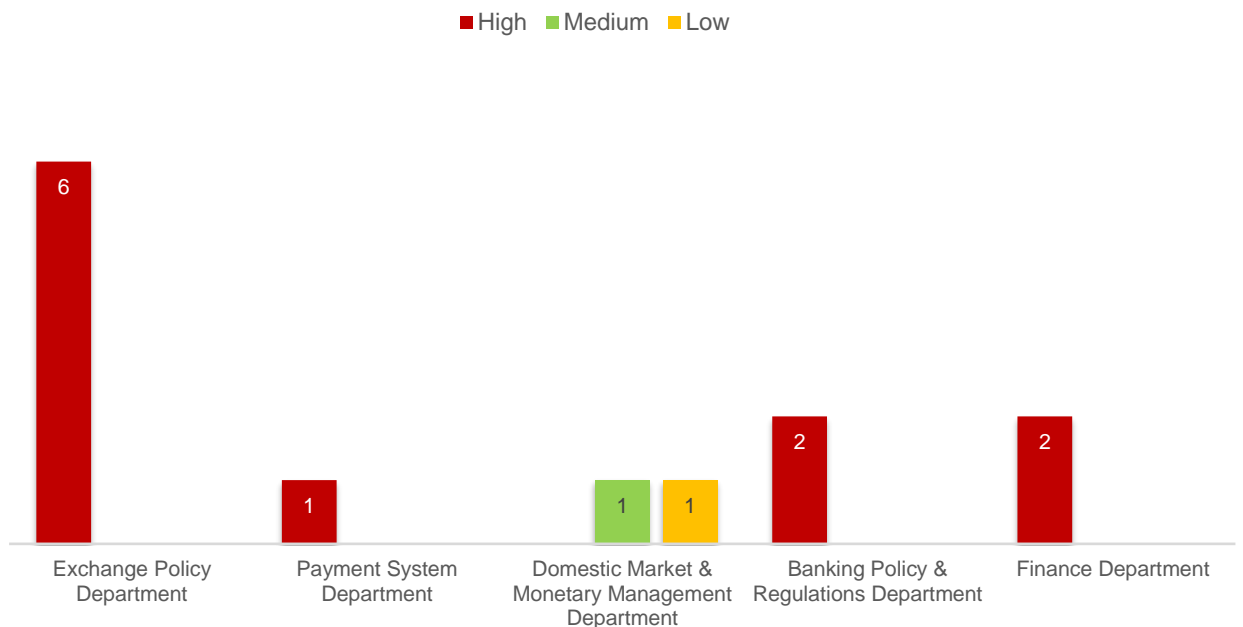
During the month of January 2023, the State Bank of Pakistan (SBP) issued total 13 circulars/ notifications/ actions on significant matters.

Circulars / Notifications by Risk Level

| Risk Level | Total |
|------------|-------|
| High | 11 |
| Medium | 1 |
| Low | 1 |



Circulars / Notifications by Regulator Department & Risk Level



Key (High Risk) Circulars/Notifications

Exchange Policy Department

via EPD Circular Letter No. 01 dated 05-January-2023

To improve the submission and processing of claims, the reporting template issued with the erstwhile Circular Letter No. 07/2021 has been revised by SBP to adding a new column, “Transaction Booking Country”. The authorized dealers shall submit their claims for reimbursement of TT Charges using the revised template enclosed as Annexure-A.

Furthermore, the text of the certificate by the Head of Internal Audit Department of ADs, as required under para 2 (iv) of the above referred circular, has been amended by adding the following new clause:

- (g) The claim(s) do not include transactions that pertain to remittances received or credited in RDA (NRVA/NRBVA), as per EPD Circular Letter No. 11 of 2021.

Effective Date: **01-January-2023**

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**

[Read more on the website](#)

Exchange Policy Department

via EPD Circular Letter No. 03 dated 13-January-2023

SBP decided to amend the Para 40 of Chapter 12 (Exports) of the Foreign Exchange (FE) Manual, which provides general instructions relating to utilization of funds held in Exporters’ Special Foreign Currency Account which are as below:

- The existing clauses i), iv) and xiii) are substituted as under:
 - Payment of commission/discount to the overseas agents/buyers/ affiliates;
 - iv) Payment for fee/expenses related to advertisement, promotion, publicity, marketing, brand building, shelf spacing etc. of products abroad through third party agent, e-commerce platforms, digital platforms or through company’s own subsidiary/liaison/marketing office abroad;

- xiii) Payment for import of goods by exporters for the purpose of their own business, subject to compliance with applicable Import Policy Order and related laws/regulations issued by any government and SBP;
- Some clauses are added after existing clause xiii i.e. xiv, xv, xvi, xvii, xviii.
- Existing clause xiv and onwards are renumbered as clause xix), xx), and xxi). Further, renumbered clause xx) and xxi) are revised as under:
 - xx) Operational expenses, including employee salaries, of liaison/ marketing/ representative offices abroad of local companies in accordance with the provisions of Para 13, Chapter 20 *ibid*;
 - iv) Payments on account of equity investment abroad by residents (such as establishment of subsidiary/ branch office abroad, payment of capital expenditure) in accordance with instructions stipulated in Para 13, Chapter 20 *ibid*.
 - xxi) Payment for import of goods by exporters for the purpose of their own business, subject to compliance with applicable Import Policy Order and related laws/regulations issued by any government department and SBP;
- The revised para 40 is attached as Annexure A (attached with circular.).

Effective Date: **13-January-2023**

Regulator Department: **Exchange Policy Department**

Related FI Department: **Foreign Exchange 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](#)

Exchange Policy Department

via EPD Circular Letter No. 02 dated 13-January-2023

ADs are advised by SBP to mandatorily credit 35% of the exports proceeds into these exporters' special foreign currency account.

The exporters should be registered with Pakistan Software Export Board (PSEB), or Pakistan Software Houses Association (P@SHA), and involved in the export of Software, Information Technology (IT) services, IT Enabled Services (ITeS). These instructions are valid until March 31, 2023.

ADs are advised to facilitate these exporters in opening their exporters' special FCY accounts and for carrying out remittances transaction from their Exporters' Special FCY retention accounts by: (i)

issuing corporate debit cards, and (ii) providing digital platforms including FX digital portal, after due diligence and establishing mechanism for ongoing monitoring of permissible payments abroad to meet their business requirements.

ADs are further advised to provide proper training to relevant staff of all foreign exchange dealing branches to ensure facilitation to the IT based exporters/ freelancers and establish a permanent help desk overseen by two officers at least Vice President to act as lead coordinators to resolve the matters, retention in accounts, outward remittances, etc. The names and contact details of the lead coordinators and designated officers at the AD should be made available on the bank's website immediately.

Exporters can also approach SBP at facilitation.itexporters@sbp.org.pk to share their suggestions and concerns.

Effective Date: **13-January-2023**

Regulator Department: **Exchange Policy Department**

Related FI Department: **Foreign Trade 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](#)

Exchange Policy Department

via EPD Circular Letter No. 04 dated 20-January-2023

Government of Pakistan has allowed sugar mills to export 250,000 MT sugar as per the terms and conditions mentioned therein.

- ADs are advised by SBP to process the export of sugar quota allocation cases for Punjab and KPK, as per the following mechanism:
 - ADs will forward the requests of sugar mills through their respective Group Heads to the FEOD, SBP-BSC, HO, Karachi for approval of quota along with the copies of the following attached documents:
 - Clearance Certificate from the concerned Cane Commissioner that concerned sugar mill has no outstanding dues of the farmers for sugarcane crop up to 2021-22.
 - Sugar export contract.

- Print out of electronically generated Financial Instrument for export through PSW.
- No Incomplete requests.
- FEOD will allocate sugar export quota to the sugar mills on first come first served basis.
- The export by sugar mill will strictly be made through the AD that has submitted the request for quota allocation. The AD must ensure that export should not be exceeded the quota allocated to it.
- There shall be no provision of surrendering, transferring and amending the quota once allocated by FEOD.
- The quota for sugar export for the province of Sindh will be allocated by Cane Commissioner of the province.
- No subsidy by the Federal/ Provincial Governments for export under the above scheme.
- ADs will ensure to obtain an irrevocable L/C from the buyer.
- The export proceeds should be realized within 60 days of opening of LC. Both days of LC opening and realization will be included.
- ADs will submit sugar export shipment update, including shipments made out of quota for Sindh, to the SBP, Karachi on weekly basis as per the enclosed reporting format as attached with circular (Annexure-I).

Effective Date: **20-January-2023**

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](#)

Exchange Policy Department

via EPD Circular Letter No. 05 dated 25-January-2023

According to para 5 of Chapter 14 of Foreign Exchange Manual (FEM), they (AD's) are allowed to effect remittances of surplus freight charges directly on behalf of concerned freight forwarder/consolidators on a fortnight basis, after verification of documentary evidence in support of the remittance. SBP has been decided to amend para 5(i)(e) of Chapter 14 of FEM as under:

“Certificate from a practicing accountancy firm (having satisfactory QCR rating) to the effect that the amount of remittance applied for has been verified with reference to authenticated copies of prepaid Master Airway Bill/Master Bill of Lading with the related House Airway Bill /House Bill of Lading, cargo manifests and billed invoices from counterparts abroad and had been found correct. However, this requirement will not be applicable on monthly remittance of up to USD 10,000/- or equivalent”

All other terms and conditions on the subject shall remain unchanged.

Effective Date: **25-Januray-2023**

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.**

[Read more on the website](#)

Exchange Policy Department

via EPD Circular Letter No. 06 dated 30-January-2023

According to the Ministry of Commerce’s Office Memorandum (O.M.) No. 7(2)/2012-Exp-III dated January 28, 2023 (copy enclosed with circular), the Federal Cabinet on January 28, 2023 has ratified the ECC amendments proposed in Case No. ECC-33/05/2023 dated January 26, 2023, to the earlier proposed mechanism for export of Sugar in Case No.12/02/2023 dated January 11, 2023.

- Accordingly, ADs may process the requests of eligible applicants regarding “Export of Sugar” subject to the submission/ fulfillment of the following:
 - ADs must obtain proof of allocation of quota by the respective Provincial Cane Commissioner and keep a copy of the allocation in their record.
 - ADs must obtain an undertaking from the exporters that consignment would be shipped within 45 days from the date of quota allocation.
 - ADs must ensure receipt of Irrevocable L/C confirming that payment shall be received within sixty (60) days of the opening of Letter of Credit, or advance receipt of export proceeds from the buyer abroad through banking channel.

- ADs will submit sugar export transaction and shipment update to the Director, FEOD, SBP-BSC, on weekly basis as per the enclosed reporting format (Annexure-I) at sugar.epd@sbp.org.pk.
- In view of the foregoing, the earlier instructions contained in EPD Circular Letter No. 4 dated January 20, 2023 stand superseded with the issuance of this Circular Letter.

Effective Date: **30-January-2023**

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 - Product flaws.**

[Read more on the website](#)

Banking Policy & Regulations Department

via BPRD Circular Letter No. 37 dated 30-December-2022

According to BPRD Circular No. 09 2022 banks were instructed to follow the 100 percent cash margin on the import of items as listed in the enclosed Annexure-A of the said circular. Now it has been decided to extend the timeline for maintaining cash margin requirements on the import of items as imposed in said circular from December 31, 2022 to March 31, 2023.

Effective Date: **31-December-2022**

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](#)

Finance Department

via FD Circular Letter No.01 dated 23-January-2023

All banks are informed that the Government of Pakistan has revised the rate of return for foreign currency-denominated Naya Pakistan Certificates (NPCs) through Gazette Notifications No. S.R.O. 44(I)/2023 dated January 20, 2023. The changes to the Standard Operating Procedure for Investment in Conventional NPCs are pertained to Finance Department Circular No. 3 of 2020, Circular Letter No. 1 of 2021, and Circular Letter No. 6 of 2022.

Note: The aforesaid revisions shall be in force from the date of this Circular Letter i.e. 23rd January, 2023. Please acknowledge receipt.

Effective Date: **01-January-2023**

Regulator Department: **Finance Department**

Related FI Department: **Treasury 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](#)

Banking Policy & Regulations Department

via BPRD Circular No. 01 dated 16-January-2023

In order to enable SBP's Regulated Entities i.e. REs, DBs, MFBs, DFIs, EMIs, PSOs and PSPs to design and offer innovative products and services by embracing the cloud technology and effectively manage the risks arising out of these arrangements, SBP has developed 'Framework on Outsourcing to Cloud Service Providers' (enclosed with circular). The framework sets out minimum requirements for SBP's REs to outsource their material and non-material workloads to CSPs through a risk-based approach in a safe and secure manner. Henceforth, all cloud outsourcing arrangements shall be governed under this framework.

REs may outsource their workloads to CSPs in the manner as prescribed in Section E of attached framework. REs should ensure that all existing cloud outsourcing arrangements are compliant with the requirements of the framework by December 31, 2023.

Effective Date: **31-December-2022**

Regulator Department: **Banking Policy & Regulations 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](#)

Payment System Department

via PSPOD Circular No 01 dated 10-January-2023



To ensure that customers are informed about service disruptions due to any scheduled or unforeseen activity, the following instructions are issued by SBP:

- Customers and SBP must be informed about any planned activity which may result in the service disruption, in the following manner:
 - Customers shall be informed at least two days in advance through various communication channels including but not limited to SMS alerts, social media platforms, in-app notifications etc.
 - SBP should be notified at least one week in advance as per Annexure-I. (attached with circular)
 - In any situation where downtime exceeds by more than two hours of its planned duration, then it should be immediately conveyed to the customers and reported to SBP.
- In case of unanticipated service disruption for more than thirty minutes, due to any reason:
 - Customers must be immediately informed about any disruption of services through the aforementioned communication channels, together with an estimated time of restoration of services.
 - SBP should be notified as per the Annexure-II. (attached with circular)
 - Customers and SBP should also be informed once services have resumed as usual.
- Customers and SBP shall also be informed once services have resumed as usual.
- All Regulated Entities (RE) must establish mechanisms to continuously monitor social media platforms in order to proactively identify and address customer complaints or issues relating to the availability of digital channels.
- SBP, as part of its oversight responsibility, will also be regularly monitoring the availability of digital channels.
- Cumulative downtimes on a monthly basis should be reported to SBP, as per Annexure-III. (attached with circular) In case the unanticipated downtime exceeds more than three hours per quarter, SBP shall be informed about the steps taken by respective RE to avoid.
- All reporting must be submitted to PSDOversight@sbp.org.pk. Earlier instructions issued vide clause 5(g) of PSD Circular No. 5 of 2016 regarding reporting of planned downtime for the payment card system and clause 10(V) of PSD Circular No. 3 of 2018 related to temporary unavailability of EFT services due to any scheduled maintenance or up-gradation of systems, should stand withdrawn.

Effective Date: **10-January-2023**

Regulator Department: **Payment System 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](#)

Other (Medium/Low Risk) Circulars & Notifications

Domestic Market & Monetary Management Department

via DMMD Circular No. 01 dated 23-January-2023

- SBP has decided to increase 'Policy Rate' (Target Rate) from 16.00% to 17.00%.
- SBP Overnight Reverse Repo (Ceiling) rate will be at 18.00% i.e. 100 bps above the SBP Policy Rate.
- The SBP Overnight Repo (Floor) rate will be at 16.00% i.e. 100 bps below the SBP Policy Rate.
- Accordingly, the Floor and Ceiling levels for the Interest Rate Corridor are 16.00% and 18.00% p.a. respectively (i.e. width of 200bps).

Above changes are effective from Jan 24, 2023. Other instructions on the subject shall, however, remain unchanged.

Effective Date: **24-January-2023**

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](#)

Domestic Market & Monetary Management Department

via DMMD Circular No. 02 dated 31-January-2023

It is notified that the rate of remuneration for the month of February 2023 on the Special Cash Reserve Account (US\$) maintained with the State Bank of Pakistan will be 3.57% previously it was 5% Cash Reserve Account (US\$).

Effective Date: **01-February-2023**

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](#)

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