

Regulatory Bulletin

February 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.

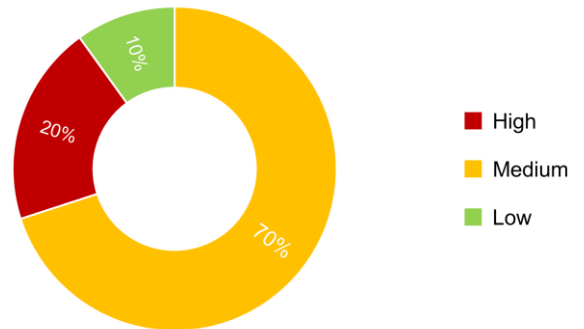


Summary

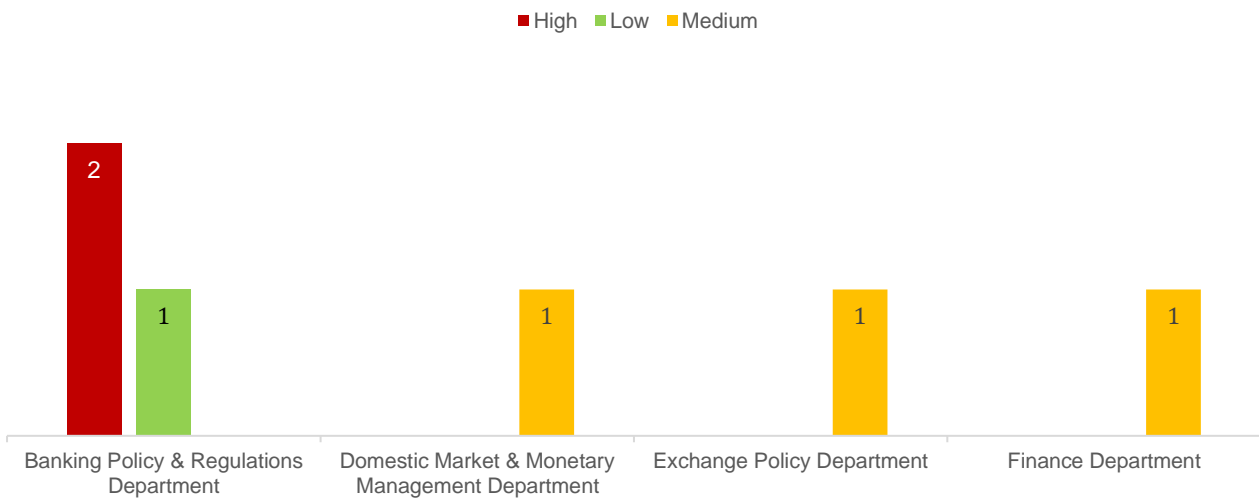
During the month of February 2023, the State Bank of Pakistan (SBP) issued total 06 circulars/ notifications/ actions on significant matters.

Circulars / Notifications by Risk Level

Risk Level	Total
High	2
Medium	3
Low	1



Circulars / Notifications by Regulator Department & Risk Level



Key (High Risk) Circulars/Notifications

Banking Policy & Regulations Department

via BPRD Circular No. 02 of 2023 dated 09-February -2023

FORMAT OF ANNUAL AND INTERIM FINANCIAL STATEMENTS OF BANKS/DFIs:

In terms of Section 34 of the Banking Companies Ordinance, 1962, banks are required to prepare their annual accounts in accordance with the forms set out in the Second Schedule of the aforesaid Ordinance. The existing Second Schedule was last amended vide BBRD Circular No. 02 dated January 25, 2018. Since then, significant regulatory developments including the implementation of IFRS 9 vide BPRD Circular No. 03 dated July 05, 2022, as well as many other additions/amendments in the International Financial Reporting Standards, have taken place.

Accordingly, in the exercise of the powers, conferred under Sub-Section 4 of Section 34 of the Banking Companies Ordinance, 1962, the State Bank of Pakistan has decided to amend the existing format of annual financial statements of banks. The revised format of annual financial statements, together with notes forming part thereof, are enclosed which will substitute the existing formats circulated vide BPRD Circular No. 02 of 2018 and other instructions on the subject issued from time to time.

Moreover, please also refer to BPRD Circular No. 5 dated March 22, 2019, wherein the format of interim financial statements was prescribed to the banks. In this regard, the format of interim financial statements has also been revised in order to bring it in line with the revised annual financial statements format. The revised format of interim financial statements, together with notes forming part thereof, are also enclosed which will substitute the existing interim format.

All banks are directed to prepare their annual/interim financial statements on the revised formats, effective from the 1st quarter of the year 2023 or 2024 as per the size of their assets communicated earlier vide BPRD Circular No. 3 of 2022.

It has further been decided that in order to ensure certain minimum disclosures to stakeholders, the DFIs will be required to adopt the enclosed formats with suitable modification(s) in line with their nature of business, to prepare their annual/ interim financial statements effective from the 1st quarter of the year 2023.

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

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

Related FI Department: **Finance**

Risk Category: **Clients, products and business practices - Suitability, disclosure and fiduciary, Execution, delivery and process management - Transaction capture, execution and maintenance, Execution, delivery and process management - Customer intake and documentation, Execution, delivery and process management - Customer / client account management**

[Read more on the website](#)

Banking Policy & Regulations Department

via BPRD Circular No. 03 of 2023 dated 09-February -2023

FORMAT OF ANNUAL AND INTERIM FINANCIAL STATEMENTS OF MICROFINANCE BANKS (MFBs)

The State Bank of Pakistan has advised the formats of financial statements of Microfinance Banks (MFBs) in BSD Circular No. 11 dated December 30, 2003. However, due to significant changes in regulatory developments and International Financial Reporting Standards since then, the format of financial statements needs to be revised.

The State Bank of Pakistan has decided to amend the format of the annual financial statements of Microfinance Institutions (MFBs) based on the powers given by the Microfinance Institutions Ordinance, 2001. The new format of the annual financial statements and its notes will replace the previous format and instructions. All MFBs are required to use the revised format for their annual financial statements starting from December 31, 2024.

The State Bank of Pakistan has revised the format of interim financial statements and made it consistent with the updated annual financial statements format. These new formats, along with their corresponding notes, are also included and will become effective from the first quarter of 2024.

Effective Date: **31-December-2024**

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

Related FI Department: **Finance**



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

[Read more on the website](#)

Other (Medium/Low Risk) Circulars & Notifications

Domestic Market & Monetary Management Department

via DMMD Circular Letter No. 01 of 2023 dated 14-February-2023

As per the DMMD Circular No. 18 of 2022 and DMMD Circular Letter No. 06 of 2022 for the issuance of GOP Ijara Sukuk (GIS). The government of Pakistan has decided to issue GIS with further flexibility in terms of tenor (including one year and above), as per the structure described in the 'Addendum Note to the Transaction Structure' - enclosed as [Annexure-A](#). 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.

Effective Date: **14-February-2023**

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

Related FI Department: **Islamic Finance**

Risk Category: **Clients, products and business practices - Product flaws, Clients, products and business practices - Advisory activities**

[Read more on the website](#)

Finance Department

via FD Circular Letter No.02 of 2023 dated 08-February-2023

Prime Minister's Relief Fund for Türkiye's Earthquake Victims

The Government of Pakistan has set up the Prime Minister's Relief Fund for Türkiye Earthquake Victims to provide support to the Turkish government and people in the aftermath of the earthquake. The fund will accept donations from both domestic and international sources and will be managed by the National Disaster Management Authority with the Accountant General Pakistan Revenue handling its accounts.

In this regard, The State Bank of Pakistan has established the ""Prime Minister's Türkiye Earthquake Relief Fund Account"" for collecting donations for the Prime Minister's Relief Fund for Türkiye

Earthquake Victims. All commercial and microfinance banks will have this account and will accept donations in cash, cheques, pay orders, and demand drafts at their branches nationwide. Donors have multiple options for making contributions to the fund as described below: -

- Domestic Donors:
 - Cash deposits at bank counters: Donors can make cash donations at any branch of a bank in Pakistan, which will transfer the consolidated amount to the Fund account at the State Bank of Pakistan via RTGS on a daily basis.
 - Deposit of crossed cheques in bank drop boxes: Donors can make contributions by dropping crossed cheques in the name of the Fund in the bank's drop box. Banks will have this facility available at selected branches and will transfer the amount through RTGS to the State Bank of Pakistan on a daily basis.
 - Alternate delivery channels: Donors can use options such as internet banking, mobile banking, ATMs, and mobile wallets to donate to the Fund account through Interbank Fund Transfer Facility/Raast. The IBAN of the Fund will be prominently displayed on the websites of commercial and microfinance banks.
- Overseas Donors:
 - Wire Transfer: Overseas donors, including overseas Pakistanis, can donate to the Fund through a wire transfer to the Fund account maintained with their bank. They will instruct their bank to transfer the donation to the Fund account, and the bank will transmit the consolidated amount to the State Bank of Pakistan through the Real Time Gross Settlement (RTGS) system on a daily basis.
 - Transfer through Money Service Bureaus, Money Transfer Operators, and Exchange Houses: Overseas donors can also donate through Money Service Bureaus (MSBs), Money Transfer Operators (MTOs), and Exchange Houses (EHs) in line with the arrangements in place for receiving home remittances. Banks receiving these remittances in the Fund account will transfer the consolidated amount through RTGS to the State Bank of Pakistan on a daily basis.

The banks shall maintain the details of individual donors i.e. name of the donor amount of his/her contribution, mode of payment, etc., with them and shall be made available to SBP as and when needed. The banks shall also share details of individual donors, the amount of their contribution, and the mode of payment on a weekly basis with the NDMA via email address: dirfin@ndma.gov.pk.

Effective Date: **08-February-2023**

Regulator Department: **Finance Department**

Related FI Department: **Finance Department**

Risk Category: **Execution, delivery, and process management - Transaction capture, execution, and maintenance, Execution, delivery, and process management – Customer/client account management**

[Read more on the website](#)

Exchange Policy Department

via EPD Circular Letter No. 05 dated 13-February-2023

Authorized Dealers (ADs) are being directed to pay attention to Para 33 of Chapter 12 (Exports) of the Foreign Exchange (FE) Manual. This section outlines the steps to be taken in cases involving the non-realization or delayed realization of export proceeds.

To ensure timely realization of export proceeds, action will be taken in export cases where full export proceeds are not received within the prescribed time period outlined in Para 6 of Chapter 12 of the FE Manual. A new section, Para 33A, has been added after Para 33 to address this issue, as under:

- When export proceeds are realized after the prescribed period, the authorized dealer (AD) must compare the rate on the date of realization (Rate-A) with the rate on the last day of the prescribed period, after adding any grace period (Rate-B).
 - If Rate-A is higher than Rate-B, the AD must convert the export proceeds at Rate-A, but pay the exporter at Rate-B, keeping the difference in a separate account.
 - A weekly consolidated statement of these differences must be submitted by the AD's Head/Principal Office to the Director of the Foreign Exchange Operations Department (FEOD).
 - The FEOD will file a complaint with the Foreign Exchange Adjudication Department (FEAD) regarding the delay in realization.
 - The AD must deposit the difference ascertained in (b) with the SBP or refund it to the exporter, as decided by FEAD.
 - These instructions do not apply to export bills or export receivables that have been discounted by the exporter to the AD.
 - The above instructions will not be applicable in cases of export bills/ export receivables that are discounted by the exporter to the AD.

- The above instructions will come into effect as of March 1, 2023. Accordingly, overdue export bills will be dealt with as described in the table below:
 - Date of realization of export proceeds: On or before February 28, 2023, On or after March 1, 2023, and After March 1, 2023.
 - Date Export proceeds became overdue: Prior to February 28, 2023, On or before February 28, 2023, After March 1, 2023.
 - Rate to be applied, for payment to an exporter, prevalent on Date of realization, Date of realization or March 1, 2023, whichever is lower, Date of realization or date on which export proceeds become overdue, whichever is lower.
 - Authorized Dealers are advised to bring the above instructions to the knowledge of all their constituents and ensure meticulous compliance with the above instructions.

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

Banking Policy & Regulations Department

via Banking Policy & Regulations Department dated 02-February-2023

On the occasion of “Kashmir Day” as declared by the Government of Pakistan the State Bank of Pakistan will remain closed on Sunday, February 5, 2023.

Effective Date: **05-February-2023**

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

Related FI Department: **Banking Policy & Regulations Department**

Risk Category: **Execution, delivery and process management - Transaction capture, execution and maintenance, Execution, delivery and process management - Monitoring and reporting**

[Read more on the website](#)

Canada

31 Durward Place, Unit C, Waterloo,
ON, N2L 4E5
explore@benchmatrix.com
D: +1 647 540 8188

Pakistan

A 301-4, 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.

©2023 BenchMatrix Private Limited. All rights reserved.

