

Regulatory Bulletin

March 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.

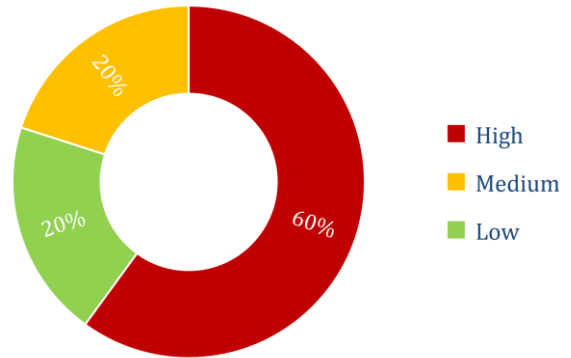


Summary

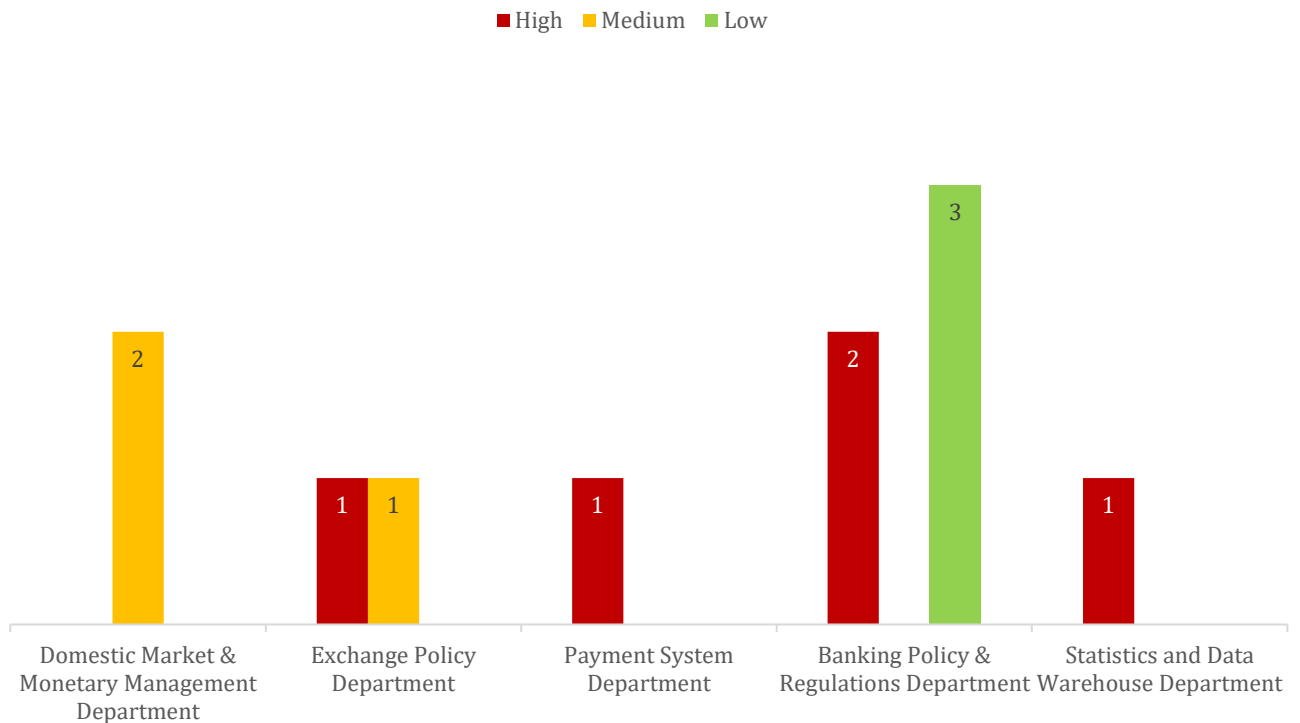
During the month of March 2023, the State Bank of Pakistan (SBP) issued total 11 circulars/ notifications/ actions on significant matters.

Circulars / Notifications by Risk Level

Risk Level	Total
High	5
Medium	3
Low	3



Circulars / Notifications by Regulator Department & Risk Level



Key (High Risk) Circulars/Notifications

Banking Policy & Regulations Department

via BPRD Circular No. 02 of 2023 dated 17-March-2023

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.

- 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.
- SBP informs that Nisab of Zakat for the Zakat year 1443-44/2023-140 is fixed at Rs. 103,159/- as mentioned in Notification No. CE-1001(36)/NISAB/1443-44/2023-140 dated March 17th, 2023 issued by the Poverty Alleviation & Social Safety Division, Cabinet Secretariat, Government of Pakistan, Islamabad (copy enclosed with circular).
- First day of Ramzan UI Mubarak has already been notified that the “Deduction Date” will likely fall on 23rd or 24th March, 2023 (Subject to the appearance of the Moon).
- The Deduction of Zakat will take place in the bank accounts having of Profit/ Loss Sharing Accounts and other similar Accounts having credit balance of Rs. 103,159/- (Rupees One Hundred Three Thousand One Hundred Fifty-Nine Only).
- All the Zakat Collection controlling Agencies (ZCCAs) are requested to deduct Zakat accordingly and submit the Copy of Return Form CZ-08(A & B) immediately after the deposit in Zakat in Central Zakat Account No.CZ-08.

Effective Date: **17-March-2023**

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

Related FI Department: **Operations Department**

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

[Read more on the website](#)

Payment System Department

via PSP & OD Circular Letter No. 01 of 2023 dated 17-March-2023

With reference to PSD Circular No. 01 of 2020 on “Improving Payment Card Acceptance Infrastructure in Pakistan”. In order to facilitate the acceptance of card-based payments, it has been decided that:

- Interchange Reimbursement Fee (IRF) for cards issued in Pakistan used on domestic POS terminals shall be as follows:
 - a. for debit and prepaid cards – not exceeding 0.2%
 - b. for credit cards – not exceeding 0.7%
- Lower range of Merchant Discount Rate (MDR) i.e. 1.5% is abolished in terms of the clause 2(i) of PSD Circular No. 01 of 2020.
- All e-commerce/online payment acquirers operating in Pakistan shall enable acceptance of Domestic Payment Scheme (DPS) card for card-not-present (CNP) transactions on their respective payment gateways by June 30, 2023.

Effective Date: **17-March-2023**

Regulator Department: **Payment System 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](#)

Exchange Policy Department

via EPD Circular Letter No. 07 of 2023 dated 24-March-2023

Foreign Investment in Real Estate Investment Trust (REIT) Schemes

- The government has decided to allow REIT Management Companies (RMC) to issue their units through private placements and transfer such units to non-residents to further facilitate foreign investment in REIT schemes. This decision replaces existing provisions in Chapter 20 of the Foreign Exchange Manual. Non-residents can already invest in REIT schemes listed on stock exchanges and through new public offers.
- Accordingly, the existing para 6 (A)(IV), 6(B)(IIIA), 6(B)(IV), 6(B)(VI), 7(i) , 7(ia), 7(vi)(a), 7(vi)(d), 7(vi)(h), 7(vi)(i) and 7(vii)(C) of Chapter 20 of Foreign Exchange Manual, are hereby replaced with the followings:
- 6(A)(IV): A company or firm (including a partnership) or trust or mutual fund or private fund or real estate investment trust (REIT) fund incorporated, registered, and functioning outside Pakistan, excluding entities owned or controlled by a foreign government.
- 6(B)(IIIA): Private placement for issuance of new units of private funds established and operated by Private Fund Management Company licensed by SECP to provide private equity, venture

capital fund management services; and REIT Funds established and operated by REIT Management Company licensed by SECP.

- 6(B)(IV): Transfer of shares/units of companies/funds covered by sub para (III), (IIIA) and (IIIB), under offer for sale or any other arrangement.
- 6(B)(VI): Issue of rights shares and bonus shares and issuance of additional units as right or bonus and/or reinvestment of dividends in all those cases where shares/units are held on repatriable basis by 'person's resident outside Pakistan' in accordance with the general or special permission of the State Bank.
- 7(i): Companies issuing shares or REIT Funds issuing units, out of new public offers, on a repatriable basis, as permitted under sub-para (B) (I) of preceding paragraph 6, may open foreign currency collection accounts with banks abroad or in Pakistan for receiving the subscription in foreign currency. They may also allow refunds from these accounts to unsuccessful applicants. The amount subscribed by the successful applicants should be repatriated to Pakistan and foreign currency accounts closed within a week of allotment of shares/units. Proceeds Realization Certificate in evidence of subscription money having been repatriated to Pakistan shall be obtained by the company from the concerned Authorized Dealer for submission in original to the designated Authorized Dealer with the form prescribed at Appendix V- 95.
- 7(ia): In the case of remittance of subscription money directly to Pakistan and its payment to the fund's rupee account (opened in the name of trustee), private funds/REIT funds may issue units, in terms of paragraph 6(B)(IIIA), for the rupee equivalent paid by the concerned Authorized Dealer as shown in the Proceeds Realization Certificate (s).
- 7(vi)(a): In case of issue of ordinary shares including Modaraba Certificates/Trust and Fund Units out of public offers under paragraph 6 (B) (I) Bank's Proceeds Realization Certificate (PRCs) in original with copy of the consent/permission of the Securities & Exchange Commission of Pakistan (SECP).
- 7(vi)(d): In case of issue of rights shares or units of REIT funds through right under paragraph 6 (B) (VI) PRCs in original with copy of Board's Resolution.
- 7(vi)(h): In case of transfer of listed shares and units of funds under paragraph 6 (B) (II) Stock Broker's Memo and PRCs in respect of the cost of shares/units and transfer stamp money, both in original. Where the sale of shares/units is negotiated privately, documents establishing the deal and the price of the share/unit on Stock Exchange on the date of deal, should be furnished.
- 7(vi)(i): In case of transfer of shares/ units of un-listed companies/ funds under paragraph 6 (B) (IV) Auditor's certificate for break-up value or net asset value in original, a copy of the audited accounts of the respective year, documentary evidence of the agreed sale price and original PRCs in respect of cost of shares/units and transfer stamp money (if applicable).

- 7(vii)(C): For disinvestment proceeds due to maturity of units of fund or revocation of REIT fund, issued in terms of Para 6(B)(IIIA) above, the designated Authorized Dealer shall allow the remittance on submission and review of:
 - Winding-up report duly verified by external auditor and trustee of fund or in case of REIT fund revocation report by the trustee duly verified by the external auditor.
 - Unitholders investment statement
 - Distributions statement (including principal repayment)
- The ADs are advised to bring the above amendments to the notice of all their constituents for meticulous compliance.

Effective Date: **24-March-2023**

Regulator Department: **Exchange Policy Department**

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

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

[Read more on the website](#)

Banking Policy & Regulations Department

via BPRD Circular Letter No. 06 of 2023 dated 24-March-2023

Margin Restriction on Import of Items.

Please refer to BPRD Circular No. 02 of 2017, BPRD Circular No. 5 of 2018 and subsequent instructions on the captioned subject.

- In this regard, it has been decided to withdraw existing Cash Margin Requirement (CMR) on import of items with effect from March 31, 2023.
- Accordingly, CMR instructions issued vide BPRD Circular No. 02 of 2017, BPRD Circular No. 05 of 2018, BPRD Circular Letter No. 30 of 2021, BPRD Circular Letter No. 09 of 2022, BPRD Circular Letter No. 25 of 2022 and BPRD Circular Letter No. 37 of 2022 would stand withdrawn with effect from March 31, 2023.

Effective Date: **31-March-2023**

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](#)

Statistics and Data Warehouse Department

via No. DS. IIP/L007415/23 dated 27-March-2023

Registration/Statement of Foreign Private Loans (FPL)-Revision in Timelines

- Please refer to Statistics and Data Warehouse Department's letter No. No. DS.PL.31.13/2008-772 dated April 08, 2008 wherein banks are advised to submit Monthly Statement of Foreign Private loans (FPL) by 10th of the following month to which it relates.
- Further, refer to FE Circular No. 06 of 2019 dated December 17, 2019, for reporting any new FPL data on Data Acquisition Portal (DAP), all ADs are required to get Loan Registration Number (LRN) of each loan from Core Statistics Department (CSD) by 5th of the following month.
- Effective March 2023 data submission, FPL statement must be submitted by 7th of the following month. For new FPL, if any, ADs are now required to get Loan Registration Number (LRN) from Core Statistics Department (CSD) by 3rd of the following month.
- ADs are required to ensure that all FPL transactions reported in monthly International Transaction Reporting System are reflected in aforementioned statement.

Effective Date: **27-March-2023**

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

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

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

[Read more on the website](#)

Other (Medium/Low Risk) Circulars & Notifications

Domestic Market & Monetary Management Department

via DMMD Circular No. 04 of 2023 dated 02 - March -2023

SBP's Policy Rate and Overnight Repo / Reverse-Repo Facilities

- Please refer to DMMD Circular No. 01 dated Jan 23, 2023. Following changes are announced with reference to this circular:
- SBP has decided to increase 'Policy Rate' (Target Rate) from 17.00% to 20.00%.

- SBP Overnight Reverse Repo (Ceiling) rate will be at 21.00% i.e. 100 bps above the SBP Policy Rate.
- The SBP Overnight Repo (Floor) rate will be at 19.00% i.e. 100 bps below the SBP Policy Rate. Accordingly, the Floor and Ceiling levels for the Interest Rate Corridor are 19.00% and 21.00% 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).

Effective Date: **03-March-2023**

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

Related FI Department: **Treasury Department**

Risk Category: **Execution, delivery and process management - Monitoring and reporting, Execution, delivery and process management - Trade counterparties**

[Read more on the website](#)

Domestic Market & Monetary Management Department

via DMMD Circular No. 03 of 2023 dated 01-March-2023

Rate of Remuneration on Special Cash Reserve Account

Maintained with SBP Against Deposits Raised Under Fe-Circular 25 Of 1998. 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-March-2023**

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

Related FI Department: **Treasury 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](#)

Exchange Policy Department

via FE Circular Letter No. 02 of 2023 dated 31-March-2023

Realization of Export Proceeds

- The attention of Authorized Dealers (ADs) is invited to FE Circular No. 01 dated February 13, 2023, which sets out the instructions relating to delayed realization of export proceeds by exporters.
- Exporters who can bring their delayed export proceeds to Pakistan by April 30, 2023, will not face any deductions, and their proceeds will be released to them in a normal way. The amounts withheld by ADs will also be released to the exporters. In light of the stakeholder's representation, paragraph 33A, Chapter 12 of FE Manual has been revised:
- “33A Delayed Realization of Export Proceeds the State Bank of Pakistan has issued instructions for authorized dealers (ADs) on the conversion of export proceeds that are realized after the prescribed period. In such cases, ADs should convert the proceeds at the prevailing market exchange rate and credit the amount into the exporter's account. The circular outlines the procedure for determining the applicable exchange rate and how to deal with any resulting discrepancies:
 - a. The AD shall mark a lien on the amount of export proceeds realized by the exporter, as mentioned below:
 - b. Number of days’ export proceeds is delayed Up to 30 days - 3% Percentage of amount to be marked under lien.
 - c. Number of days’ export proceeds is delayed from 31 to 60 days - 6% Percentage of amount to be marked under lien.
 - d. Number of days’ export proceeds is delayed Beyond 60 days - 9% Percentage of amount to be marked under lien.
- A consolidated statement regarding all such liens by the AD will be submitted by Head/Principal Offices of the ADs to the Director, Foreign Exchange Operations Department (FEOD), SBP-BSC on weekly basis as per prescribed format (Revised Appendix V-20A).
- FEOD shall file a complaint to Foreign Exchange Adjudication Department (FEAD), SBP-BSC with respect to delay in realization of export proceeds for all reported cases. Subsequently, AD shall deposit the fine as ordered by FEAD with SBP (out of the amount marked under lien as per paragraph (a) above) and release the remaining amount to the exporter. In case FEAD does not impose any fine on the exporter, the entire amount under lien would be released to the exporter.

- 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 be applicable with immediate effect. Authorized Dealers are advised to bring the above instructions to the knowledge of all their constituents and ensure meticulous compliance of the above instructions.

Effective Date: **31-March-2023**

Regulator Department: **Exchange Policy Department**

Related FI Department: **Trade Department**

Risk Category: **Clients, products and business practices - Improper business or market practices, Execution, delivery and process management - Trade counterparties, Execution, delivery and process management - Vendors and suppliers**

[Read more on the website](#)

Banking Policy & Regulations Department

via BPRD Circular Letter No. 03 of 2023 dated 20-March-2023

The State Bank of Pakistan will remain closed on 23rd March, 2023 (Thursday) being a public holiday on the occasion of “Pakistan Day” as declared by the Government of Pakistan.

Effective Date: **20-March-2023**

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](#)

Banking Policy & Regulations Department

via BPRD Circular Letter No. 04 of 2023 dated 21-March-2023

The State Bank of Pakistan will remain closed for public dealing on Friday, March 24, 2023, which shall be observed as a ‘Bank Holiday’ for the purpose of deduction of Zakat, since 1st of Ramadan-ul-Mubarak, 1444 A.H. is likely to fall on Thursday, March 23, 2023 (already being a public holiday).

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

Effective Date: **21-March-2023**

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](#)

Banking Policy & Regulations Department

via BPRD Circular Letter No. 05 of 2023 dated 22-March-2023

Office & Business Hours for Ramadan-ul-Mubarak 1444 A.H.

- During the ensuing month of Ramadan-ul-Mubarak 1444 A.H., the following office hours will be observed in the State Bank of Pakistan, which will also be followed by all banks / DFIs / MFBs:
 - a. Days:
Monday to Thursday
Office Hours:
09:00 a.m. to 03:30 p.m.
(prayer break 02:00 p.m. to 02:30 p.m.)
Friday 08:30 a.m. to 01:00 p.m. (without breaks)
- Banks / MFBs are further advised to observe the following business (banking) hours for public dealing:
 - b. Business (Banking) Hours for Public Dealing
Days:
Monday to Thursday
Office Hours:
09:00 a.m. to 02:00 p.m. (without break)
Friday 08:30 a.m. to 01:00 p.m. (without break)
- After the month of Ramadan-ul-Mubarak, the above timings will automatically revert to pre Ramadan timings.

Effective Date: **23-March-2023**

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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