

Regulatory Bulletin

November 2023

Latest Circulars/ Notifications issued by SBP

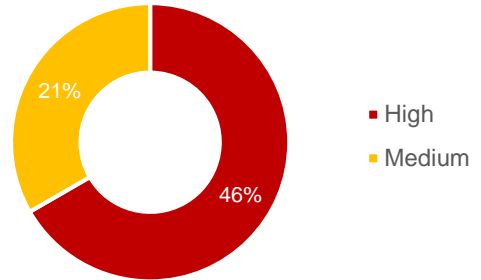
This document summarizes all the circulars/ notifications issued by the State Bank of Pakistan during the month. The Regulatory Bulletin is a risk-wise dissemination of significant matters issued by BenchMatrix.



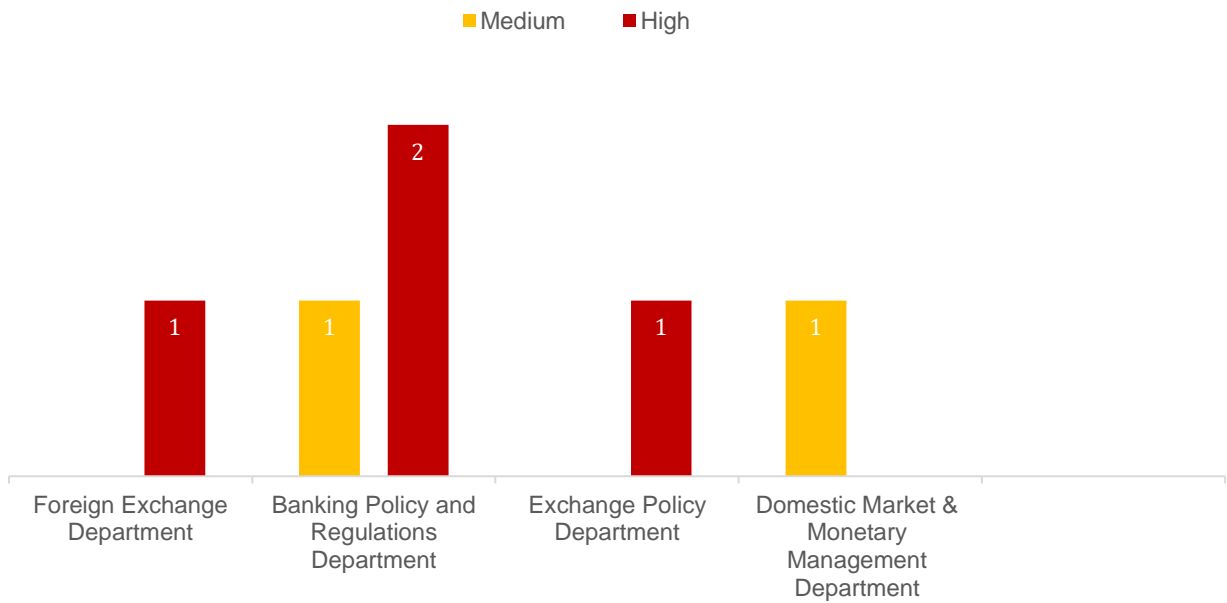
Summary

During October 2023, the State Bank of Pakistan (SBP) issued a total of 6 circulars/ notifications/actions on significant matters.

Risk Level	Total
High	4
Medium	2



Circulars / Notifications by Regulator Department & Risk Level



High-Risk Circulars & Notifications

Foreign Exchange Department

via No.DCS.BS. /2023-008155 dated 06-October-2023

Revamped (Scheduled Banks/DFIs/MFBs) Statistics - Quarterly Reporting:

Reference Statistics and Data Warehouse Department's letter No.DS.BS. 2 (1) / 2021-015147 dated December 21, 2021, which requires reporting institutions (RIs) to submit the subject quarterly return within 45 days of the close of the reporting period. It also advises on submission of the same return at half-yearly (HY) frequency.

To reduce the reporting burden on RIs, the submission of HY returns are discontinued with immediate effect. RIs are advised to submit the subject quarterly return within 30 days of the close of every quarter from September 2023 data.

RIs must ensure that these data are reconciled with the corresponding period's data submitted by RIs to this Department through statements on 'Assets and Liabilities (A03)', 'Deposits Distributed by Category of Deposit Holders (A-05)', and 'Monthly Loans Classified by Borrowers (A-07)', as per SBP instructions issued from time to time.

Any erroneous reporting warrants punitive action under relevant provisions of Law. For any query concerning subject data, please feel free to contact Mr. Waqar Ali, Assistant Director, through email (Waqar.Ali3@sbp.org.pk) or telephone (021-33138281-82)

Effective Date: **06-October-2023**

Regulator Department: **Core Statistics 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](#)

Banking Policy and Regulations Department

via BPRD Circular No. 05 of 2023 dated 23-October-2023

Framework for Freelancers Accounts:

1. To further facilitate the freelancers, the State Bank of Pakistan (SBP) has developed a comprehensive framework for opening and operating their bank accounts. Under the framework, freelancers will be able to open an Exporters' Special Foreign Currency Account (ESFCA) as defined in the Foreign Exchange Manual for retention of export proceeds concurrently with the corresponding primary PKR account, in-person or remotely through digital means.
2. All Freelancer Digital Accounts (FDA) opened so far, shall be considered to have been opened under this framework. The banks are advised to facilitate the onboarding of the prospective freelancers under the attached framework.
3. These instructions will supersede other instructions pertaining to the Freelancer Digital Account (FDA) provided in the SBP's Customers' Digital Onboarding Framework issued vide BPRD Circular Letter 15 of 2022.

Effective Date: **23-October-2023**

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

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

Risk Category: **Clients, products and business practices - Suitability, disclosure, and fiduciary, Clients, products and business practices - Improper business or market practices, Execution, delivery and process management - Customer intake and documentation, Execution, delivery and process management - Customer/client account management**

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Exchange Policy Department

via EPD Circular Letter No. 17 of 2023 dated 23-October-2023

Export of Software, Information Technology (IT) & IT Enabled Services (ITeS) and Freelance Services:

1. Attention of Authorized Dealers (ADs) is invited to Para 12, Para 36, and Para 40 of Chapter 12 (Exports) of the Foreign Exchange (FE) Manual, which provides general instructions relating to 'Export of Software', 'Export of Services' and 'Utilization of funds held in Exporters' Special Foreign Currency Account (ESFCA)'.
2. To encourage the exporters of Software, Information Technology (IT) and IT enabled Services (ITeS), and freelance services to boost their export earnings and bring additional foreign exchange into the country, the retention limit in ESFCAs has been increased from 35% to 50% of the export proceeds and the utilization of the retained funds has been further liberalized. Going forward, such exporters can freely make payments abroad of current account nature from these accounts, without prior approval of SBP.
3. Accordingly, Paras 12 and 36 of Chapter 12 (Exports) have been amended and are attached as Annexure-A. Moreover, Para 40 of Chapter 12 of FEM will not apply to the above-mentioned exports.
4. 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: **23-October-2023**

Regulator Department: **Finance 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**

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Banking Policy & Regulations Department

Via BPRD Circular Letter No. 20 of 2023 dated 25-October-2023

Branchless Banking (BB) Regulations for Financial Institutions:

1. Please refer to the “Branchless Banking (BB) Regulations” issued vide BPRD Circular No. 10 of December 30, 2019.

2. To further strengthen the controls against Money Laundering (ML)/ Terrorist Financing (TF) risks, banks and MFBs offering BB services (Authorized Financial Institutions) are advised to:

Perform Biometric Verification (BV) of account/ wallet holders for all types of ‘cash-in’ and ‘cash-out’ transactions at BB agents’ locations effective from January 31, 2024. This is in addition to the BV of transactions and customer types already specified in the above referred Circular.

Prioritize deployment of new BV devices, needed for the implementation of the above instructions, at agents’ locations in high TF-risk areas followed by deployment in other areas across the country.

Take all necessary measures and controls including upgradation of the related hardware and software to comply with the above instructions.

Strengthen their Automated Transaction Monitoring Systems (ATMS) to ensure that all BB transactions, including those conducted at agents’ locations, are captured and the system has the capability to:

flag suspicious/ unusual/ out-of-pattern transactions and accounts with unusually high number of transactions, for further assessment and reporting of Suspicious Transaction Reports (STRs) under AML Act 2010; and

reconstruct individual BB transactions so as to facilitate gathering of necessary evidence needed in any criminal investigation under the relevant laws.

Ensure adequate and meaningful coverage of BB operations in the Internal Risk Assessment Reports (IRARs) as required under the SBP’s AML/ CFT/ CPF Regulations.

3. All other instructions on the subject shall, however, remain unchanged.

Effective Date: **25-October-2023**

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

Related FI Department: **Operations/Finance**

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

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Medium Risk Circulars & Notifications

Banking Policy & Regulations Department

Via BPRD Circular Letter No. 19 of 2023 dated 24-October-2023

Upgradation of Firm on Panel of Auditors maintained under Section 35(1) of Banking Companies Ordinance, 1962:

1. Please refer to BPRD Circular Letter No. 20 dated June 15, 2022 on the Panel of Auditors maintained under section 35(1) of Banking Companies Ordinance, 1962.

2. It is informed that the following Chartered Accountant firm listed in Category 'B' of SBP's Panel of Auditors has been upgraded to Category 'A' of the panel with immediate effect:

A. UHY Hassan Naeem & Co.,

Chartered Accountants,

193-A, Shah Jamal, Lahore

Phone: 042- 35403550

Web: www.uhy-hnco.com

Effective Date: **24-October-2023**

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

Related FI Department: **Finance Department**



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

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Domestic Market & Monetary Management Department

Via DMMD Circular Letter No. 08 of 2023 dated 31-October-2023

Rate of Remuneration on Special Cash Reserve Account:

Maintained with SBP Against Deposits Raised Under FE-Circular 25 of 1998.

Please refer to Para 03 of BSD Circular No. 18 dated March 31, 2001, and DMMD Circular Letter No. 03 dated August 09, 2023, on the captioned subject.

It is notified that the rate of remuneration for November 2023 on the Special Cash Reserve Account (US\$) maintained with the State Bank of Pakistan will be 4.32%.

Effective Date: **31-October-2023**

Regulator Department: **Core Statistics Department**

Related FI Department: **Treasury Department**

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

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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

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