



CIRCULARS YEAR BOOK

1981 - 1990

**STATE BANK OF PAKISTAN
BANKING POLICY & REGULATIONS DEPARTMENT
CENTRAL DIRECTORATE
KARACHI**



CIRCULARS YEAR BOOK

1981 - 1990

**STATE BANK OF PAKISTAN
BANKING POLICY & REGULATIONS DEPARTMENT
CENTRAL DIRECTORATE
KARACHI**

CONTENTS

Sr. No.	Circular No.	Date	S u b j e c t	Page No.
CIRCULARS OF 1981:				
1.	01	07-1-1981	Amendments in Banking Companies rules, 1963.	1
2.	02	21-1-1981	Credit Operations.	
3.	03	31-1-1981	Selective Credit Control.	2
4.	04	02-2-1981	Selective Credit Control.	
5.	05	05-2-1981	Interest Free Banking- Export Finance Scheme.	
6.	06	15-2-1981	Concessional Rate of Interest- Definition of Fixed Investment.	4
7.	07	23-2-1981	Credit Operations.	5
8.	08	09-3-1981	Export Finance Scheme.	
9.	09	10-3-1981	Export Finance Scheme and Scheme for Financing of Locally Manufactured Machinery.	9
10.	10	21-3-1981	Export Finance Scheme.	10
11.	11	28-4-1981	Selective Credit Control.	11
12.	12	28-5-1981	Amendment in the Banking Companies Ordinance, 1962.	
13.	13	02-6-1981	Selective Credit Control.	
14.	14	08-6-1981	Export Finance Scheme.	
15.	15	13-6-1981	Maintenance of Statutory Cash Reserve/Liquid Assets.	12
16.	16	16-6-1981	Export Finance Scheme.	15
17.	17	20-6-1981	Scheme for Rediscounting of Bills and Giving Advances Against Them.	
18.	18	12-7-1981	Scheme for Financing Locally Manufactured Machinery.	16
19.	19	06-8-1981	Interest-free Banking-Weekly and Quarterly Statements of Position.	

Sr. No.	Circular No.	Date	Subject	Page No.
20.	20	13-8-1981	Credit Policy-Housing Finance	17
21.	21	02-9-1981	Selective Credit Control	18
22.	22	21-9-1981	Bank Charges	
23.	23	24-9-1981	Selective Credit Control	19
24.	24	28-10-1981	Selective Credit Control	
25.	25	02-11-1981	Selective Credit Control	22
26.	26	09-11-1981	Interest Free Banking-Assets Selected for the First Phase	23
27.	27	14-11-1981	Credit Operations.	
28.	28	18-11-1981	Credit Operations.	
29.	29	23-11-1981	Export Finance Scheme	
30.	30	30-11-1981	Scheme for Financing Locally Manufactured Machinery.	27
31.	31	30-11-1981	Export Finance Scheme.	28
32.	32	28-12-1981	Interest-free Banking-Amendment in Form 'B' (Form of Profit & Loss Account) of the Second Schedule to the Banking Companies Ordinance, 1962(L.VII of 1962)	

CIRCULARS OF 1982:

33.	01	06-1-1982	Selective Credit Control.	31
34.	02	23-1-1982	Scheme for Financing Locally Manufactured Machinery.	
35.	03	26-1-1982	Selective Credit Control.	
36.	04	26-1-1982	Refinance Facility Under the Export Finance Scheme for Locally Produced Goods Supplied Locally against International Tenders.	32
37.	05	08-2-1982	Capital Requirement for Banking Companies Incorporated Outside Pakistan Amendment in Banking Companies Rules, 1963.	35
38.	06	14-2-1982	Export Finance Scheme	38
39.	07	20-2-1982	Export Finance Scheme	41
40.	08	04-3-1982	Credit Operations	
41.	09	28-3-1982	Export Finance Scheme	

Sr. No.	Circular No.	Date	Subject	Page No.
42.	10	11-4-1982	Charging of Interest on Agricultural Loans	43
43.	11	17-4-1982	Scheme for Financing Locally Manufactured Machinery	44
44.	12	25-4-1982	Export Finance Scheme Substitution of Firm Order/Letter of Credit.	48
45.	13	18-5-1982	Amendments in (i) Banking Companies Ordinance, 1962(LVII of 1962) (ii) The Banks (Nationalization) Act, 1974 (XIX of 1974) (iii) The Banking Companies (Recovery of Loans) Ordinance, 1979 (XIX of 1979)	51
46.	14	30-5-1982	Export Finance Scheme	61
47.	15	30-5-1982	Weekly Statement of Position-Capital Requirement for Banking Companies Incorporated Outside Pakistan - reporting of	66
48.	16	01-6-1982	Scheme for Financing Locally Manufactured Machinery.	
49.	17	01-6-1982	Interest Rates.	67
50.	18	13-6-1982	Concessionary Finance Under the Scheme for Financing Locally Manufactured Machinery for Locally Produced goods Supplied Locally Against International Tenders.	
51.	19	29-6-1982	Selective Credit Control	68
52.	20	29-6-1982	Concessionary Finance Facility Under the Export Finance Scheme and the Scheme for Financing Locally Manufactured Machinery for Local Supplies of Locally Produced Goods Against International Tenders.	
53.	21	30-6-1982	Enlargement of the Area of Interest-Free Banking.	69

Sr. No.	Circular No.	Date	Subject	Page No.
54.	22	06-7-1982	Small Loans Scheme for Businessmen and Industrialists.	71
55.	23	10-7-1982	Selective Credit Control	
56.	24	20-7-1982	Export Finance Scheme	72
57.	25	27-7-1982	Fixed Agricultural Investment.	75
58.	26	04-8-1982	Export Finance Facility under the Export Finance Scheme and the Scheme for Financing Locally Manufactured Machinery.	
59.	27	04-8-1982	Export Finance Scheme.	
60.	28	04-8-1982	Export Finance Scheme.	78
61.	29	08-8-1982	Interest Rates on Deposits.	
62.	30	10-8-1982	Export Finance Scheme.	
63.	31	28-8-1982	Export Finance Scheme Post-shipment Finance.	79
64.	32	29-8-1982	Selective Credit Control.	86
65.	33	31-8-1982	Monitoring of Finance Extended on the Basis of Profit and Loss - Sharing ("Musharika"), Leasing and Hire-Purchase.	
66.	34	13-9-1982	ECGS Covers on Exports (Not Covered by L/Cs) Made on Post-shipment Credit Under Part-I of the Export Finance Scheme.	88
67.	35	27-9-1982	Export Finance Scheme.	89
68.	36	12-10-1982	Interest-Free Banking-Placement of Surplus Liquidity in PLS Operations on Call with Other Banks.	
69.	37	02-11-1982	Interest Free Banking-Assets Selected for the First Phase.	90
70.	38	21-11-1982	Fixed Agricultural Investment.	
71.	39	22-11-1982	Export Finance Scheme.	91
72.	40	25-11-1982	Interest on Advances.	92
73.	41	27-11-1982	Export Finance Scheme.	93

Sr. No.	Circular No.	Date	Subject	Page No.
CIRCULARS OF 1983:				
74.	01	02-1-1983	ECGS Covers on Exports (not Covered by L/Cs) Made on Post-Shipment Credit Under Part-I of the Export Finance Scheme.	95
75.	02	12-1-1983	Scheme for Financing Locally Manufactured Machinery.	
76.	03	15-1-1983	Selective Credit Control.	96
77.	04	19-1-1983	Scheme for Financing Locally Manufactured Machinery.	
78.	05	25-1-1983	Bank Charges.	
79.	06	30-1-1983	ECGS Covers on Exports (not Covered by L/Cs) Made on Post Shipment Credit Under Part-I of the Export Finance Scheme.	107
80.	07	30-1-1983	Issue of Guarantees by Banks.	108
81.	08	22-2-1983	Export Finance Scheme Substitution of Firm Order/Letter of Credit.	109
82.	09	28-2-1983	Expenditure-Advertisement, Advance, Rent, Etc. - Regulation of.	
83.	10	02-3-1983	Amendment in the Banking Companies (Recovery of Loans) Ordinance, 1979 (Ordinance, XIX of 1979).	
84.	11	12-03-1983	Banking Companies Ordinance, 1962 Section 83 Sub-section (1C).	112
85.	12	10-4-1983	Selective Credit Control.	
86.	13	16-04-1983	Bank Charges.	
87.	14	25-04-1983	Deposit Rates.	113
88.	15	15-04-1983	Interest-free Banking - Weekly & Quarterly Statements of Position.	
89.	16	26-06-1983	Charging of Interest on Agricultural Loans.	115
90.	17	19-07-1983	Export Finance Scheme.	
91.	18	20-07-1983	Export Finance Scheme - Substitution of Firm Order/Letter of Credit.	
92.	19	23-07-1983	Small Loans Scheme for Businessmen and Industrialists.	118
93.	20	31-08-1983	Export Finance Scheme.	

Sr. No.	Circular No.	Date	Subject	Page No.
94.	21	05-09-1983	Export Finance Scheme-Concessionary Finance facility Against Goods Shipped for Display/Sale in International Fairs/Exhibitions.	120
95.	22	14-9-1983	Credit Operations.	124
96.	23	26-9-1983	Selective Credit Control.	
97.	24	22-10-1983	Export Finance Scheme.	
98.	25	22-10-1983	Interest Rates.	128
99.	26	23-10-1983	Encashment of Demand Drafts and Telegraphic Transfers.	
100.	27	24-11-1983	Export Finance Scheme.	129
101.	28	07-12-1983	Selective Credit Control.	
CIRCULARS OF 1984:				
102.	01	03-1-1984	Export Finance Scheme.	131
103.	02	15-1-1984	Export Finance Scheme.	132
104.	03	22-1-1984	Export Finance Scheme.	133
105.	04	30-1-1984	Credit Policy - Housing Finance.	
106.	05	05-2-1984	Export Finance Scheme.	
107.	06	14-2-1984	Selective Credit Control.	134
108.	07	28-3-1984	Bank Charges.	
109.	08	30-4-1984	Fixed Agricultural Investment.	135
110.	09	15-5-1984	Export Finance Scheme.	138
111.	10	20-5-1984	Export Finance Scheme.	
112.	11	24-5-1984	Scheme for Financing Locally Manufactured Machinery.	139
113.	12	31-5-1984	Selective Credit Control.	
114.	13	20-6-1984	Elimination of 'RIBA' from the Banking System.	140
115.	14	05-7-1984	Export Finance Scheme.	144

Sr. No.	Circular No.	Date	Subject	Page No.
116.	15	07-7-1984	Export Finance Scheme.	145
117.	16	12-7-1984	Small Loan Scheme for Business men & Industrialists	
118.	17	23-7-1984	Export Finance Scheme.	146
119.	18	10-8-1984	Export Finance Scheme.	
120.	19	13-9-1984	Concessionary Finance Under the Scheme for Financing Locally Manufactured Machinery for Locally Produced Goods Supplied Locally Against International Tenders.	
121.	20	16-9-1984	Amendments in the Banking Companies Ordinance, 1962.	
122.	21	20-9-1984	Amendments in the Banking Companies Ordinance, 1962.	147
123.	22	22-10-1984	Export Finance Scheme.	148
124.	23	10-11-1984	Selective Credit Control.	150
125.	24	19-11-1984	Scheme for Financing Locally Manufactured Machinery.	
126.	25	21-11-1984	Export Finance Scheme.	151
127.	26	26-11-1984	Elimination of RIBA from the Banking System-Rate of Service Charge Recoverable on Finances Provided by way of Lending Other Than "Qard-e-Hasana".	152
128.	27	26-11-1984	Elimination of "RIBA" from the Banking System-Rates of Return in Case of Trade Related Modes of Financing.	153
129.	28	26-11-1984	Elimination of "RIBA" from the Banking System-Rates of Return in the Case of Investment Type modes of Financing.	154
130.	29	26-11-1984	Elimination of "RIBA" from the Banking System-Export Finance Scheme.	156
131.	30	26-11-1984	Elimination of "RIBA" from the Banking System-Scheme for Financing Locally Manufactured Machinery.	157
132.	31	26-11-1984	Elimination of "RIBA" from the Banking System-Making of PLS Term Deposits by Banks/DFIs with the State Bank.	159
133.	32	26-11-1984	Elimination of "RIBA" from the Banking System-Bank Charges.	

Sr. No.	Circular No.	Date	S u b j e c t	Page No.
134.	33	26-11-1984	Elimination of "RIBA" from the Banking System-Finances Provided by the State Bank to Banks and Development Finance Institutions for Meeting Temporary Liquidity Difficulties (Including T.T. Discounting Facilities).	160
135.	34	26-11-1984	Elimination of "RIBA" from the Banking System-Determination of Rates of Profits on Various Types of PLS Liabilities of the Banks and DFIs.	
136.	35	28-11-1984	Export Finance Scheme.	168
137.	36	01-12-1984	Deposit Rates.	169
138.	37	10-12-1984	Elimination of "RIBA" from the Banking System-Rates of Profit in Case of Trade Related Modes of Financing.	
139.	38	10-12-1984	Elimination of "RIBA" from the Banking System-Rates of Profit in the Case of Investment Type Modes of Financing.	170
140.	39	10-12-1984	Elimination of "RIBA" from the Banking System-Scheme for Financing Locally Manufactured Machinery.	172
141.	40	10-12-1984	Elimination of "RIBA" from the Banking System-Export Finance Scheme.	173
142.	41	12-12-1984	Export Finance Scheme.	174
143.	42	26-12-1984	Export Finance Scheme.	175
144.	43	29-12-1984	Elimination of "RIBA" from the Banking System-Scheme for Financing Locally Manufactured Machinery-Export Sales.	187
CIRCULARS OF 1985:				
145.	01	01-1-1985	Elimination of "RIBA" from the Banking System-Export Finance Scheme.	193
146.	02	03-1-1985	The Banking and Financial Services (Amendments of laws) Ordinance, 1984 (LVII of 1984) and the Banking Tribunals Ordinance, 1984 (LVIII of 1984)	195

Sr. No.	Circular No.	Date	Subject	Page No.
147.	03	05-1-1985	Classification of Accounts in the Weekly Statement of Position.	233
148.	04	17-1-1985	Export Finance Scheme-Export to Iraq on Deferred Payment Basis.	
149.	05	24-1-1985	Deposit Rates.	236.
150.	06	27-1-1985	Scheme for Financing Locally Manufactured Machinery.	
151.	07	11-2-1985	Elimination of "RIBA" from the Banking System-Determination of Rates of Profit on Various Types of PLS Liabilities of the Banks and DFIs.	
152.	08	11-2-1985	Elimination of "RIBA" from the Banking System-Provision of Finance by Banks and DFIs to their Employees for Various Purposes under Rules Framed by them.	237
153.	09	12-2-1985	Elimination of "RIBA" from the Banking System-Export Finance Scheme.	
154.	10	20-2-1985	Elimination of "RIBA" from the Banking System-Determination of Rates of Profit on Various Types of PLS Liabilities of the Banks and DFIs-Certificate from the External Auditors about Correctness of Information Provided to the State Bank of Pakistan.	238
155.	11	20-2-1985	Export Finance Scheme-Exports to Iraq on Deferred Payment Basis.	239
156.	12	23-2-1985	Refinance for Locally Produced Goods	241
157.	13	03-3-1985	Selective Credit Control.	246
158.	14	07-4-1985	Scheme for Financing Locally Manufactured Machinery-Financing of Local Supplies of Locally Manufactured Machinery Against International Tenders.	
159.	15	10-4-1985	Weekly/Quarterly Statement of Position of Scheduled Banks.	
160.	16	15-4-1985	Elimination of "RIBA" from the Banking System-Export Finance Scheme.	248
161.	17	15-4-1985	Elimination of "RIBA" from the Banking System-Export Finance Scheme.	
162.	18	30-4-1985	Selective Credit Control.	252

Sr. No.	Circular No.	Date	Subject	Page No.
163.	19	07-5-1985	Elimination of "RIBA" from the Banking System-Penalty for Defaults in Maintenance of Cash Reserved and Liquid Assets by the Banks.	253
164.	20	25-5-1985	Export Finance Scheme.	254
165.	21	25-5-1985	Export Finance Scheme-Substitution of Firm Order/Letter of Credit.	256
166.	22	25-5-1985	Scheme for Financing Locally Manufactured Machinery.	257
167.	23	25-5-1985	Elimination of "RIBA" from the Banking System-Rates of Profit in Case of Trade-Related Modes of Financing.	277
168.	24	25-5-1985	Elimination of "RIBA" from the Banking System-Rates of Profit in the Case of Investment Types modes of Financing.	278
169.	25	01-6-1985	Credit Policy.	279
170.	26	08-6-1985	Export Finance Scheme- "Form EA".	
171.	27	08-6-1985	Elimination of "RIBA" from the Banking System-Rate of Service Charge Recoverable on Finances Provided by way of Lending Other than "Qard-e-Hasana."	280
172.	28	08-6-1985	Elimination of "RIBA" from the Banking System-Determination of Rates of Profit on various Types of PLS Liabilities of Banks and DFIs.	
173.	29	12-6-1985	Elimination of "RIBA" from the Banking System.	
174.	30	13-6-1985	Export Finance Scheme-Exports to Iraq on Deferred Payment Basis.	281
175.	31	16-7-1985	Export Finance Scheme-Exports to Iraq on Deferred Payment Basis.	
176.	32	24-7-1985	Export Finance Scheme.	
177.	33	24-7-1985	Export Finance Scheme-Exports to Iraq on Deferred Payment Basis.	
178.	34	05-8-1985	Export Finance Scheme.	
179.	35	05-8-1985	Export Finance Scheme-Exports to Iraq on Deferred Payment Basis.	282
180.	36	06-8-1985	Audit of the Balance Sheet and Profit and Loss Accounts of Banks.	283

Sr. No.	Circular No.	Date	S u b j e c t	Page No.
181.	37	22-8-1985	Credit Policy.	
182.	38	22-8-1985	Export Finance Scheme-Relaxation for Exports of Carpets and Rugs.	
183.	39	10-10-1985	Elimination of "RIBA" from the Banking System-Export Finance Scheme-Concessionary Finance Facility Against Goods Shipped for Display/Sale in International Fairs/Exhibition.	
184.	40	16-11-1985	Export Finance Scheme-Form 'ED'.	286
185.	41	17-12-1985	Panel of Auditors.	
186.	42	19-12-1985	Credit Operations.	310
CIRCULARS OF 1986:				
187.	01	15-1-1986	Elimination of "RIBA" from the Banking System Payment of Profit on PLS/Savings Banks and DFIs.	311
188.	02	16-1-1986	Elimination of "RIBA" from the Banking System-Determination of Rates of Profit on Various Types of PLS Liabilities of the Banks and DFIs.	
189.	03	22-1-1986	Export Finance Scheme.	312
190.	04	04-2-1986	Elimination of "RIBA" from the Banking System-Export Finance Scheme.	
191.	05	04-2-1986	Selective Credit Control.	
192.	06	24-2-1986	Payment of Profit on PLS Deposits.	
193.	07	25-2-1986	Issue of Guarantees by Banks.	313
194.	08	03-3-1986	Export Finance Scheme-Relaxation for Exports of Carpets and Rugs.	
195.	09	04-3-1986	Panel of Auditors.	
196.	10	30-3-1986	Selective Credit Control.	
197.	11	31-3-1986	Export Finance Scheme-Exports to Iraq on Deferred Payment Basis.	314
198.	12	19-4-1986	Selective Credit Control.	
199.	13	20-4-1986	Selective Credit Control.	
200.	14	20-4-1986	Elimination of "RIBA" from the Banking System-Penalty for Defaults in Maintenance of Cash Reserve and Liquid Assets by the Banks.	317
201.	15	20-4-1986	Norms of Efficiency.	

Sr. No.	Circular No.	Date	S u b j e c t	Page No.
202.	16	30-6-1986	Export Finance Scheme-Export to Iraq on Deferred Payment Basis.	318
CIRCULARS OF 1987:				
203.	01	23-2-1987	Financing of Imported Machinery.	319
204.	02	07-4-1987	Selective Credit Control.	
205.	03	05-5-1987	Advances against Wheat to traders/ growers subject to a minimum margin requirement of 35%.	
206.	04	15-6-1987	Amendment in the Banks (Nationalization) Act., 1974.	
207.	05	05-7-1987	Selective Credit Control.	320
208.	06	12-7-1987	Elimination of "RIBA" from the Banking System-Determination of Rates of Profits on Various Types of PLS Liabilities of the Banks and DFIs.	325
209.	07	18-8-1987	Amendment in the Banking Companies Ordinance, 1962(LVII of 1962).	326
210.	08	23-11-1987	Export Finance Scheme-Exports to Iraq on Deferred Payment Basis.	
211.	09	10-11-1987	Export Finance Scheme.	328
212.	10	12-11-1987	Selective Credit Control.	
CIRCULARS OF 1988:				
213.	01	08-3-1988	Issue of Guarantees by Banks.	329
214.	02	14-5-1988	Selective Credit Control.	
215.	03	22-6-1988	Defence Savings Certificates-Ban On Purchase.	330
216.	04	30-6-1988	Elimination of 'RIBA' from the Banking System.	
217.	05	19-7-1988	Export Finance Scheme.	
218.	06	20-7-1988	Norms of Efficiency for the Nationalised Commercial Banks.	331
219.	07	30-7-1988	Issue of Guarantee by Banks.	
220.	08	04-10-1988	Amendments in the Banks (Nationalization) Act, 1974 and the Banking Companies Ordinance, 1962.	

Sr. No.	Circular No.	Date	S u b j e c t	Page No.
221.	09	26-11-1988	Export Finance Scheme Part-II.	343
222.	10	26-12-1988	Issue of Guarantees by Banks.	344
CIRCULARS OF 1989:				
223.	01	23-1-1989	Selective Credit Control.	345
224.	02	01-2-1989	Selective Credit Control.	
225.	03	19-2-1989	Panel of Auditors.	
226.	04	01-3-1989	Selective Credit Control.	346
227.	05	01-3-1989	Opening of Banks Account of Government Department.	
228.	06	01-3-1989	Export Finance Scheme-Export to Iraq on Deferred Payment Basis.	
229.	07	18-4-1989	Longer Term Trade Financing Scheme of Islamic Development Bank.	347
230.	08	20-6-1989	Elimination of 'RIBA' from the Banking System-Determination of Rates of Profit on Various Types of PLS Liabilities of the Banks and DFLs.	362
231.	09	25-7-1989	Selective Credit Control - Advances Against Sugar.	
232.	10	21-10-1989	Export Finance Scheme.	363
233.	11	26-9-1989	Issue of Guarantees by Banks.	
234.	12	16-10-1989	Export Finance Scheme.	
235.	13	15-11-1989	Export Finance Scheme-Post Shipment Finance.	
236.	14	21-11-1989	Longer Term Trade Financing Scheme of Islamic Development Bank.	364
CIRCULARS OF 1990:				
237.	01	01-1-1990	Selective Credit Control-Advances Against Sugar.	365
238.	02	06-1-1990	Export Finance Scheme.	
239.	03	07-1-1990	Export Finance Scheme-Relaxation in the Maximum Period of Availment of Finance at the Post-Shipment Stage for the Export of Carpets and Rugs.	
240.	04	11-1-1990	Selective Credit Control.	366
241.	05	11-1-1990	Panel of Auditors.	
242.	06	15-1-1990	Credit Information Bureau.	

Sr. No.	Circular No.	Date	Subject	Page No.
243.	07	18-1-1990	Selective Credit Control.	373
244.	08	08-2-1990	Selective Credit Control- Advances Against Sugar.	
245.	09	04-3-1990	Monitoring of Performance Under Export Finance Scheme-Part-I Pre-shipment.	
246.	10	04-3-1990	Issue of Guarantees by Banks	374
247.	11	19-3-1990	Selective Credit Control.	
248.	12	15-4-1990	Panel of Auditors.	
249.	13	18-4-1990	Longer Term Trade Financing Scheme of Islamic Development Bank.	
250.	14	22-4-1990	Panel of Auditors.	375
251.	15	10-7-1990	Export Finance Scheme.	
252.	16	25-7-1990	Consultancy and Construction Firms-Export Finance Scheme.	376
253.	17	25-7-1990	Consultancy and Construction Firms-Issuing of Bid Bonds/ Performance Bonds.	
254.	18	06-8-1990	Financing Against the Security of Agricultural Land for Commercial and Industrial Purposes.	
255.	19	11-8-1990	Longer Term Trade Financing Scheme of Islamic Development Bank.	377
256.	20	01-9-1990	Amendments in the Banking Laws.	378
257.	21	04-9-1990	Export Finance Scheme-Availment of Finances for export to Iraq/Kuwait.	390
258.	22	20-9-1990	Export Finance Scheme-Shifting of Export Finance Sections to Industrial Credit Department.	391
259.	23	07-10-1990	Revised Procedures for Submission of Export Financing Applications Under the Longer Term Trade Financing Scheme.	
260.	24	23-10-1990	Advances Against Cotton.	392
261.	25	30-10-1990	Amendments in the Banking Laws.	
262.	26	03-11-1990	Selective Credit Control- Advances Against Sugar.	
263.	27	03-11-1990	Small Loans Scheme for Businessmen and Industrialists.	
264.	28	30-12-1990	Selective Credit Control.	393

1
1981

We enclose a copy of the Gazette of Pakistan Extraordinary, Part-II dated the 28th September, 1980 containing amendment in Rule 3 of the Banking Companies Rules, 1963 relating to submission of returns by the banks under the Banking Companies Ordinance 1962, for information and necessary action.

Amendment in Banking Companies Rules, 1963.

S.R.O. 980 (I)/80.—In exercise of the powers conferred by section 92 of the Banking Companies Ordinance, 1962 (LVII of 1962), the Federal Government, after consultation with the State Bank of Pakistan, is pleased to direct that the following further amendments shall be made in the Banking Companies Rules, 1963, the same having been previously published as required by sub-section, (3) of that section, namely:-

In the aforesaid Rules, in rule 3, for sub-rule (I) the following shall be substituted namely:-

“(I) A banking company having its principal office in any area specified below shall submit all the returns required under the Ordinance or these rules to the office of the State Bank shown against that area in the form prescribed for such returns or as nearly in that form as the circumstances in the particular case admit, namely:-

Area	Name of Office of the State Bank
(1)	(2)
(1) Province of Punjab:	State Bank of Pakistan, Post Box No.40, Lahore.
(2) Province of Sind:	State Bank of Pakistan, Post Box No.4713, Karachi.
(3) North West Frontier Province:	State Bank of Pakistan, Post Box No.28, Peshawar.
(4) Province of Baluchistan.	State Bank of Pakistan, Kimberly Road, Quetta.
(5) Islamabad Capital Territory.	State Bank of Pakistan, Post Box No.1062, Islamabad.”

2
1981

There are reports that some banks have, of late, been issuing guarantees in favour of sundry parties for financial accommodation provided by them to some other parties. This is contrary to the instructions

Credit Operations.

contained in BCD Circular No. 3 dated the 13th February, 1975 whereby the banks were directed to refrain from participating or guaranteeing or in any way involving themselves in any loan or advance granted by anyone other than a banking company or the financial institutions mentioned therein. The banks are once again directed not to involve themselves in transactions of the nature referred to above.

Selective Credit Control.

3
1981

In partial modification of BCD Circular No. 18 dated the 23rd July, 1980 it has been decided to reduce minimum margin requirement on advances against tobacco to traders from 75% to 50% with immediate effect.

4
1981

Please refer to BCD Circular No. 26 dated the 24th December, 1980. In the context of clause (iii) of para 1 thereof it is clarified that the banks may continue to advance or lend money against the security of ordinary shares on the basis of interest, subject to observance of the relevant credit restrictions.

**Interest-Free Banking—
Export Finance Scheme.**

5
1981

Banks provide finance to the Cotton Export Corporation under Part-I of the Export Finance Scheme. As directed vide BCD Circular No.26 dated the 24th December, 1980, as from 1st March, 1981 financing of trading operations of Cotton Export Corporation by the banks shall be on the basis of mark-up in price. This would also include financing of CEC under Part-I of the Export Finance Scheme on which, as advised in BCD Circular No.30 dated the 24th December, 1980, banks shall not apply a mark-up in price of more than 0.75% for 90 days. Refinance thereagainst from the State Bank will continue to be without any return.

If repayment is not made promptly by CEC, the renewed investment would be in the amount of the principal plus the mark-up for the purpose of determining the mark-up for the renewed period. In case of prepayment the amount of repayment will be marked-up for the remaining period involved at the same rate at which the finance provided was marked-up.

In case of defaults in exports by the Cotton Export Corporation, a penalty of 16% per annum will be charged (inclusive of the mark-up already applied) out of which 13% will be passed on by the bank concerned to the State Bank.

As for the documents to be executed/obtained from the Cotton Export Corporation and produced to State Bank for obtaining refinance, these would be the same as at present except the undertaking (under Part-I) and Demand Promissory Note which shall be as per proformas enclosed. The amount of the pronote will include the element of mark-up.

Other terms and conditions for grant of export finance will remained unchanged.

Suitable remarks in the light of the above may be made on all copies of the Export Finance Scheme in possession of the banks.

For Mark-up basis

ANNEXURE 'A'
(for CEC)

UNDERTAKING UNDER PART-I

The Manager,
..... (Branch),
..... (Bank),

Dear Sir,

We do hereby certify and confirm that an advance of Rs. has been allowed to us by you under Part-I of the Export Finance Scheme of the State Bank of Pakistan with mark-up at 0.75% for 90 days.

We further confirm and undertake that the aforesaid advance of Rs..... has been obtained by us against the following Contract/LC/Firm Order and the same shall be utilised by us exclusively to finance exports covered by the said Contract/LC/Firm Order:-

Sr. No.	Contract/LC/Firm Firm Order No. & Date	Amount (US\$)	Shipment Date	Commodity to be exported
----------------	---	----------------------	----------------------	---------------------------------

We do hereby further undertake to submit to you the following documents for negotiation against the above Contract/LC/Firm Order against which you have allowed to us the above advance under Export Finance Scheme.

- (a) Copy of Bill of Lading.
- (b) 'E' Form.
- (c) Copy of Invoice.

We hereby confirm and agree that in the event of our failure to effect the shipment on or before the due date and/or to submit the above documents to you within 90 days from the date of the advance, you have our irrevocable authority to charge us and debit our account with penalty at 16% on the amount of the advance availed of less the amount repaid as a result of part shipments, if any, from the date of the original advance. We hereby further confirm that any letter of credit which we may sub-

sequently receive in respect of any initial advance allowed by you against a contract or firm order shall be presented to you for earmarking your lien there-against. We certify and confirm that we have not borrowed against the above Contract/LC/Firm Order any amount from any other bank.

We do hereby further confirm and undertake that the documents in respect of the aforesaid Contract/LC/Firm Order will be realised/negotiated by us through your branch and proceeds thereof will be appropriated immediately on realisation/negotiation towards the aforesaid advance allowed by you to us. We further confirm and undertake that if the advance is repaid by us earlier, we shall continue to be liable to submit to you the relative proof of shipment of the goods for which the advance has been made to us.

Signature verified

Authorised signature of
the Exporter

Bank's authorised signature.

**DEMAND PRONOTE TO BE OBTAINED FROM THE CEC IN
RESPECT OF EXPORT FINANCE**

For mark-up basis

Karachi

Rs.

ON DEMAND, we
promise to pay the or order
the sum of Rs. (Rupees
..... only) for value received.

for & on behalf of

**Concessional Rate of
Interest—Definition of
Fixed Investment.**



Please refer to BCD Circular No.15 dated the 3rd July, 1978 regarding rate of interest on loans and advances provided to finance fixed industrial and agricultural investments.

It has been decided that fixed investment in hotel industry should with immediate effect be treated as fixed industrial investment. Accordingly, banks will not charge interest at a rate higher than 11% on accommodation provided for financing fixed investment in hotel industry.

7
1981

Please refer to BCD Circular No.3 dated the 13th February, 1975 attention to which was recently drawn vide BCD Circular No.2 dated the 21st January, 1981, directing the banks to refrain from participating or guaranteeing or in any way involving themselves in any loan or advance being granted in Pakistan to a borrower by any one other than a banking company or the financial institutions specified in the former Circular.

Credit Operations.

In this connection it is clarified that the above restrictions would not apply to the issue of performance guarantees by banks in favour of House Building Finance Corporation, provided that such guarantees are in accordance with the guidelines contained in BCD Circular No.BCD(2)40/119-67 dated the 20th June, 1967.

EXPORT FINANCE SCHEME

8
1981

Please refer to BCD Circular No.14 dated the 24th October, 1979 regarding the captioned Scheme.

It has been decided to extend the period of monitoring under Part-II of the Scheme from four months to six months. Limits to be allowed by the commercial banks to the exporters would, however, continue to be upto 33 $\frac{1}{3}$ % of their export earnings from eligible commodities during the previous financial year. Exporters would also continue to repatriate export proceeds within the prescribed time limit according to Exchange Control Regulations. Also, as in the past, the banks will ensure that export finance provided under Part-II is not in duplication of the facility provided under Part-I of the Scheme.

Refinance under Part-II of the Scheme will be provided by the State Bank under Section 17(4)(c) of the State Bank of Pakistan Act, 1956, for a period of 90 days at a time. It would be a continuing process so that the facility is available as an advance limit throughout the year (July-June). However, it would be a case of fresh loan each time and not that of renewal.

Repayments and withdrawals may be allowed freely by the banks provided that the total outstanding at any time does not exceed the exporters entitlement of 33 $\frac{1}{3}$ % of the previous year's exports earnings.

For the purpose of monitoring, the period will now be reckoned as six months as stated above. The first six months in each financial year shall be July-December followed by January-June. During each period of six months the exporter shall have to repatriate export receipts equal to at least one and a half times of his borrowings during the six months' period in question. In case of shortfall on the basis of daily products, the exporter shall be liable to pay penal interest at the prescribed rate. For this purpose 150% of the daily products of borrowings under Part-II of the Scheme will be compared with the products of the export proceeds which shall be arrived at by multiplying the amount of export proceeds

realised during the 6 months' period by 180. In order to make this clearer, illustrations are given in Annexure 'A'.

All the returns to be submitted by the exporters/banks in respect of Part-II of the Scheme would cover the monitoring period of six months in the usual manner.

The above instructions will come into force w.e.f. the 1st July, 1981. However, in order to give benefit to the exporters of the extended monitoring period during the current financial year without any delay, it has been decided to extend the monitoring period of 4 months which has expired on the 28th February, 1981 to 8 months ending 30th June, 1981. In other words, the last two monitoring periods of the current financial year have been consolidated and returns to be submitted by the exporters/banks in respect of Part-II of the Scheme will be for the period 1st November, 1980 to 30th June, 1981 instead of 1st November, 1980 to 28th February, 1981 and 1st March, 1981 to 30th June, 1981. During this monitoring period of 8 months, the exporter shall have to repatriate export receipts equal to at least twice of his borrowings, during the 8 months' period in question. In case of shortfall on daily products basis, the exporter shall be liable to pay penal interest at the prescribed rate. For this purpose 200% of the daily products of borrowings under Part-II of the Scheme will be compared with the products of the export proceeds which shall be arrived at by multiplying the amount of export proceeds realised during the 8 months' period by 240. In order to make this clearer, illustrations are given in Annexure 'B'.

All other instructions relating to Part-II of the Scheme issued from time to time will remain unchanged.

Necessary remarks may be made on all copies of the Export Finance Scheme in your possession.

ANNEXURE 'A'

EXPORT PERFORMANCE FOR THE LAST YEAR RS.180,000/-

**Limit sanctioned at 33¼% of the last year's export earnings
under Part-II of the scheme: Rs.60,000/-**

Illustration-I

DATE	DEBIT BALANCE	EXPORT PROCEEDS REALISED DURING 6 MONTHS
2-7-1981	Rs. 60,000/-	Rs. 65,000/-
6-8-1981	Rs. 40,000/-	
10-9-1981	Rs. 20,000/-	
10-10-1981	Rs. 30,000/-	
9-11-1981	Rs. 60,000/-	
29-11-1981	Rs. 40,000/-	
30-12-1981	Rs. 50,000/-	

(A) Total of daily products of borrowings = Rs. 7,540,000

(B) Products required to be matched by products of
export proceeds (150% of 'A') = Rs.11,310,000

(C) Products of export proceeds realised
(65,000x180) = Rs.11,700,000

Since 'C' is greater than 'B' the question of
realising penal interest does not arise.

Illustration-II

DATE	DEBIT BALANCE	EXPORT PROCEEDS REALISED DURING 6 MONTHS
2-7-1981	Rs. 60,000/-	Rs. 60,000/-
10-8-1981	Rs. 50,000/-	
8-9-1981	Rs. 30,000/-	
16-10-1981	Rs. 40,000/-	
12-11-1981	Rs. 60,000/-	
30-11-1981	Rs. 50,000/-	
30-12-1981	Rs. 20,000/-	

- (A) Total of daily products of borrowings = Rs. 8,630,000
- (B) Products required to be matched by products of export proceeds (150% of 'A') = Rs.12,945,000
- (C) Products of export proceeds realised (60,000x180) = Rs.10,800,000

Since 'C' is less than 'B' penal interest will be charged in this case.

The shortfall is 'B' minus 'C' or
Rs.12,945,000 – Rs.10,800,000 = Rs.2,145,000

ANNEXURE 'B'

EXPORT PERFORMANCE FOR THE LAST YEAR RS.180,000/-

Limit sanctioned at 33 $\frac{1}{3}$ % of the last year's export earnings under Part-II of the scheme: Rs.60,000/-

Monitoring for the Period from 1-11-1980 to 30-6-1981 only (Eight Months)

Illustration-I

DATE	DEBIT BALANCE	EXPORT PROCEEDS REALISED DURING 8 MONTHS
1-11-1980	Rs. 60,000/-	Rs. 90,000/-
6-12-1980	Rs. 40,000/-	
15-1-1981	Rs. 20,000/-	
28-2-1981	Rs. 30,000/-	
16-3-1981	Rs. 60,000/-	
18-4-1981	Rs. 40,000/-	
20-5-1981	Rs. 50,000/-	
30-6-1981	Rs. 30,000/-	

- (A) Total of daily products of borrowings = Rs.10,400,000
- (B) Products required to be matched with products of export proceeds i.e. 200% of 'A' = Rs.20,800,000
- (C) Products of export proceeds (90,000x240) = Rs.21,600,000

Since 'C' is greater than 'B' the question of realisation of penal interest does not arise.

Illustration-II

DATE	DEBIT BALANCE	EXPORT PROCEEDS REALISED DURING 8 MONTHS
1-11-1980	Rs. 60,000/-	Rs. 90,000/-
15-12-1980	Rs. 40,000/-	
12-1-1981	Rs. 50,000/-	
18-2-1981	Rs. 30,000/-	
19-3-1981	Rs. 60,000/-	
25-4-1981	Rs. 20,000/-	
10-5-1981	Rs. 50,000/-	
30-6-1981	Rs. 30,000/-	


(A) Total of daily products of borrowings = Rs.11,580,000

(B) Products required to be matched with products of export proceeds i.e. 200% of 'A' = Rs.23,160,000

(C) Products of export proceeds realised (90,000x240) = Rs.21,600,000

Since 'C' is less than 'B' penal interest will be imposed in this case.

The shortfall is 'B' minus 'C' i.e.
Rs.23,160,000 – Rs.21,600,000 = Rs. 1,560,000

 As you are aware, under the Export Finance Scheme exporters in Pakistan of eligible commodities are eligible to obtain export finance and the State Bank is prepared to provide refinance, subject to the fulfilment of the terms and conditions of the Scheme. The exporters may be either from the private sector or public sector enterprises or Government Departments. As for the exporters in the private sector, the relevant pre-shipment export finance has to be adjusted against the private sector credit ceiling. In the case of public sector enterprises such export finance has to be adjusted against the credit allocation of that enterprise. In the case of Government Departments like the Railways, the export finance would have to be adjusted against the allocation for budgetary support to the Government in the credit plan. As and when any Government Department approaches you for obtaining pre-shipment export finance, it should, besides fulfilling the prescribed requirements under the Export Finance Scheme, also produce a letter from the Ministry of Finance, Government of Pakistan indicating the amount of pre-shipment finance which will be adjusted against the credit allocation of the Government Sector for budgetary support.

**Export Finance Scheme
and Scheme for
Financing of Locally
Manufactured
Machinery.**

Concessionary pre-shipment finance is also provided for in the Scheme for Financing of Locally Manufactured Machinery. Such cases are to be referred to the State Bank and considered by it on case by case basis. While forwarding the case of any Government Department like the Railways for such export finance, you should also please forward, besides other documents, a letter from the Ministry of Finance signifying its approval for adjustment of the amount of the pre-shipment export finance against the credit allocation of the Government Sector for budgetary support.

In the Weekly Statement of Position you are required to indicate as a foot-note the outstanding amount of export finance provided to Government Departments against budgetary allocation in addition to the information being furnished by you in the Weekly Statement of Position as foot-notes. The new foot-note should have the following caption:-

“Export finance extended to Government Departments against certificate(s) of the Ministry of Finance, Government of Pakistan as laid down in BCD Circular No.9 dated the 10th March, 1981” Rs.
.....

EXPORT FINANCE SCHEME

10
1981 In terms of BCD Circular No.29 dated the 11th October, 1977 a bank requiring refinance from the State Bank under Part-I of the Export Finance Scheme is, inter-alia, required to submit an application to the State Bank in form 'EB'. The banks also submit an application in the same form while applying for export finance under Part-II of the Scheme. Among other things, the form 'EB' contains a certificate from the bank to the effect that the bills of exchange/promissory notes specified in the schedule attached with the application (in form 'EB') have been executed by such parties whose loan/advance accounts with the bank have not been classified as doubtful/loss in the last Inspection Report of the State Bank on the bank. It has been decided to do away with the above certificate. Accordingly, the para reading as under and appearing on page 2 of the 'EB' form circulated with the BCD Circular referred to above, may be deleted:-

“We certify that bills of exchange/promissory notes specified in the schedule hereto have been executed by such parties whose loan/advance accounts with us have not been classified as doubtful/loss in the last State bank Inspection Report on our bank.”

As a consequence of the above, clause No.5 of the agreement in form 'EA' which the banks execute for obtaining refinance from the State Bank under the Scheme may also be deleted.

Necessary amendments may please be made in all copies of the agreement and the application form referred to above in your possession.

11
1981 In partial modification of item I.5 of BCD Circular No.18 dated the 23rd July, 1980 it has been decided that the banks may extend advances to recognised manufacturers of cooking edible oil against edible oils (refined-unrefined) with immediate effect subject to a minimum margin requirement of 25%. Recognised manufacturers would mean those units which are certified as such by the Provincial Industries Department.

Selective Credit Control.

As a consequence of the above, item I.5 ibid may be amended to read as under:-

5. Edible Oils

- | | | |
|-------|---|--------|
| (i) | To Vanaspati Mills against, refined, unrefined and hydrogenated edible oils. | 10% |
| (ii) | To recognised manufacturing units of cooking edible oil against refined and unrefined edible oils | 25% |
| (iii) | To entities other than those mentioned at (i) and (ii) above. | Banned |

12
1981 We enclose for your information and necessary action a copy of the Banking Companies (Amendment) Ordinance, 1981 (Ordinance No.XVII of 1981). This amendment was published in the Gazette of Pakistan, Extra Ordinary, Part-I dated the 11th May, 1981.

Amendment in the Banking Companies Ordinance, 1962.

13
1981 In partial modification of BCD Circular No.18 dated the 23rd July, 1980, it has been decided to withdraw the minimum margin requirement for opening of letters of credit for the import of 'X-Ray Films' with immediate effect.

Selective Credit Control.

14
1981 In terms of para 6(4) of the Export Finance Scheme forwarded to the banks vide BCD Circular No.29 dated the 11th October, 1977, the banks are required to submit form 'EF' in triplicate duly verified by them to the Exchange Control Department of the State Bank within 20 days of the close of the respective monitoring period. The Exchange Control Department, after verifying the form, retains the third copy thereof and returns the original and duplicate copies to the bank concerned, which in turn submits the duplicate copy to the Chief Manager of the concerned office of the State Bank.

Export Finance Scheme.

It may please be noted that submission of the duplicate copy of the form 'EF', duly verified by the Exchange Control Department, to the Chief Manager of the concerned office of the State Bank is the responsi-


bility of the bank concerned. The banks in future shall accordingly submit the duplicate copy of form 'EF', duly verified by the Exchange Control Department, within 50 days of the close of the respective monitoring period. If this is not done in any case, it will be deemed that matching exports have not been made and the concerned office of the State Bank shall recover penal interest at the prescribed rate by debit to the account of the bank concerned. In case the bank subsequently produces duplicate copy of the 'EF' form duly verified by the Exchange Control Department, the Chief Manager's Office shall refund the penalty to the extent due on the basis of the entries verified by the Exchange Control Department.

The Form 'EE' will continue to be submitted by banks in accordance with the procedure laid down in para 6(1) of the Export Finance Scheme. It has, however, been arranged with the Exchange Control Department that verification of the form will be completed by them within 25 days from the date of its receipt from the bank concerned or by the 15th August whichever is later.

The above instructions will come into force with effect from 1st July, 1981. In other words, the 'EE' forms pertaining to the financial year 1980-81 and the EF forms pertaining to the monitoring period ending 30th June, 1981 will be subject to the aforesaid instructions.

Suitable remarks may please be given on all copies of the Export Finance Scheme in your possession.

MAINTENANCE OF STATUTORY CASH RESERVE/LIQUID ASSETS

 Please refer to our Circular No. BCD(S)26/207.00-78 dated the 22nd August, 1978 on the captioned subject.

We have to advise that in the light of recent amendments made in the Explanation to Sub-section (2) of Section 36 of the State Bank of Pakistan Act, 1956 published in the Gazette of Pakistan Extra Ordinary, Part-I; dated the 11th May, 1981 (copy enclosed) and the amendment in the Explanation to Section 22 of the Banking Companies Ordinance, 1962 circulated through BCD Circular No.12 dated the 28th May, 1981, liabilities for the purpose of Statutory Cash Reserve and Liquid Assets, shall also not include the amount received as loan in Pakistan currency by a bank from the Federal Government out of a foreign currency loan contracted by the Government or the amount of foreign currency loans obtained by such bank directly from any foreign agency, but would include the amount of any other rupee loan taken from the Federal Government.

ORDINANCE NO.XVI OF 1981
AN
ORDINANCE

further to amend the State Bank of Pakistan Act, 1956.

WHREAS it is expedient further to amend the State Bank of Pakistan Act, 1956 (XXXIII of 1956), for the purposes hereinafter appearing;

AND WHEREAS the President is satisfied that circumstances exist which render it necessary to take immediate action:

Now, THEREFORE, in exercise of the powers conferred by Article 89 of the Constitution read with Article 2 of the Provisional Constitution Order, 1981 (C.M.L.A. Order No.1 of 1981), the President is pleased to make and promulgate the following Ordinance:-

1. Short title and commencement:- (1) This Ordinance may be called the State Bank of Pakistan (Amendment) Ordinance, 1981.

(2)It shall come into force at once.

2. Amendment of Section 17, Act XXXIII of 1956:- In the State Bank of Pakistan Act, 1956 (XXXIII of 1956), hereinafter referred to as the said Act, in section 17:-

(a) in clause (4),-

(i) for the words "ninety days" the words "one hundred and eighty days" shall be substituted; and

(ii) in sub-clause (c), after the word "Bank", the words, brackets and figure "or otherwise fulfil the requirements of clause (2) but are payable on demand" shall be inserted; and

(b) for clause (18) the following shall be substituted and shall be deemed always to have been so substituted, namely:-

"(18) The exercise of powers and the performance of functions and duties entrusted to the Bank by or under this Act or any other law for the time being in force:"

3. Insertion of new section 17F, Act XXXIII of 1956.- In the said Act, after section 17E, the following new section shall be inserted and shall be deemed always to have been so inserted, namely:-

"17F. Contributions and donations by the Bank.- Notwithstanding anything contained in this Act or any other law for the time being in

force, the Bank may contribute or donate funds to a body corporate in Pakistan for the study or promotion of, or research in, banking, economics and allied subjects.”

4. Amendment of section 18, Act XXXIII of 1956.- In the said Act, in section 18, in sub-section (1), in clause (b), for the words “ninety days” the words “one hundred and eighty days” shall be substituted.

5. Amendment of section 36, Act XXXIII of 1956.- In the said Act, in section 36, in sub-section (2), in the “explanation” after the word “Bank” at the end, the words or the amount received as loan in Pakistan currency by such bank from the Federal Government out of a foreign currency loan contracted by the Government or the amount of foreign currency loans obtained by such bank directly from any foreign agency but would include the amount of any other rupee loan taken from the Federal Government” shall be added.

6. Amendment of section 46, Act XXXIII of 1956.- In the said Act, in section 46.-

- (a) in sub-section (1) for the word “Officer” occurring for the first time, the words “person in the service” shall be substituted and shall be deemed always to have been so substituted;
- (b) in sub-section (2) the words “relating to the affairs”, shall be omitted and shall be deemed always to have been omitted; and
- (c) in sub-section (3), for the word “officer” the words “person in the service” shall be substituted and shall be deemed always to have been so substituted.

7. Insertion of new section 46A, Act XXXIII of 1956.- In the said Act, after section 46 amended as aforesaid, the following new section shall be inserted and shall be deemed always to have been so inserted namely:-

“46A. Production of unpublished record of Bank, etc.-

- (1) No court, tribunal or other authority shall be entitled to compel the Bank, or any person in the service of the Bank to produce, or, as the case may be, give any evidence derived from, any unpublished record of the Bank.
- (2) No court, tribunal or other authority shall permit anyone to produce or give evidence derived from, any unpublished record of the Bank, except with the prior permission in writing of the Governor who may give or withhold such permission as he thinks fit.

- (3) Notwithstanding anything contained in this act or any other law for the time being in force, a report prepared by the Bank on a banking company under section 40 of the Banking Companies Ordinance, 1962 (LVII of 1962), shall be deemed to be unpublished for the purposes of sub-section (1) and (2) even if a copy of such report has been supplied to the banking company to which the report pertains or to the Federal Government or to the Pakistan Banking Council constituted under section 9 of the Banks (Nationalisation) Act, 1974 (Act XIX of 1974)"

16
1981

Please refer to the Export Finance Scheme circulated vide BCD Circular No.29 dated the 11th October, 1977.

Export Finance Scheme.

In terms of paragraph 3 of the Scheme, refinance, if obtained under Section 17(4)(c) of the State Bank of Pakistan Act, 1956, is provided to the commercial banks under the existing instructions initially for a period of 90 days which is subsequently renewable for a further period not exceeding 90 days. The Government of Pakistan have since amended Section 17(4) *ibid* through an Ordinance No.XVI of 1981 published in the Gazette of Pakistan, Extra-Ordinary, dated the 11th May, 1981 (copy already furnished to banks vide BCD Circular No.15 dated 13th June, 1981). By virtue of this amendment, the State Bank has been authorised to make loans and advances under Section 17(4) *ibid* repayable on demand or on the expiry of fixed periods not exceeding 180 days. In view of this, refinance facility under the Export Finance Scheme, if obtained under Section 17(4)(c) can now be obtained by the banks from the State Bank at a stretch for a period of 180 days instead of 90 days as heretofore.

Attention is, however, invited to sub-para 4 and 6 of para 5 under Part-I of the Scheme. As laid down in para 5(4) *ibid*, the finance obtained by the exporter will be repaid immediately on negotiation/realisation of the relative export bill, failing which he will be liable to pay penalty at the prescribed rate. Similarly, as laid down in para 5(6) *ibid*, the refinance availed of by the borrowing bank must be repaid within the period of the refinance which can hereafter be 180 days. In case the borrower repays the advance earlier than the said period, the bank will be bound to repay to the State Bank the amount of refinance within 3 working days of the date on which the borrower repays the advance, failing which the bank will be liable to pay penalty at the prescribed rate.

Suitable remarks may please be made in all copies of the above Scheme in your possession.

17
1981

Please refer to BCD(2) Circular No.23/119.52 dated the 8th August, 1952 regarding the captioned Scheme.

**Scheme for
Rediscounting of Bills
and Giving Advances
Against Them.**

Under the aforesaid Scheme the State Bank provides refinancing facility to commercial banks for financing of raw cotton either in the form of demand loan against eligible bills under Section 17(4)(c) of the State Bank of Pakistan Act, 1956 or by way of rediscount of eligible bills under

Section 17(2)(b) *ibid*. In so far as the facility by way of demand loan is concerned, the same could so far be extended for a maximum period of 90 days at a time in view of the provisions of Section 17(4) *ibid*. The Government of Pakistan have since amended the aforesaid Section through Ordinance No.XVI of 1981 published in the Gazette of Pakistan, Extra-Ordinary dated the 11th may, 1981 copy of which has already been furnished to the banks vide BCD Circular No.15 dated the 13th June, 1981. By virtue of this amendment, the State Bank has been authorised to make loans and advances under the said Section repayable on demand or at the expiry of fixed periods not exceeding 180 days. In view of this, the commercial banks could now obtain refinance facility under the captioned Scheme by way of demand loans under Section 17(4)(c) *ibid* for a period of 180 days at a stretch.

Necessary changes may be made in the relevant documents when the facility (by way of demand loan) is sought for 180 days at a stretch.

SCHEME FOR FINANCING LOCALLY MANUFACTURED MACHINERY

18
1981

Please refer to the captioned scheme circulated with BCD Circular No.1 dated the 12th February, 1979.

It has been represented to us that the requirements laid down in the above Scheme at items (ii)(b) and (c) under the heading "II. Export Sales" in regard to security create difficulties in the matter of export sales on deferred payment basis. As the bank in Pakistan obtaining refinance from the State Bank is responsible for the repayment of the refinance on due dates, it is argued that the security conditions mentioned above may be left to the concerned bank. It has, therefore, been decided that in providing post-shipment refinance for export of locally manufactured machinery, State Bank would not insist on fulfilment of the conditions governing security of the credit as laid down in the Scheme at items (ii)(b) and (c) under the heading "II. Export Sales" but would let the bank in Pakistan applying for refinance to the State Bank determine the security requirement to its own satisfaction. However, other terms and conditions, including the period for which the State Bank shall re-discount bills or grant refinance i.e. not more than ten years shall remain unchanged.

Suitable remarks may be given in the light of para 2 above on all copies of the scheme in your possession.

**Interest-free Banking—
Weekly and Quarterly
Statements of Position.**

19
1981

Please refer to paragraphs 3 and 8 of BCD Circular No.28 dated the 24th December, 1980 requiring you to furnish us with the Weekly Statement of Position as on each Thursday as also the Quarterly Statement of Position as on last working day of each quarter in three parts, viz. (i) position pertaining to interest-based assets and liabilities; (ii) position relating to PLS assets and liabilities and (iii) Consolidated Position of interest-based and PLS assets and liabilities.

It has now been decided to dispense with that part of the above statements which pertains to interest-based assets and liabilities. It is therefore, advised that effective from the Weekly Statement of Position for the first week of August, 1981, only Weekly Statement of Position pertaining to PLS assets and liabilities (with all the required foot-notes) and Combined Weekly Statement of Position showing the consolidated position of interest-based and PLS assets and liabilities (with all the existing foot-notes) need be furnished to us. These statements will continue to be marked at the right hand corner as "PLS assets and liabilities" and "Consolidated Position" respectively. The Quarterly Statement of Position from September, 1981 onwards may also be furnished to us on the same lines.

As from the first week of August, 1981, it would also not be necessary for you to submit the Supplementary Weekly Statement of Position pertaining to interest-based assets and liabilities presently being furnished in terms of the instructions contained in para 5 of the above circular.

The Weekly Statement of Position for the week ending on 6th August, 1981 and onwards and the Quarterly Statement of Position as on 30th September, 1981 and onwards may be furnished to us in the light of the above instructions.



Vide BCD Circular No.17 dated the 15th July, 1980, banking companies were directed not to make any new advances for construction or purchase of houses or flats, whether to individuals or to firms and companies. House building advances to their own employees as per provisions of the rules framed by the bank concerned in this behalf were, however, excluded from the purview of the ban.

Credit Policy—Housing Finance.

2. It has now been decided to permit commercial banks to make housing loans and advances **exceeding Rs.150,000 but not exceeding Rs.300,000** in individual cases, subject to an overall quarterly/annual ceiling being advised separately to each commercial bank, **on the basis of participation in income/loss. Loans and advances on the basis of interest shall, however, not be permissible.** Banks would accordingly be free from now onwards to make loans and advances for construction and purchase of houses and flats within the above perimeters.

3. For the purposes of sharing of the income/loss, the formula adopted by the House Building Finance Corporation in the case of loans extended by them on income/loss sharing basis, including the cost of land per square yard, the estimated construction cost per square foot and the rental income per square foot for different localities in various cities/towns, shall be followed by the commercial banks, with the modification that in the distribution of the return, the amount advanced by the bank shall be given a weightage of 50%. For example, if the total cost of a house

is Rs.100 out of which Rs.50 have been contributed by the bank as advance to the borrower, the balance of Rs.50 having been provided by the borrower himself, the income from the house according to HBFC formula, would be equally divided between the bank and the borrower. If the income from the house is Rs.10 the bank would get Rs.5 only if the HBFC formula were used. Because of the weightage of 50% to be given to banks investments, its share in the income in the instant illustration should be based on Rs.75 and thus the bank would receive Rs.6 as its share in the income of Rs.10.

In the event of loss, however, the amount of the loss shall be shared by the bank and the borrower strictly in proportion to the amounts invested by them.

4. The banks may contact the House Building Finance Corporation and obtain from them full details of the formula adopted by them. The Corporation has been requested to extend full cooperation and assistance to the banks in this behalf. In case of any difficulty, the bank concerned may approach us.

5. House building advances to the banks own employees would, however, continue to be governed by the provisions of the rules framed by the bank concerned in this behalf, including the basis for the return to the bank on the amount advanced.

Selective Credit Controls.

21
1981 In partial modification of BCD Circular No.18 dated the 23rd July, 1980 it has been decided to reduce to 25%, with immediate effect, the minimum margin on opening of Import Letters of Credit in respect of 'pulses' covered under item IX 4 of the Circular.

BANK CHARGES

22
1981 Please refer to BCD Circular No. 30 dated the 26th October, 1977 on the above subject.

Chief Controller of Import and Export, Islamabad vide their Public Notice No.75 (80)/Import-I dated the 22nd November, 1980 have raised the cost of Import Licence Books. It has, therefore been decided to proportionately increase the bank charges.

Item I A (V) of the Schedule of Bank charges is substituted as follows:-

(V) For each application/ revalidation made to the CCI & E on behalf of the Customers (including the cost of Licence Forms). Rs.9/- (Flat).

The amendment will be effective from 22nd November, 1980.

23
1981

Your attention is invited to para I 4 (ii) of BCD Circular No.18 dated the 23rd July, 1980 under which advances against "Gram, other grains and pulses" are completely banned except to manufacturers of chicken feed. The banks are reminded not to allow any type of advances including LIM advances against the security of stock or documents of title relating to pulses except advances to Manufacturers of Chicken feed, in whose case also the advances against pulses should not be allowed to exceed the maximum borrowing during the period July, 1980-June, 1981.

Selective Credit Control.

24
1981

In exercise of the powers vested in it under the Banking Companies Ordinance, 1962, the State Bank of Pakistan is pleased to direct that the following credit restrictions will come into force with immediate effect in supersession of all previous instructions on the subject:-

Selective Credit Control.

A. ADVANCES

MINIMUM MARGIN

I. ADVANCES TO MANUFACTURING AND PROCESSING UNITS

(1) Against raw materials and agricultural produce

(i) Raw materials to manufacturing/ processing units of capital goods, engineering goods, consumer durables, medicines, cotton yarn, cotton fabrics, jute goods, woolen yarn, cigarettes, fertilizers, pesticides, vegetable ghee and edible oil. No Margin

(ii) Raw cotton (both phutti and lint cotton) to ginners No Margin

(iii) Raw materials to manufacturing/ processing units of goods other than those mentioned above. 25%

(2) Against finished goods 25%

II. ADVANCES TO TRADERS

(1) Against raw materials and agricultural produce

(i) Rice and paddy to entities other than authorised dealers, wheat and wheat flour, edible oils (refined, unrefined and hydrogenated) and cotton seeds Banned

(ii) Cotton Export Corporation and Rice Export Corporation of Pakistan.	No margin
(iii) Fertilizers and pesticides.	No margin
(iv) Rice and paddy to authorised dealers, Cotton and tobacco.	25%
(v) Other raw materials and agricultural produce.	50%
(2) Against finished goods	75%
III OTHER ADVANCES	MINIMUM MARGIN
(1) Shares not quoted on recognised stock exchanges.	50%
(2) Bank deposits and deposit certificates	25%
(3) For financing goods on hire-purchase or instalment plans other than production machinery and commercial vehicles.	Banned
(4) Against banned imports.	Banned
IV. CLEAN ADVANCES AND ADVANCES SECURED BY GUARANTEES	
Clean advances or advances secured by guarantees shall be permissible upto a maximum amount of Rs.25,000/- to any one party for a maximum period of two years, provided that the borrower declares as under:-	
(i) that the advance would not be utilised for frustrating the purpose of the credit restrictions in force; and	
(ii) that the same party is not availing of such loan facilities from other banks so as to exceed the prescribed limit in the aggregate.	
V. ADVANCES FOR EXPORTS:	
The restrictions relating to grant of clean advances or minimum margin requirements shall not apply to:-	
(i) Advances granted to finance exports under confirmed irrevocable letters	

of credit or firm orders upto the amount for which credit is opened or firm order made;

- (ii) Packing credit for exports; and
- (iii) Pre-shipment credits granted for financing exports of goods covered by firm contracts made, or confirmed irrevocable letters of credit opened by foreign importers in favour of exporters in Pakistan, provided that the advances do not exceed the amount specified in the contract or the credit, as the case may be.

B. IMPORT LETTERS OF CREDIT:

- (1) For opening of letters of credits for import of the following items:
 - (i) Industrial machinery*, agricultural machinery, components and spares of such machinery. No Margin
 - (ii) All raw materials imported by manufacturers of electrical equipment, capital goods and engineering goods (including cycles). —do—
 - (iii) Trucks/Bus Chassis and Jeeps in CKD condition. —do—
 - (iv) Construction and engineering equipment. —do—
 - (v) Medicines, drugs and medical and surgical equipment and appliances. —do—
 - (vi) Pharmaceutical raw materials, medicinal herbs and crude drugs. —do—
 - (vii) X-Ray Films. —do—
 - (viii) Artificial limbs and hearing aids and parts thereof. —do—
 - (ix) Raw materials by manufacturers of fertilisers and pesticides. —do—
 - (x) Fertilisers and pesticides. —do—
 - (xi) Raw materials by vegetable ghee and edible oil industry. —do—
 - (xii) Crude Oil and Petroleum Products. —do—
 - (xiii) Newsprint. —do—
 - (xiv) Vegetable seeds. —do—

(xv)	Tea.	—do—
(xvi)	Books, magazines, journals & periodicals.	—do—
(xvii)	Second-hand clothing.	—do—
(xviii)	Raw Jute.	—do—
(xix)	Jute Bags.	—do—
(xx)	Cement.	—do—
(xxi)	Imports by T.C.P. **	—do—
(xxii)	Items under the Tied List.	—do—
(xxiii)	Imports under barter.	—do—
(xxiv)	Raw materials against import licences issued under Export Performance (RMR) Scheme.	—do—
(xxv)	Milk and Cream, including baby food.	25%
(xxvi)	Butter.	—do—
(xxvii)	Pulses.	—do—
(xxviii)	Ships (unserviceable) for scrapping.	25%
(xxix)	Industrial raw materials and components other than those specified elsewhere.	—do—
(xxx)	Synthetic Yarn	35%
(xxxi)	Items other than those listed above.	—do—

@ Advances to authorised dealers against rice and paddy shall be given only against such stocks of paddy/rice which have been declared to the Food Department for which they hold receipts from the Department.

* For the purpose of letter of credit margin the term "Industrial Machinery" may be interpreted in a broad sense to include all capital goods, as distinct from consumers durables.

** Imports by T.C.P. have been exempted from compulsory letter of credit margin requirement. However, domestic letters of credit opened in favour of T.C.P. in relation to import of any commodities through them will be subject to the same minimum margin requirements (based on the C&F value of the consignment and not the landed cost) as are prescribed for import letters of credit for the same commodities under general instructions issued from time to time, except in the following cases:

No margin

(i) Domestic letters of credit in favour of T.C.P. for purchase of bleaching powder.

No margin to the extent of the value of BMR licence.

(ii) In case of RMR licence holders for domestic letters of credit in favour of T.C.P. (licence to be endorsed to the effect that "Imports are being made through T.C.P. Not available for opening of import letter of credit at nil margin").

Selective Credit Control.



In partial modification of item (xxvii) under the main item 'B' of B.C.D. Circular No. 24 dated the 28th October, 1981, it has been decided to withdraw the minimum margin requirement for opening of letters of credit for the import of 'pulses'.

26
1981

In exercise of the powers vested in it under Section 25(2) of the Banking Companies Ordinance, 1962, State Bank of Pakistan is pleased to direct that with effect from the 16th November, 1981, no banking company shall provide financial accommodation in any form to the Utility Stores Corporation for financing its trading operations on the basis of interest. As from that date financial accommodation to the Corporation for its trading operations shall be provided on the basis of mark-up in price and no banking company shall apply mark-up in price of more than 3.5% for 90 days.

**Interest-free Banking—
Assets Selected for the
First Phase.**

All advances outstanding against the Corporation on the 15th November, 1981 shall be deemed to have been repaid to the banks with interest accrued thereon on the 16th November, 1981 and thereafter re-lent by them the same day on mark-up basis. Stocks against which the advances had been made will be deemed to have been purchased by the banks for the outstanding amount and then sold on marked-up price to the Corporation on deferred payment of 90 days.

CREDIT OPERATIONS

27
1981

Please refer to BCD Circular No. 3 dated the 13th February, 1975 read with BCD Circular No.7 dated the 23rd February, 1981 on the above subject.

In this connection it is advised that restrictions imposed vide BCD Circular No.3 dated the 13th February, 1975 will also not apply to guarantees issued by banks in favour of the following non-banking financial institutions:-

- (i) Equity Participation Fund.
- (ii) Small Business Finance Corporation.
- (iii) Bankers Equity Limited.
- (iv) Pakistan Kuwait Investment Company Limited.

28
1981

In partial modification of items I(1)(iii) and I(2) under main item 'A' relating to "Advances" of BCD Circular No.24 dated the 28th October, 1981, it has been decided to withdraw the minimum margin requirement on advances against paddy and rice to modern rice mills, viz. those rice mills which have fully automatic machinery and have a husking capacity of not less than five tons of paddy per hour.

EXPORT FINANCE SCHEME

29
1981

Please refer to paragraphs 5 and 7 of BCD Circular No.8 dated the 9th March, 1981, regarding the captioned Scheme.

2. It has been represented to us that the method of calculation of the products of borrowings and the products of export proceeds (under Part-II of the Scheme) results in payment of penal interest on short-falls in exports in excess of that provided for under the Scheme. The matter has been examined and it has been decided that (a) the daily products of the borrowings should not be enhanced (to the extent of 150% in the case of the normal monitoring period of six months or 200% in the case of the eight month's monitoring period ended 30th June, 1981); and (b) the products of export proceeds should be worked out by multiplying the export proceeds realised by 120 instead of 180 or 240. Illustrations are given in Annexures 'A' and 'B'.

3. Instructions are being issued to our offices to recalculate penal interest for the monitoring period of eight months ended 30th June, 1981 in the light of the above and refund excess penal interest charged, if any, to the exporters concerned through their bankers.

4. Suitable remarks may be given against paragraphs 5 and 7 of all copies of BCD Circular No.8 dated the 9th March, 1981 in your possession.

ANNEXURE 'A'

**EXPORT PERFORMANCE FOR THE LAST YEAR RS.300,000/-
Limit sanctioned under Part-II of the Scheme at 33½ of
the last year's export performance Rs.100,000/-**

**METHOD OF COMPARISON OF EXPORT PERFORMANCE WITH
CREDIT AVAILED OF DURING THE NORMAL MONITORING
PERIOD OF SIX MONTHS, EFFECTIVE FROM 1-7-1981**

Illustration-I

DATE	DEBIT BALANCE	EXPORT PROCEEDS REALISED DURING THE 6 MONTHS
2-7-1981	Rs.100,000/-	Rs.120,000/-
3-8-1981	Rs. 60,000/-	
8-9-1981	Rs. 90,000/-	
7-10-1981	Nil	
10-10-1981	Rs. 80,000/-	
15-11-1981	Rs. 70,000/-	
29-12-1981	Rs. 90,000/-	
(A) Total of daily products of borrowings		= Rs. 14,200,000
(B) Products of export proceeds realised (Rs.120,000x120)*		= Rs.14,400,000

Since 'B' is greater than 'A' the question of realisation of penal interest does not arise.

Illustration-II

DATE	DEBIT BALANCE	EXPORT PROCEEDS REALISED DURING THE SIX MONTHS
2-7-1981	Rs.100,000/-	Rs.110,000/-
15-8-1981	Rs. 90,000/-	
13-9-1981	Rs. 80,000/-	
10-10-1981	Rs. 40,000/-	
11-11-1981	Rs. 70,000/-	
13-11-1981	Nil	
16-11-1981	Rs. 60,000/-	
12-12-1981	Rs. 50,000/-	
28-12-1981	Rs. 90,000/-	

(A) Total of daily products of borrowings = Rs. 13,310,000

(B) Products of export proceeds realised
(110,000x120)* = Rs.13,200,00

Since 'B' is less than 'A' penal interest will be levied
on the shortfall i.e. 13,310,000-13,200,000 = Rs.110,000

*N.B. If the number of days for which an exporter availed of credit during the six months exceeds 180 days, the excess number of days will be divided by 3/2 resultant figure rounded off to the nearest whole number (ignoring less than half number and treating more than half number as whole number) which may be added to the multiplier of 120 for working out the products of export proceeds.

For example:

No. of days for which credit was availed of during a monitoring period of six months = 184

Excess No. of days (184-180) = 4

Extra number to be added to the multiplier of
120 = $4 \div \frac{3}{2} = \frac{4 \times 2}{3} = \frac{2 \times 2}{3}$

2 2/3 rounded off to the nearest whole number (2+1) = 3

Thus the product of export proceeds will be arrived at by
multiplying the export proceeds by = 123 (120+3)

ANNEXURE 'B'

EXPORT PERFORMANCE FOR THE LAST YEAR RS.300,000/-

**Limit sanctioned under Part-II of the Scheme at 33 $\frac{1}{3}$ of
the last year's export performance Rs.100,000/-**

**METHOD OF COMPARISON OF EXPORT PERFORMANCE WITH
CREDIT AVAILED OF DURING THE NORMAL MONITORING
PERIOD OF EIGHT MONTHS, ENDED 30-6-1981**

Illustration-I

DATE	DEBIT BALANCE	EXPORT PROCEEDS REALISED DURING THE 8 MONTHS
1-11-1980	Rs.100,000/-	Rs.150,000/-
4-12-1980	Rs. 80,000/-	
30-12-1980	Nil	
1-1-1981	Rs. 70,000/-	
5-2-1981	Rs. 40,000/-	
15-3-1981	Rs. 50,000/-	
14-4-1981	Rs. 60,000/-	
13-5-1981	Rs. 90,000/-	
30-6-1981	Rs. 50,000/-	
(A) Total of daily products of borrowings		= Rs. 16,960,000
(B) Products of export (Rs.150,000x120)*		= Rs.18,000,000

Since 'B' is greater than 'A' the question of realisation of penal interest does not arise.

Illustration-II

DATE	DEBIT BALANCE	EXPORT PROCEEDS REALISED DURING THE EIGHT MONTHS
1-11-1980	Rs.100,000/-	Rs.120,000/-
15-12-1980	Rs. 90,000/-	
30-12-1980	Nil	
1-1-1981	Rs. 80,000/-	
25-2-1981	Rs. 60,000/-	
15-3-1981	Rs. 50,000/-	
19-4-1981	Rs. 70,000/-	
25-5-1981	Rs.100,000/-	
30-6-1981	Rs. 40,000/-	

- (A) Total of daily products of borrowings = Rs. 19,140,000
- (B) Products of export proceeds (120,000x120)* = Rs.14,400,000

Since 'B' is less than 'A' penal interest will be levied
on the shortfall i.e. 19,140,000-14,400,000 = Rs.4,740,000

*N.B. If the number of days for which an exporter availed of credit during the eight months period exceeds 240 days, the excess number of days will be divided by 2 and the resultant figure rounded off to the nearest whole number (treating half number as whole number) which may be added to the multiplier of 120 for working out the products of export proceeds.

For example:

No. of days for which credit was availed of during the monitoring period of eight months = 242

Excess No. of days (242-240) = 2

Extra number to be added to the multiplier of 120 = $2 \div 2$ = $2 \times \frac{1}{2} = 1$

Thus the product of export proceeds will be arrived at by multiplying the export proceeds by = 121 (120+1)



Please refer to BCD Circular No.8 dated the 22nd March, 1973.

**Scheme for Financing
Locally Manufactured
Machinery.**

Consequent upon some modifications in the Scheme, it has become necessary to revise the proforma of Agreement in Form LMMII which is required to be executed by the banks at the time of applying for refinance. Clauses 7 and 8 of the Form LMMII have accordingly been revised as under which may be substituted for the existing clauses 7 and 8 in the proforma enclosed with BCD Circular referred to above:-

“Clause (7) We agree not to charge interest from the exporters at a rate exceeding 2% per annum on said advance/s at quarterly rests or on the maturity of the bills or promissory notes whichever is earlier.”

“Clause (8) Without prejudice to your right to take action under clause 17 we undertake that any payment recovered from the foreign buyers in terms of the relative contract/letter of credit will be promptly adjusted against the amount of advance taken by us on each occasion and where no such payment is received earlier the entire amount of the advance/s will be repaid in lump-sum on the

maturity of usance bills drawn in accordance with the tenure mentioned in the letter of credit subject to a maximum period of 10 years.”

Export Finance Scheme.

31
1981

Please refer to BCD Circular No.11 dated the 26th April, 1978.

In modification of the instructions contained in para 3 of the aforesaid BCD Circular it has been decided that in those cases where refinance is obtained from the State Bank, full amount of the penal interest, i.e. the interest over and above the concessionary rate, for the period the refinance was availed of from the State Bank, shall be paid by the bank to the State Bank within three days of its recovery from the exporter concerned. In cases where there is time lag between grant of export finance by a bank and the obtaining of refinance by it from the State Bank, the amount of penal interest for the days prior to obtaining of refinance from the State Bank may be retained by the bank.

Interest-free Banking—
Amendment in Form ‘B’
(Form of Profit & Loss
Account) of the Second
Schedule to the Banking
Companies Ordinance,
1962 (LVII of 1962).

32
1981

For introduction of interest-free banking with effect from 1st January, 1981, certain amendments were made in banking and other related laws. In the Banking Companies Ordinance, 1962, amongst other amendments, a new clause (gg) was inserted under Section 5 (Definitions) whereby loans, advances and credit were defined to include finances provided on bases other than interest. This was done so as to obviate the need for amending several other sections and sub-sections of the Ordinance and its various schedules where the words “loans”, “advances” or “credit” appear. Accordingly, the words advances, loans and credits appearing in Form ‘A’ (Form of Balance Sheet) of the Second Schedule to the Ordinance now include finances provided on bases other than interest and no amendment thereof is necessary to meet the needs of interest-free banking.

2. However, Form ‘B’ (Form of Profit & Loss Account) of the Schedule needs to be amended to meet the new situation. Our intention to make the required amendments were accordingly notified in the Gazette of Pakistan Extra-Ordinary, Part-III, dated the 18th November, 1981 (page 424). In response to the same, certain suggestions were received which have been given due consideration. A notification (No.BCD.2/81 dated the 13th December, 1981) whereby Form ‘B’ has been amended has since been issued and published in the Gazette of Pakistan Extra-Ordinary, Part-III dated 19th December, 1981 (page 446) a copy of which is enclosed.

3. Banks are advised to prepare their Profit and Loss Account for the year ending 31st December, 1981 and onwards according to Form ‘B’ as amended by the Notification dated the 13th December, 1981 referred to

above. In this connection the following clarifications are made:-

(a) Item 1 on the Expenditure side of Form 'B'.

In the case of banks which accept deposits and resort to borrowings etc. on the basis of interest only and those which accept deposits and resort to borrowings etc. on the basis of interest as well as bases other than interest (viz. on the basis of PLS, Mark-up etc.), the item will be worded as prescribed in the Notification of the 13th December, 1981 referred to above, viz:

- (1) Interest on deposits, borrowings etc. and or +Return.

(b) Item 1 on the Income side of Form 'B'.

Similarly, the above item will be worded by all the banks as prescribed in the Notification of 13th December, 1981, viz:

- (1) Interest and Discount and or +Return

(c) The following foot note should also be given in form 'B' as prescribed in the Notification of 13th December, 1981:-

“+‘Return’ means income from or, as the case may be, paid on, non-interest bearing accounts.”

In exercise of the powers conferred by sub-Section (4) of Section 34 of the Banking Companies Ordinance, 1962 (LVII of 1962), the State Bank of Pakistan, on the expiry of period provided for in Notification No.BCD./1/81 dated the 17th November, 1981, published in the Gazette of Pakistan, Extra-Ordinary Part-III dated the 18th November, 1981, is pleased to direct that the following amendments shall be made in Form 'B' (form of Profit and Loss Account) of the Second Schedule to the said Ordinance:

(i) Item 1 on the “Expenditure” side may be substituted by the following:

“1. Interest on deposits, borrowings etc. and or +Return”.

(ii) Item 1 on the “Income” side may be substituted by the following:

“1. Interest and Discount and or +Return”.

+‘Return’ means income from, or as the case may be, paid on, non-interest bearing accounts.

1
1982

Please refer to item B (ii) of BCD Circular No.24 dated the 28th October, 1981 which does not lay down any minimum margin requirement for opening of letters of credit for import of raw materials by manufacturers of, electrical equipment, capital goods and engineering goods (including cycles). In this connection it is clarified that for the purpose of letter of credit margin, the term 'engineering goods' is intended to include 'agricultural implements' also.

Selective Credit Control.

2
1982

Please refer to BCD Circular No.1 dated the 12th February, 1979 regarding the captioned Scheme.

**Scheme for Financing
Locally Manufactured
Machinery.**

Refinance is provided under the Scheme in terms of clause (d) of Sub-Section (2) of Section 17 of the State Bank of Pakistan Act, 1956. The Government of Pakistan have since amended the clause vide Ordinance No.XLIII of 1981 published in the Gazette of Pakistan Extra-ordinary dated the 30th December, 1981. By virtue of this amendment, the State Bank is now authorised to make refinance under Section 17(2) (d) ibid for periods not exceeding twelve and a half years instead of ten years as was previously the position. Accordingly, refinance will be provided by the State Bank under the Scheme for periods not exceeding twelve and a half years, both in the case of local sales and export sales (post-shipment credit). The other terms and conditions of the Scheme will remain unchanged.

Suitable remarks may please by made in all copies of the Scheme in your possession.

3
1982

In partial modification of items A-I.1 and B of BCD Circular No.24 dated the 28th October, 1981, it has been decided to withdraw the minimum margin requirement on opening of letters of credit for the import of raw materials by the iron and steel industry as well as the ship-breaking industry.

Selective Credit Control.

It has also been decided to withdraw the margin requirement on advances against raw materials to the aforesaid industries.

Please note that for the purpose of letter of credit margin requirement as also the margin requirement on advances, "ships (unserviceable) for scrapping" would constitute raw material for the ship-breaking industry.

**Refinance Facility
Under the Export
Finance Scheme for
Locally Produced Goods
Supplied Locally
Against International
Tenders.**

4
1982

It has been decided that henceforth all locally produced goods which are eligible for export finance under the Export Finance Scheme, supplied locally against international tenders, would qualify for export finance under the aforesaid Scheme. In other words, for the purposes of the Scheme, such supplies will be deemed to be exports. The period for which export finance is to be made available shall not exceed 180 days. The suppliers have, therefore, to determine their requirements of finance against the total amount of tenders in a way that should enable them to make repayment of the borrowed amount within the specified period of 180 days by delivery of goods of equal or more value to the executing agency in Pakistan (purchasers). In cases where finance is provided by banks, the rate of interest charged to such suppliers shall not exceed 3% per annum, whether or not refinance is obtained from the State Bank.

Applications for providing concessional finance in cases of the nature will be submitted by the banks to the concerned office of the State Bank duly supported by the following documents:

- (i) A certificate from the executing agency awarding the contract, confirming that in the particular case it was obligatory to float an international tender, alongwith a press clipping in original establishing floatation of international tender.
- (ii) A copy each of the relative contract between the executing agency making purchases and the supplier as well as the relative loan agreement between the international financing agency and the executing agency, duly attested by the bank.
- (iii) The supplier's schedule of deliveries indicating the dates of deliveries and the quantity and value of goods to be delivered against the contract alongwith the programme of manufacture/production with quantities and cost, duly attested by the bank.
- (iv) Schedule of financial requirements of the supplier with reference to the relative contract, indicating the amount required at various intervals in line with his schedule of deliveries so as to ensure that the finance obtained is liquidated within 180 days of its drawing from the bank, duly attested by the bank.
- (v) Indication of the amount already obtained by the supplier by way of advance from the executing agency or on account of payments against deliveries, if any, already made, duly attested by the bank. A certificate of the executing agency may also be furnished in support thereof, duly verified by the bank.

- (vi) An undertaking from the suppliers in the enclosed proforma.

The limits sanctioned will be advised to the banks by the concerned office of the State Bank. On execution of the usual documents, the banks will be eligible to obtain refinance from the concerned office of the State Bank.

The other terms and conditions of the Export Finance Scheme (Part-I), including its penalty clause and the provision of submission of returns and statements to the State Bank of Pakistan, will, *mutatis mutandis*, apply in these cases as well with the only difference that instead of the requirement to export goods, the requirement will be to supply goods locally as per original contract. The banks will, however, submit separate applications, returns and statements in respect of such finance to the State Bank of Pakistan which should be marked "Local sales against international tenders" at the top right hand corner in a bold manner. In this connection the following instructions may also please be carefully noted:-

- (i) In form 'EC' the words "firm order" would be deemed to mean "contract" in the case of finance provided for local sales of goods against international tenders. Similarly, the date of shipment would be deemed to be the date of supply in such cases.
- (ii) In form 'ED' the words "commodity exported" would be deemed to mean "commodity supplied" in the case of finance provided for local sales of goods against international tenders. Similarly "date of shipment" would be deemed to mean "date of supply" and it would not be necessary to give the GRP No. in Col.5 of the form. "Date of pre-shipment advance" (Col.6 of the form) would be deemed to mean the date on which advance is granted. Photostat copies of the following documents duly attested by the bank concerned, to be submitted by the supplier in terms of para 3 of the undertaking referred to in para 2(vi) above, may be submitted alongwith the 'ED' form to enable the State Bank offices to monitor performance of the supplier:-
- (a) Commercial invoice showing the quantity and the value of goods supplied.
- (b) Inspection Report/Note by authorised representative of executing agency.
- (c) A certificate of the bank concerned to the effect that the lending agency has disbursed the value of supplies referred to at (a) and (b) above in foreign currency alongwith the bank's proceeds realisation certificate.

**UNDERTAKING FOR OBTAINING CONCESSIONARY FINANCE
UNDER THE EXPORT FINANCE SCHEME FOR LOCALLY
PRODUCED GOODS TO BE SUPPLIED LOCALLY AGAINST
INTERNATIONAL TENDERS**

The Manager,

..... (Branch)

..... (Bank)

Dear Sir,

We do hereby certify and confirm that an advance of Rs..... has been allowed to us by you under the Export Finance Scheme of the State Bank of Pakistan with interest at 3% per annum.

We further confirm and undertake that the aforesaid advance of Rs..... has been obtained by us against the following Contract and the same shall be utilised by us exclusively to finance supplies covered by the said Contract:-

Sr. No.	Contract No. and Date	Amount (U.S.\$)	Scheduled Date of supply	Goods to be supplied
---------	-----------------------	-----------------	--------------------------	----------------------

We do hereby further undertake to submit to you the following documents under the above Contract against which you have allowed us the above advance under Export Finance Scheme:

- (a) Commercial invoice showing the quantity and the value of goods supplied.
- (b) Inspection Report/Note by authorised representative of executing agency.
- (c) A certificate of the bank concerned to the effect that the lending agency has disbursed the value of supplies referred to at (a) and (b) above in foreign currency alongwith the bank's proceeds realisation certificate.

We hereby confirm and agree that in the event of our failure to supply the goods on or before the due date and/or to submit the above documents to you within 180 days from the date of the advance, you have our irrevocable authority to charge us and debit our account with interest at 6% per annum above the Bank Rate on the amount of the advance availed of less the amount repaid as a result of part supplies, if any, from the date of the original advance. We certify and confirm that we have not


borrowed against the above Contract any amount from any other bank.

We do hereby further confirm and undertake that the documents in respect of the aforesaid Contract will be realised by us through your branch and proceeds thereof will be appropriated immediately on realisation towards the aforesaid advance allowed by you to us. We further confirm and undertake that if the advance is repaid by us earlier we shall continue to be liable to submit to you the relative proof of supply of the goods for which the advance has been made to us.

Signature verified

Authorised Signature of
the SUPPLIER

Bank's authorised signature

 Attention is invited to BCD Circular No.22 dated the 5th October, 1980. Amendments in the relevant rules of the Banking Companies Rules, 1963 and the relevant forms consequential to the amendment in Section 13 of the Banking Companies Ordinance, 1962 circulated vide the aforesaid BCD Circular, in so far as they relate to sub-Section (3) of Section 13 *ibid*, have since been made by the Federal Government vide Finance Division Notification dated the 16th January, 1982 a copy of which is enclosed. A copy of the Gazette of Pakistan (Extra-Ordinary) in which the notification is published will be sent to the banks in due course.

**Capital Requirement for
Banking Companies
Incorporated Outside
Pakistan—Amendment
in Banking Companies
Rules, 1963.**

Any foreign banking company desirous to make deposit in, or make changes in the currency or quantum of deposit already made in, any freely convertible approved foreign exchange may make an application latest by the 15th February of the year for which the deposit or changes is/are sought to be made, to the State Bank of Pakistan (Banking Control Department) for permission to make such deposit or to make such changes to the extent proposed in the application as provided for in the new sub-rule (1B) of Rule 5 of the Banking Companies Rules, 1963. Upon grant of permission by the State Bank, the deposit will have to be made by the bank concerned not later than the 31st March of the year as provided for in the new sub-rule (1A) of Rule 5 *ibid*. No substitution on the above account shall be made during the remaining part of that year as laid down in the aforesaid sub-rule.

The amount of deposit required to be made by a foreign banking company will be determined in Pak Rupees. The foreign banking company will deposit the foreign currency equivalent of the rupee amount into the State Bank Account abroad. In terms of sub-rule (1A) of Rule 5 of the Banking Companies Rules, 1963, such deposits can be made either in US Dollars or in the currency of the country of incorporation of the foreign banking company concerned.

For the purpose of sub-rule (2A) of Rule 5 *ibid*, the conversion of US Dollars into Pak Rupees will be at the rate notified by the State Bank from time to time at which it will purchase ready US Dollars from the commercial banks. In other words, in the case of dollar amount deposited with us, conversion will be done at the rate at which the State Bank buys ready US Dollars from commercial banks on the day such deposit is made into State Bank's Account. If such a day is a public holiday in Pakistan, the State Bank's buying rate on the first business day counted backward from such day shall apply. For determination of exchange rates in respect of deposits made in other eligible currencies, the closing buying rate of the currency concerned in terms of US Dollar prevailing in New York market on the day preceding the date of deposit will be crossed with State Bank's dollar ready buying rate prevalent on the day of deposit or, if such day is a holiday or not a business day in New York, on the first business day counted backward from such day. In other words, the US Dollar equivalent of the currency concerned arrived at on the basis of closing buying rate of that currency in terms of US Dollar ruling in the New York Market on the day specified above, will be converted into Pak Rupees in the manner in which a dollar deposit has to be converted into Pak Rupees as explained above.

As regards conversion of the existing capital deposits in Pak Rupees into deposits in freely convertible approved foreign exchange, a foreign banking company desiring to make the conversion may submit a written application, not later than the 15th February, 1982, to the State Bank for permission to make the required deposit in a freely convertible approved foreign exchange. Upon grant of permission by the State Bank, the deposit will have to be made by the bank concerned by the 31st March, 1982 at the latest. Conversion of the deposit will be in the manner mentioned in para 4 above. After making the deposit the bank will approach the Director, Accounts Department, State Bank of Pakistan, Central Directorate, Karachi for release of the Pak Rupee deposit. The Director, Accounts Department after verifying that the deposit has been made as approved by the Banking Control Department and that its Pak Rupee equivalent is not less than the deposit in Pak Rupees sought to be released, shall authorise the Chief Manager, State Bank of Pakistan, Karachi to release the Pak Rupee deposit to the bank concerned. Upon receipt of the authorisation, the Chief Manager, State Bank of Pakistan, Karachi shall immediately release the Pak Rupee deposit (held in cash or unencumbered approved securities).

It would also be noticed from the notification referred to above that the form of the certificate (Form-I) referred to in sub-rule (4) of Rule 5 stands amended.

All the banks may also please note the amendment in Form IX of the Banking Companies Rules, 1963 notified by the above notification. Form IX should accordingly be submitted in the amended form in future.

S.R.O./82.- In exercise of the powers conferred by Section 92 of the Banking Companies Ordinance, 1962 (LVII of 1962), the Federal Government, after consultation with the State Bank of Pakistan, is pleased to direct that the following further amendments shall be made in the Banking Companies Rules, 1963, the same having been previously published as required by sub-section (3) of that section, namely:-

In the aforesaid Rules,-

(1) in rule 5-

(a) after sub-rule (1), the following new sub-rules shall be inserted, namely:-

“(1A) Where a banking company desires to make deposit in a freely convertible approved foreign exchange, it may, with the permission of the State Bank, make the deposit either in United States dollars or in the currency of the country of its incorporation. The deposit for each year shall be made by such banking company not later than the 31st March of the year and no substitution on that account shall be allowed during the remaining part of that year.

(1B) Any banking company desiring to make deposit in, or make changes in the currency or quantum of deposit already made in, any freely convertible approved foreign exchange may make a written application, not later than the 15th February of the year, to the State Bank for permission to make such deposit or to make such changes to the extent proposed in the application, and the State Bank may, at its discretion, grant or refuse to grant such permission.”; and

(b) after sub-rule (2), the following new sub-rule shall be inserted, namely:-

“(2A) For the purpose of valuation of deposit made in a freely convertible approved foreign exchange on any day.

(a) United States dollar shall be valued at the parity rate of Pakistan rupee to the United States dollar; and

(b) Other freely convertible approved foreign exchange shall be valued at the parity equivalent in Pakistan rupee of the United States dollars arrived at on the basis of closing buying rate of such freely convertible approved

foreign exchange in terms of United States dollars in the New York market on the day preceding that day or, if such day is a holiday or not a business day at New York, on the first day business day counted backward from such day.”; and

(2) for Form-I the following shall be substituted, namely:-

**“THE BANKING COMPANIES ORDINANCE, 1962
FORM-I (See rules 5 and 7)
(Section 13)
STATE BANK OF PAKISTAN**

No. Place
Date

Certified that the State Bank of Pakistan held on behalf of the under noted deposits in terms of Section 13(3) of the Banking Companies Ordinance 1962, as at the close of business on

Sl. No.	Cash	Approved Securities Parti- culars	Face Value	Market value	Amount of freely convertible approved foreign exchange deposit (name of currency)	Amount of foreign exchange	Parity equivalent in Pak. rupees	Total deposit under section 13(3)	Re- marks
1	2	3	4	5	6	7	8		

(3) In Form IX, under the heading “B. Liquid Assets”, in entry 6, after clause (ii), the following new clause shall be inserted, namely:-

“(iii) Foreign currency deposits held abroad on account of the State Bank.
.....”
(Name of the Currency)

Export Finance Scheme.



It has been represented to us that owing to international economic situation, exports of carpets have been adversely affected and the exporters are facing serious difficulties in realisation of export proceeds etc.

With a view to helping Pakistani exporters of carpets overcome these difficulties, it has been decided to allow them the following relaxations vis-a-vis the provisions of the Export Finance Scheme:-

- (i) In case of export finance availed of under Part-I of the Export Finance Scheme, a period upto 90 days may be allowed from the date of shipment for repayment of export finance availed of **for exports of carpets and rugs only** in case of shipments made during the financial year 1981-82 irrespective of whether it is covered by the normal period of 180 days or not except where the exports have been made against letters of credit on sight basis or where export proceeds are earlier realised by the exporters. In particular, in the case of exports against usance letters of credit, the additional period (from the date of shipment) will be the period of the usance or 90 days, whichever is less.
- (ii) Under Part-II of the Scheme, the two monitoring periods of the current financial year July-December, 1981 and January-June, 1982 may be combined **in the case of exports of carpets and rugs only**. In so far as the export performance is concerned, as against the normal requirement of exports of a value equal to thrice the daily average borrowing an exporter of carpets (and rugs) will be required to make exports of a value equal to twice his average daily borrowing during the combined monitoring period July, 1981-June, 1982. This concession will not be available for any other monitoring period. For the above purpose daily products of borrowings will be compared with the products of export receipts during the combined monitoring period which shall be arrived at by multiplying the amount of export proceeds realised during the period by 180. If there is any short-fall in the export receipts, penalty at the prescribed rate shall be recovered from the exporter. In order to make this clearer, illustrations are given in the annexure.

It may please be noted that the banks will have to submit duplicate copy of form 'EF', duly verified from Exchange Control Department, within fifty days of the close of the combined monitoring period July, 1981-June, 1982, i.e. by the 20th August, 1982 in terms of the instructions contained in BCD Circular No.14 dated the 8th June, 1981. If this is not done in any case, it will be deemed that matching exports have not been made and the concerned office of the State Bank shall recover penal interest at the prescribed rate by debit to the account of the bank concerned. In case the bank subsequently produces duplicate copy of 'EF' form duly verified by the Exchange Control Department, the Chief Manager's Office shall refund the penalty to the extent due on the basis of the entries verified by the Exchange Control Department.

ANNEXURE

**EXPORT PERFORMANCE FOR THE LAST YEAR RS.180,000/-
Limit sanctioned at 33 $\frac{1}{3}$ % of the last year's Export Earnings under
Part-II of the Scheme Rs.60,000/-**

Ist Example:

Date	Debit Balance	Export Proceeds realised during the monitoring period
2-7-1981	Rs. 60,000/-	Rs. 88,000/-
6-8-1981	Rs. 40,000/-	
10-9-1981	Rs. 20,000/-	
8-10-1981	Rs. Nil	
10-10-1981	Rs. 30,000/-	
9-11-1981	Rs. 60,000/-	
29-11-1981	Rs. 40,000/-	
30-12-1981	Rs. 50,000/-	
26-2-1982	Rs. 40,000/-	
29-3-1982	Rs. 60,000/-	
24-4-1982	Rs. 30,000/-	
31-5-1982	Rs. 50,000/-	
29-6-1982	Rs. Nil	

(A) Total of Daily Products of Borrowings = 15,660,000

(B) Products of Export Proceeds realised (88,000x180) = 15,840,000

Since 'B' is greater than 'A' the question of realisation of penal interest does not arise.

IInd Example:

Date	Debit Balance	Export Proceeds realised during the monitoring period
2-7-1981	Rs. 60,000/-	Rs.90,000/-
10-8-1981	Rs. 50,000/-	
15-9-1981	Rs. 40,000/-	
20-10-1981	Rs. 30,000/-	
15-11-1981	Rs. 60,000/-	
28-12-1981	Rs. 20,000/-	
6-1-1982	Nil	
10-1-1982	Rs. 60,000/-	
11-2-1982	Rs. 50,000/-	
16-3-1982	Rs. 40,000/-	
25-4-1982	Rs. 60,000/-	
29-5-1982	Rs. 30,000/-	
29-6-1982	Rs. 50,000/-	

(A) Total of Daily Products of Borrowings	=	17,320,000
(B) Products of Export Proceeds realised (90,000x180)	=	16,200,000
Short-fall (A-B)	=	1,120,000

Penal interest will be levied on the above short-fall i.e. 1,120,000.

N.B. If the number of days for which an exporter availed of credit during the above monitoring period exceeds 360 days the excess number of days will be divided by 2 and the resultant figure rounded off to the nearest whole number (treating half number as whole number) which may be added to the multiplier of 180 for working out the products of export proceeds.

7
1982

Please refer to BCD Circular No.6 dated the 14th February, 1982. The sub-para (i) of para-I of the Circular has been substituted to read as under:-

Export Finance Scheme.

“(i) In case of export finance availed of under Part-I of the Export Finance Scheme, a total period of **upto 270 days** (both pre-shipment and post-shipment) may be allowed for repayment **for exports of carpets and rugs** provided shipments are made during the financial year 1981-82 within a period of 180 days after the drawal of the advance.”

8
1982

Please refer to BCD Circular No.27 dated the 14th November, 1981 on the above subject.

Credit Operations.

It is advised that the restrictions imposed vide BCD Circular No.3 dated the 13th February, 1975, will also not apply to the guarantees issued by the banks in favour of Pak-Libya Holding Company Limited.

9
1982

In view of a representation made by the carpet exporters that due to international economic situation, exports of carpets were adversely affected and they faced serious difficulties in realisation of export proceeds during the monitoring period November, 1980 to June, 1981, it has been decided that the two monitoring periods July, 1980 to October, 1980 and November, 1980 to June, 1981 may be combined in the case of exports of carpets and rugs only under Part-II of the Export Finance Scheme. In other words, the whole financial year July, 1980 to June, 1981 would constitute a single monitoring period in the case of exports of carpets and rugs under Part-II of the Scheme. The requirement of realisation of export proceeds for the total period will, however, remain unchanged,

Export Finance Scheme.

viz. an exporter shall be required to realise export proceeds equal to thrice his daily average borrowings during the combined monitoring period July, 1980 to June, 1981 under Part-II of the Scheme. For this purpose the daily products of the borrowings during the aforesaid monitoring period will be compared with the products of the export proceeds which shall be arrived at by multiplying the amount of export proceeds realised during the period by 120. In the case of shortfall on the basis of daily products, the exporter shall be liable to pay penal interest at the prescribed rate. In order to make this clearer, illustrations are given in the Annexure.

Instructions are being issued to our offices to recalculate penal interest for the combined monitoring period July, 1980 to June, 1981 in the light of the above and to refund excess penal interest charged, if any, to the exporters concerned through their bankers.

All other instructions relating to Part-II of the Scheme issued from time to time will remain unchanged.

ANNEXURE to BCD Circular No.9 dated 28-3-82

Calculation of penal interest under Part-II of the Export Finance Scheme for the combined monitoring period July, 1980 to June, 1981 in the case of exports of carpets & rugs only.

EXPORT PERFORMANCE FOR THE YEAR (1979-80) RS.180,000/-

Limit sanctioned at 33½% of the last year's export earnings under Part-II of the scheme: Rs.60,000/-

First Example

Date	Debit Balance	Export proceeds realised during the monitoring period
2-7-1981	Rs. 60,000/-	Rs. 132,000/-
6-8-1981	Rs. 40,000/-	
10-9-1981	Rs. 20,000/-	
8-10-1981	Nil	
10-10-80	Rs.30,000/-	
9-11-1981	Rs. 60,000/-	
29-11-1981	Rs. 40,000/-	
30-12-1981	Rs. 50,000/-	
26-2-1981	Rs. 40,000/-	
29-3-1981	Rs. 60,000/-	
24-4-1981	Rs. 30,000/-	
31-5-1981	Rs. 50,000/-	
29-6-1981	Nil	

(A) Total of daily products of borrowings = 15,660,000

(B) Products of export proceeds realised (132,000x120) = 15,840,000

Since 'B' is greater than 'A' the question of realisation of penal interest does not arise.

Second Example:

Date	Debit Balance	Export proceeds realised during the monitoring period
2-7-1980	Rs. 60,000/-	Rs. 135,000/-
10-8-1980	Rs. 50,000/-	
15-9-1980	Rs. 40,000/-	
20-10-1980	Rs. 30,000/-	
15-11-1980	Rs. 60,000/-	
28-12-1980	Rs. 20,000/-	
6-1-1981	Nil	
10-1-1981	Rs. 60,000/-	
11-2-1981	Rs. 50,000/-	
16-3-1981	Rs. 40,000/-	
25-4-1981	Rs. 60,000/-	
29-5-1981	Rs. 30,000/-	
29-6-1981	Rs. 50,000/-	

(A) Total of daily products of borrowings = 17,320,000

(B) Products of export proceeds realised (135,000x120) = 16,200,000

Shortfall ('A'-'B') = 1,120,000/-

Penal interest will be levied at the prescribed rate on the above shortfall of 1,120,000/-.

N.B: If the number of days for which an exporter availed of credit during the above financial year exceeds 360 days, the excess number of days will be divided by 3 and the resultant figure rounded off to the nearest whole number (ignoring less than half number and treating half and more than half number as whole number) which may be added to the multiplier of 120 for working out the products of export proceeds.



In partial modification of BCD Circular No. 16 dated the 15th July, 1969 (copy enclosed for ready reference) it has since been decided that State Bank of Pakistan would charge interest at annual rests instead of

Charging of Interest on Agricultural Loans.

quarterly rests on all its future lendings for agricultural purposes, i.e. loans sanctioned hence-forward for agricultural credit operations. We shall be glad if you also please charge interest from your clients on all your future lendings for agricultural purposes accordingly.

It is added that in the case of loans of less than one year's duration, interest will be charged on the due date of repayment. Where the duration of loan is one year or more, interest will be charged on the basis of annual rests and for the broken period at the time of repayment of loan.

*Enclosure to B.C.D. Circular No.16
dt. 15-7-1969*

Complaints have been received against the practice of banks to charge interest on their advances at monthly rests. It has been represented that by applying interest in this manner, banks realise interest indirectly at a rate higher than what has been agreed to between them and their borrowers. It has also been represented that while interest is applied at monthly rests in the case of advances, the same procedure is not followed by banks in paying interest on deposits. The matter has been investigated and discussed with banks. It has been observed that while some banks charge interest on their advances at quarterly or half-yearly rests, others apply interest at monthly rests.

In view of the above, it has been decided that henceforth interest should be charged by banks on their advances at a frequency which should not be less than three months. In other words, those banks which now apply interest to their advances on monthly basis will have to discontinue the practice and instead charge interest at least on quarterly basis. These instructions will come into force with effect from 1st of July, 1969.

State Bank of Pakistan will also charge interest on its advances to banks at quarterly rests wherever it is now charged at monthly rests.

**Scheme for Financing
Locally Manufactured
Machinery**



Please refer to BCD Circular No.1 dated the 12th February, 1979 with which an updated copy of the Scheme for Financing Locally Manufactured Machinery was forwarded to the banks. The Scheme has since then under-gone further modifications. A copy of the Scheme amended upto date is enclosed.

As would be noted from the Scheme, Part-I thereof relating to local sales is being administered at present through PICIC, IDBP, NDFC and Bankers Equity Ltd., and scheduled commercial banks can also associate themselves with them as provided for in Para-4(iii) under Part-I of the Scheme. If and when any other development finance institution is approved by the State Bank for the purpose, the fact would be notified through issue of a BCD Circular.

As for Part-II of the Scheme relating to export sales, it would be observed therefrom that it (Part-II) is being administered through commercial banks or any development finance institution approved by the State Bank for the purpose. At present NDFC (besides commercial banks) stands approved for the purpose. If and when any other development finance institution is approved under Part-II of the Scheme, a BCD Circular notifying the fact will be issued.

SCHEME FOR FINANCING LOCALLY MANUFACTURED MACHINERY

In view of the fact that the locally manufactured machinery was not finding a good market, domestically as well as abroad, although a variety of machinery was being produced in the country which compared favourably in quality and price with that manufactured outside Pakistan, the State Bank introduced the captioned Scheme in October, 1972 to promote the local use and export of indigenous machinery. One of the reasons for which the locally fabricated machinery appeared to be not finding good market domestically was the availability of favourable credit terms on which machinery could be purchased from abroad through I.D.B.P. and P.I.C.I.C. As regards exports, there were no arrangements under which banks could provide long term credit for sale on deferred payment basis. The Scheme, therefore, sought to provide concessionary refinance facilities through the above two institutions for local sale of indigenous machinery to the domestic users. The rate of interest to be charged by these institutions on such loans was to be less than that charged on loans for purchase of foreign machinery. As for export of such machinery, the Scheme was also to cater for export credit, both at pre-shipment and post shipment stages at concessional rate of interest. For this purpose the State Bank agreed to provide counter-finance at concessional rate through scheduled commercial banks.

Since its introduction, several changes have been made in the Scheme not only widening its scope and relaxing some of its terms but also in the rate of interest. For local sales, the Scheme is now being also administered through other development finance institutions. The salient features of the Scheme as it is operative at present are as follows:-

I. LOCAL SALES:

Financing the manufacturers of the capital goods can prove risky if the goods do not find a ready market. To guard against this, the viability of the buyer's project has also to be thoroughly assessed. The best course, therefore, is to finance the purchaser of the locally manufactured machinery, whether in private or public sectors, after a thorough appraisal of the project as a whole. This part of the Scheme is, therefore, operated through development finance institutions, i.e. P.I.C.I.C., I.D.B.P., N.D.F.C., Bankers Equity Ltd. and such other similar institutions as may be approved by the State Bank for the purpose, which institutions alone are equipped with necessary apparatus in the form of expertise required

for appraising the industrial projects, with regard to both their technical and financial viability.

On being satisfied about the viability of a project, the P.I.C.I.C., I.D.B.P., N.D.F.C., Bankers Equity Ltd. and other approved development finance institutions may provide financial assistance to local users at concessional rate for financing the purchase of locally manufactured machinery. Refinance under the Scheme may be obtained from the State Bank in respect of credit extended by these institutions to the purchasers against the delivery of such machinery. However, where manufacturers of machinery require the purchasers to make some down payment at the time of agreement, credit may be extended for such down-payments also and refinance obtained from the State Bank.

In cases where purchase of complete plants may be involved which the said development finance institutions are not in a position to finance singly, they may associate the scheduled commercial banks to meet the large requirements of funds. In such cases refinance from the State Bank would be admissible to all those members of the Consortium who are otherwise eligible to borrow from it. However, such refinancing would be made available by the State Bank on the condition that the Consortium is led by one of the above mentioned development finance institutions.

Further details of financing local sales under the Scheme are as under:-

- (i) State Bank may sanction refinance limits to the above mentioned development finance institutions to enable them to implement the Scheme on the basis of their estimated requirements.
- (ii) These institutions may receive refinance under the above limit upto 100% of the finance which they provide for purchase of locally manufactured machinery.
- (iii) The scheduled commercial banks who associate themselves with any of the above-mentioned development finance institutions to form a Consortium to facilitate purchase of complete plants may also receive finance from the State Bank upto 100% of the finance which they provide for the purpose.
- (iv) The period of refinance may be related to the term of the loan sanctioned subject to a maximum of twelve and a half years. The banks/institutions concerned may, however, grant the finance for a longer period if they consider advisable.
- (v) The loan will be given to the purchasers at 2% below the rate at which foreign currency loan would have been given for the same machinery; State Bank providing refinance at 2% per

annum below the rate charged by the banks/institutions concerned.

- (vi) The banks/institutions concerned shall execute necessary documents and agreements as may be prescribed by the State Bank.
- (vii) The above mentioned development finance institutions shall not take more than two months to examine the feasibility of any project where finance is required for purchase of locally manufactured machinery.

II. EXPORT SALES:


1. To promote the export sales of locally manufactured machinery (i.e. all capital goods, including complete plants as well as consumer durables), State Bank may provide, through commercial banks or any development finance institution approved by it for the purpose, both pre-shipment and post-shipment finance to the exporters of such-machinery on the following basis:-

- (i) **PRE-SHIPMENT CREDIT:-** Where a confirmed irrevocable letter of credit or a firm order has been received from a foreign buyer, banks/approved development finance institutions may provide pre-shipment finance to the manufacturer or supplier of such machinery on adequate security to enable him to manufacture or procure the machinery for export. Such financial assistance should be provided at a rate not exceeding 2% per annum. The banks/approved development finance institutions concerned will be provided refinance by the State Bank under the Scheme at zero rate of interest.
- (ii) **POST-SHIPMENT CREDIT:-** Exporting countries generally provide suppliers' credit to the purchasers of their machinery. To provide similar facilities to exporters of machinery manufactured in Pakistan, State Bank may provide post-shipment finance on the following basis:-
 - (a) The bills connected with the transaction may be discounted with scheduled banks/approved development finance institutions, at a rate not exceeding 2% per annum. The scheduled banks/approved development finance institutions concerned may in turn receive refinance from the State Bank at zero%.
 - (b) The maturity period of such bills should be in accordance with the tenure mentioned in their covering letters of credit. The period for which the State Bank shall rediscount or grant refinance shall not exceed twelve and a half years.

- (c) The deferred payment arrangements should bear the guarantee of the Government or the Central Bank of the country concerned or the Head Office of an international bank of repute operating in that country. Alternatively, the Export Credit Guarantee Scheme managed by the Pakistan Insurance Corporation should guarantee repayment.

2. The State Bank would, however, not insist on fulfilment of the conditions governing security mentioned in sub-items (b) and (C) of item (ii) above but would let the bank/approved development finance institution in Pakistan applying for refinance to State Bank determine the security requirement to its own satisfaction.

**Export Finance
Scheme—Substitution of
Firm Order/Letter of
Credit.**

 Please refer to BCD Circular No. 29 dated the 11th October, 1977 with which a copy of the revised Export Finance Scheme was forwarded to the banks.

As the banks are aware, in cases where the exporter, due to cogent reasons, is unable to export goods against the original firm order/letter of credit export finance was obtained whereagainst under the Export Finance Scheme, the State Bank allows utilisation of the concessional export finance for export of the same goods against a new firm order/letter of credit. The conditions on which the State Bank allows substitution of the firm order/letter of credit in such cases are indicated below for information of the banks and their clients:-

- (i) The reasons for substitution of the original firm order/letter of credit by a new firm order/L.C. should be cogent.
- (ii) The bank concerned should certify that no export finance was availed of by the exporter or will be availed of by him against the new firm order/L.C. (details of which should be given in the certificate) or against the firm order in relation to which the said L.C. was received, from any bank under Part-I of the Export Finance Scheme and that the export proceeds realised against shipments made under the aforesaid new firm order/L.C. have not been accounted for and will not be accounted for under Part-II of the Export Finance Scheme. The certificate should be in the form enclosed.
- (iii) The goods should be shipped within the validity of the new firm order/L.C. or within 180 days of availment of credit against the original firm order/L.C., whichever is earlier.
- (iv) Value of the goods exported against the new firm order/L.C. should cover the loan obtained against the original firm order/L.C.

- (v) The substituted goods should be basically the same as mentioned in the original firm order/L.C. For example, if the original firm order/L.C. was for cotton yarn of 30 counts, substitution would be permissible, subject to the other conditions laid down above, if the new firm order/L.C. is for cotton yarn of 20 counts. Similarly, it would be in order if grey cloth of 90 c.m. is substituted by similar cloth of 100 c.m.

The exporter/bank will have to obtain permission for substitution of the original firm order/L.C. by the new firm order/L.C. from the respective office of the State Bank (which had allowed refinance in the case) within the validity period of the refinance loan. Where such permission is not obtained, penal interest will be recovered by that office of the State Bank at the prescribed rate. Requests for refund of penal interest, if subsequently received on exports being made against the new firm order/L.C. will be considered by the State Bank on the merits of each case.

The banks are advised to ensure observance of the conditions laid down in para 2 above while forwarding substitution cases to the respective offices of the State Bank. Moreover, while applying for substitution or refund of penalty, photo-stat copies of the following documents, duly certified by the bank concerned, should be submitted alongwith the request:-

- (i) The original firm order and L.C.
- (ii) The new firm order and L.C.
- (iii) Copies of the relevant correspondence between the exporter and the original buyer to establish that the reasons for substitution are genuine.
- (iv) Invoice, bill of lading & 'E' form evidencing shipment of the goods where request for substitution is made after shipment of the goods.

*Enclosure to BCD Circular Letter No.12
dated 25-4-1982*

**CERTIFICATE TO BE GIVEN BY THE BANK CONCERNED IN
CASES OF SUBSTITUTION OF FIRM EXPORT ORDER/LETTER OF
CREDIT UNDER THE EXPORT FINANCE SCHEME**

Certified that: (i) no export finance was availed of by M/s..... or will be availed of by them against the following new firm export order(s)/L.C. (s) or against the firm export order (s) in relation to which the said L.C. (s) was/were received, from our bank or from any other bank under Part-I of the Export Finance Scheme; and (ii) the export proceeds realised against shipments made under the aforesaid new firm export

order (s)/L.C. (s) have not been accounted for and will not be accounted for under Part-II of the Export Finance Scheme.

Particulars of the new firm export order(s) and L.C.(s)

Firm export order(s) _____ Letter(s) of credit _____

1. No. and date.
2. Date till which valid.
3. Name of buyer.
4. Amount.
5. Due date of shipment.
6. Goods already exported.
7. Date of shipment of above goods.
8. Value of above goods (already shipped).
9. Goods yet to be exported.
10. Date by which above goods are to be shipped.

Particulars of the original firm export order(s) and L.C.(s) in place of which the above mentioned firm export order(s) and L.C.(s) are proposed to be substituted

Firm export order(s) _____ Letter(s) of credit _____

1. No. and date.
2. Date till which valid.
3. Name of buyer.
4. Amount.
5. Due date of shipment.
6. Goods already exported.
7. Date of shipment of above goods.
8. Value of above goods (already shipped).
9. Goods yet to be exported.
10. No. & date & amount of refinance loan obtained from State Bank of Pakistan.
11. Due date of repayment of the refinance loan.

.....
Signature of the
Authorised signatories of
the Bank concerned.

13
1982

We enclose for your information and necessary action a copy of the Federal Laws (Revision and Declaration) Ordinance, 1981 (Ordinance No. XXVII of 1981) which contains amendments to certain laws, including the above mentioned laws.

Amendments in:
(i) Banking Companies Ordinance, 1962 (LVII of 1962).
(ii) The Banks (Nationalisation) Act, 1974 (XIX of 1974).
(iii) The Banking Companies (Recovery of Loans) Ordinance, 1979 (XIX of 1979).

**ORDINANCE NO. XXVII OF 1981
AN ORDINANCE**

to revise the Federal laws and make certain declarations in regard to certain Federal laws

WHEREAS it is expedient that certain laws, which are spent or have otherwise become unnecessary or have ceased to be in force otherwise than by express or specific repeal, should be expressly and specifically so repealed;

AND WHEREAS it is also expedient that certain amendments should be made in certain laws;

AND WHEREAS it is also expedient that certain declaration should be made in regard to certain laws;

AND WHEREAS the President is satisfied that circumstances exist which render it necessary to take immediate action;

Now, THEREFORE, in exercise of the powers conferred by Article 89 of the Constitution, read with Article 2 of the Provisional Constitution Order, 1981 (C.M.L.A. Order No. 1 of 1981), the President is pleased to make and promulgate the following Ordinance:-

1. Short title and commencement.- (1) This Ordinance may be called the Federal Laws (Revision and Declaration) Ordinance, 1981.

(2) It shall come into force at once except that the amendments directed by the Second and Fourth Schedules to be made in such of the provisions of the laws specified in the Sixth Schedule as are mentioned in the fourth column of that Schedule shall come into force in any area from such date as may be specified for the coming into force in that area of the provision of the Law Reforms Ordinance, 1972 (XII of 1972), relating to amendments in the Code of Criminal Procedure, 1898 (Act V of 1898).

2. Repeal of certain laws.- The laws specified in the First Schedule are hereby wholly repealed.

3. Amendment of certain laws.- The laws specified in the Second Schedule are hereby amended to the extent and in the manner specified in the fourth column thereof.

4. Repeal of certain laws to the extent of Islamabad Capital Territory.- The laws specified in the Third Schedule are hereby wholly repealed in their application to the Islamabad Capital Territory.

5. Amendment of certain laws applicable to Islamabad Capital Territory.- The laws specified in the Fourth Schedule are hereby amended in their application to the Islamabad Capital Territory to the extent and in the manner specified in the fourth column thereof.

6. Declaration regarding laws not applicable in Pakistan.- The laws specified in the Fifth Schedule are hereby declared to be no part of the laws of Pakistan.

7. Savings.- The repeal by this Ordinance of any law shall not affect:-

- (a) the previous operation of any law so repealed or the validity, invalidity, effect or consequences of anything duly done or suffered thereunder; or
- (b) any right, title, privilege, obligation or liability acquired, accrued or incurred thereunder or any release or discharge already granted of or from any debt, penalty, obligation, liability, claim or demand, or any indemnity, already granted, or the proof of any past act or thing; or
- (c) any penalty, forfeiture or punishment incurred in respect of any offence committed against any law so repealed; or
- (d) any investigation, legal proceeding or remedy in respect of any such right, title, privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid;

and any such investigation, legal proceeding or remedy may be instituted, continued or enforced, and any such penalty, forfeiture or punishment may be imposed, as if this Ordinance had not been promulgated;

and shall the repeal of any law by which the text of any law (including the Constitution and any Martial Law Regulation) was amended by the express omission, insertion or substitution of any matter, affect the continuance of any such amendment unless a different intention was expressly stated in the law by which the amendment was made.

THE FIRST SCHEDULE
LAWS TO BE REPEALED (See section 2)

I. ACTS

Serial No.	Number and year of the Law	Short title
1.	2.	3.
89.	XL of 1957	The Foreign Exchange Regulation (Amendment) Act, 1957.
90.	V of 1958	The Negotiable Instruments (Amendment) Act, 1957.
111.	XVII of 1963	The State Bank of Pakistan (Amendment) Act, 1963.
124.	VI of 1965	The State Bank of Pakistan (Amendment) Act, 1965
125.	VII of 1965	The Banking Companies (Amendment) Act, 1965.
153.	XXIII of 1966	The State Bank of Pakistan (Amendment) Act, 1966.
167.	I of 1968.	The State Bank of Pakistan (Amendment) Act, 1967.
177.	XV of 1968	The Banking Companies (Amendment) Act, 1968.
192.	XXIII of 1972	The State Bank of Pakistan (Amendment) Act, 1972.
196.	XXX of 1972	The Banking Companies (Amendment) Act, 1972.
229.	XLVII of 1973	The State Bank of Pakistan (Amendment) Act, 1973.
290.	XXVI of 1975	The State Bank of Pakistan (Amendment) Act, 1975.
312.	LXV of 1975	The Banking Companies (Amendment) Act, 1975.
321.	LXXVIII of 1975	The Banks (Nationalisation) (Amendment) Act, 1975.
370.	LXXVI of 1976	The State Bank of Pakistan (Amendment) Act, 1976.

II. ORDINANCES

124.	XLI of 1965	The Banking Companies (Amendment) Ordinance, 1965.
134.	LII of 1965	The State Bank of Pakistan (Amendment) Ordinance, 1965.

157.	XI of 1969	The State Bank of Pakistan (Amendment) Ordinance, 1969.
168.	III of 1970	The State Bank of Pakistan (Amendment) Ordinance, 1970.
192.	VII of 1971	The Banking Companies (Amendment) Ordinance, 1971.
204.	XXIII of 1971	The State Bank of Pakistan (Amendment) Ordinance, 1971.
237.	XXXVIII of 1977	The State Bank of Pakistan (Amendment) Ordinance, 1977.
245.	XLVI of 1977	The Bank (Nationalization) (Amendment) Ordinance, 1977.
249.	III of 1978	The Banking Companies (Amendment) Ordinance, 1978.
261.	XVII of 1978	The Banks (Nationalisation) (Amendment) Ordinance, 1978.
270.	XXVIII of 1978	The Banking Companies (Second Amendment) Ordinance, 1978.
301.	XXXV of 1979	The Banking Companies (Amendment) Ordinance, 1979.
302.	XXXVI of 1979	The Banks (Nationalization) (Amendment) Ordinance, 1979.
311.	XLVII of 1979	The State Bank of Pakistan (Amendment) Ordinance, 1979.
319.	LVI of 1979	The Banking Companies (Amendment) Ordinance, 1979.

III. ORDERS

GOVERNOR GENERAL'S ORDERS

(Orders made before the fifteenth day of August, 1947)

Serial No.	Number and year of the Order	Short title
1.	2.	3.

THE SECOND SCHEDULE

I. ACTS TO BE AMENDED

Sr. No.	Number and year of the Statute	Short title of Statute	Amendments made
1.	2.	3.	4.

**“SIXTH SCHEDULE
(See Sections 2 and 3)**

**PART-I
SCHEDULED DISTRICTS, the Punjab,
The District of Dera Ghazi Khan**

**PART-II
SCHEDULED DISTRICTS, the North-West Frontier Province
The Districts of Hazara, Peshawar, Kohat, Banu and Dera Ismail Khan.**

**PART-III
SCHEDULED DISTRICTS, Sind
The whole of Sind”**

Sr. No.	Number and Short title of Statute	Amendments made
23.	XXVI of 1881	The Negotiable Instruments Act, 1881
		In section 84, in illustration (b), for the words “Chittagong” the words “Quetta” shall be substituted
47.	IX of 1908	The Limitation Act, 1908
		1. In section 2, in clause (6) the comma and words, “but includes an Acceding State” shall be omitted.
		2. In section 20, in sub-section (1), in the proviso, the commas and words “save in the case of a payment of interest made before the 1st day of January, 1928,” shall be omitted.
		3. In the First Schedule, Articles 45 and 46 shall be omitted.
58.	VII of 1913	The Companies Act, 1913
		1. Throughout the Act, for the words, comma and figure “State bank of Pakistan Order, 1948”, wherever occurring, the words, comma, figures and brackets “State Bank of Pakistan Act, 1956 (XXXIII of 1956)” shall be substituted.
		2. In section 11, in sub-section (3), for clause (a) the following shall be substituted, namely:- (a) “contains any of the following words, namely, “Federal”, “Quaid-i-Azam”, “Jinnah”, “State”, “State Bank”, “Bank of Pakistan”, “Finance” or any derivative thereof or any word which suggests or

1.	2.	3.	4.
			is calculated to suggest the patronage of the Quaid-i-Azam or any connection with the Government of Pakistan or any department of that Government; or”,
		3. In section 104, in sub-section (2), for the words, comma and figure “Indian Stamp Act, 1899” the words, comma, figures and brackets “Stamp Act, 1899 (II of 1899)” shall be substituted.	
		4. In section 107, in the proviso, clause (8) shall be omitted.	
		5. In section 136, in sub-section (5), for the words, commas and figures “Indian Life Assurance Companies Act, 1912, or of the Provident Insurance Societies Act, 1912” the words, comma, figures and brackets “Insurance Act, 1938 (IV of 1938)” shall be substituted.	
		6. In section 245, in sub-section (1), the words and comma “or within the dominions of His Majesty”, shall be omitted.	
		7. In section 282B, in sub-section (6), for the brackets, letters, words, figures and comma “(a) of section 58A of the Income-Tax Act, 1922” the brackets, figures, words, comma and brackets “(37) of section 2 of the Income Tax Ordinance, 1979 (XXXI of 1979)” shall be substituted	
		8. For section 287 the following shall substituted, namely:-	
			“287. Saving. -Nothing in this Act shall affect the provisions of the Insurance Act, 1938 (IV of 1938)”.
106. VII of 1947	The Foreign Exchange Regulation Act, 1947	1. In section 19, in sub-section (4), for the words, brackets, figures and commas “sub-section (1), (2) and (3) of section 54 of the Income-tax	

1.	2.	3.	4.
			Act, 1922" the words, figures, brackets and commas "section 122 and sub-sections (1), (2) and (3) of section 150 of the Income Tax ordinance, 1979 (XXXI of 1979)" shall be substituted.
			2. In section 23, in sub-section (3), for the words, figures and comma "section 54 of the Income-tax Act, 1922" the words, figures, comma and brackets "sections 122 and 150 of the Income Tax Ordinance, 1979 (XXXI of 1979)" shall be substituted
127.XXXIII of 1956	The State Bank of Pakistan Act, 1956.		<p>1. In section 5, for the words, brackets, comma and figure "Banking Companies (Control) Act 1948" the words, comma, figures and brackets "Banking Companies Ordinance, 1962 (LVII of 1962)" shall be substituted.</p> <p>2. In section 7,-</p> <p>(i) in sub-section (2), clause (d) shall be omitted; and</p> <p>(ii) in sub-section (3),-</p> <p>(a) the words and comma "or the Government of any Acceding State," shall be omitted; and</p> <p>(b) for the words "an Act of the Government of Pakistan or an Act of any Provincial Government or any Acceding State" the words "a Federal law, on a Provincial law" shall be substituted.</p> <p>3. In section 10, in sub-section (10), in clause (b), the words "or of any Acceding State" shall be omitted.</p> <p>4. In section 13, in sub-section (1),</p>

1.

2.

3.

4.

in clause (b), the words "or a salaried official of an Acceding State" shall be omitted.

5. In section 17,-

(i) in clause (1),-

(a) the words and comma "Government of such Acceding States as may be approved by the Federal Government", shall be omitted; and

(b) in the proviso, the comma and words, "the Government of an Acceding State" shall be omitted;

(ii) in clause (2), in sub-clause (C) for the words and commas "Federal Government, a Provincial Government, or the Government of such Acceding States, as may be approved by the Federal Government" the words "Federal Government or a Provincial Government" shall be substituted;

(iii) in clause (5), for the words and commas "Federal Government, Provincial Governments, or Governments of such Acceding States as may be approved by the Federal Government" the words "Federal Government or Provincial Governments" shall be substituted;

(iv) in clause (10), in sub-clause (a) for the words and comma "Federal Government, a Provincial Government or the

1.	2.	3.	4.
			Government of an Acceding State" the words "Federal Government or a Provincial Government" shall be substituted; and
			(v) in clause (13), the words and comma "the Government of any Acceding State", shall be omitted.
			6. In section 21, in sub-section (1), for the words and comma "Federal Government, Provincial Government and Governments of such Acceding States as may be approved by the Federal Government" the words "Federal Government and Provincial Governments" shall be substituted.
			7. In section 49, for the words, commas and figures "Income-tax Act, 1922, or the Business Profits Tax Act, 1947" the words, commas, figures and brackets "Income Tax Ordinance, 1979 (XXXI of 1979)" shall be substituted.

173. XIX of 1974 The Banks Section 24 shall be omitted (Nationalization) Act, 1974

II. ORDINANCES TO BE AMENDED

34. LVII of 1962 The Banking Companies Ordinance, 1962

1. In section 8, for the words "After the expiry of two years from the commencement of this Ordinance every company" the words "Every company" shall be substituted.

2. In section 47, in sub-section (5), in clause (i), for the words, comma and figure "Industrial Disputes Ordinance, 1959"

1.	2.	3.	4.
			occurring twice, the words, comma, figures and brackets "Industrial Relations Ordinance, 1969 (XXIII of 1969)" shall be substituted.
			3. Section 95 shall be omitted.
			4. The First Schedule shall be omitted.
7.	XIX of 1979	The Banking Companies (Recovery of Loans) Ordinance, 1979.	Section 16 shall be omitted.

III-PRESIDENTS ORDERS TO BE AMENDED

24.	IX of 1977	The Establishment of the Federal Bank for Co-operatives and Regulation of Co-operative Banking Act, 1977	<p>1. In section 38,-</p> <p>(i) for the words, comma, figures and brackets "Income-tax Act, 1922 (XI of 1922)" the words, comma, figures and brackets "Income Tax Ordinance, 1979 (XXXI of 1979)" shall be substituted; and</p> <p>(ii) the words, commas, figures and brackets "the Business Profits Tax Act, 1947 (XXI of 1947)," shall be omitted.</p> <p>2. Section 48, 49 and 52 shall be omitted.</p>
-----	------------	--	--

THE FIFTH SCHEDULE STATUTES NOT PART OF PAKISTAN LAWS

Sl. No.	Number and year of the Statute	Short title of the statute
1	2	3

GOVERNOR-GENERAL'S ORDERS

THE SIXTH SCHEDULE

Sl. No and year No. of Statute	Short title of the Statute	Provisions
-----------------------------------	-------------------------------	------------

GENERAL
M.ZIA-UL-HAQ
President

S.A. NUSRAT
Secretary

Ref: The Gazette of Pakistan, Extraordinary
Part-I dated July 8, 1981

14
1982

It has been represented to us that owing to the international economic situation, exports of leather and leather products have been adversely affected and the exporters are facing serious difficulties in realisation of export proceeds etc. With a view to helping the aforesaid exporters to overcome these difficulties, it has been decided to allow them the following relaxations vis-a-vis the provisions of the Export Finance Scheme:

Export Finance Scheme.

- (i) In the case of export finance availed of under Part-I of the Export Finance Scheme, a total period of upto 270 days (both pre-shipment and post-shipment) may be allowed for repayment for exports of leather and leather products, provided shipments are made during the financial year 1981-1982 within a period of 180 days after the drawal of the advance.
- (ii) Under Part-II of the Scheme, the two monitoring periods July, 1980 to October, 1980 and November, 1980 to June, 1981 may be combined in the case of exports of leather and leather products. In other words, the whole financial year July, 1980 to June, 1981 would constitute a single monitoring period in the case of exports of leather and leather products under Part-II of the Scheme. The requirement of realisation of exports proceeds for the total period will, however, remain unchanged, viz. an exporter shall be required to realise export proceeds equal to thrice his daily average borrowings during the combined monitoring period July, 1980 to June, 1981

under part-II of the Scheme. For this purpose the daily products of the borrowings during the aforesaid monitoring period will be compared with the products of the export proceeds which shall be arrived at by multiplying the amount of export proceeds realised during the period by 120. In the case of shortfall on the basis of daily products, the exporter shall be liable to pay penal interest at the prescribed rate. In order to make this clearer, illustrations are given in the Annexure 'A'. Instructions are being issued to our offices to recalculate penal interest for the combined monitoring period July, 1980 to June, 1981 in the light of the above and to refund excess penal interest charged, if any, to the exporters concerned through their bankers.

- (iii) Under Part-II of the Scheme, the two monitoring periods July-December, 1981 and January-June, 1982 may also be combined in the case of exports of leather and leather products. In other words the entire financial year 1981-82 would constitute a single monitoring period in the case of exports of leather and leather products under Part-II of the Scheme. In so far as the export performance is concerned, as against the normal requirement of exports of a value equal to thrice the daily average borrowings, an exporter of leather and leather products will be required to make exports of a value equal to twice his average daily borrowings during the combined monitoring period July, 1981 to June, 1982. This concession will not be available for any other monitoring period. For the above purpose daily products of borrowings will be compared with the products of export receipts during the combined monitoring period which shall be arrived at by multiplying the amount of export proceeds realised during the period by 180. If there is any short-fall in the export receipts, penalty at the prescribed rate shall be recovered from the exporter. In order to make this clearer, illustrations are given in the Annexure 'B'.

It may please be noted that the banks will have to submit duplicate copy of form 'EF' duly verified from the Exchange Control Department, within fifty days of the close of the combined monitoring period July, 1981-June, 1982, i.e. by the 20th August, 1982 to the Chief Manager's Office concerned of the State Bank in terms of the instructions contained in BCD Circular No.14 dated the 8th June, 1981. If this is not done in any case, it will be deemed that matching exports have not been made and the State Bank shall recover penal interest at the prescribed rate by debit to the account of the bank concerned. In case the bank subsequently produces duplicate copy of 'EF' form duly verified by the Exchange Control Department, the State Bank shall refund the penalty to the extent due on

the basis of the entries verified by the Exchange Control Department.

All other instructions relating to Part-II of the Scheme issued from time to time will remain unchanged.

ANNEXURE 'A'
(Annexure to BCD Circular No.14 dated 30th May 1982)

Calculation of penal interest under Part II of the Export Finance Scheme for the combined monitoring period July, 1980 to June 1981 in the case of exports of leather & leather products.

Export Performance for the year (1979-80): Rs. 180,000/-

Limit sanctioned at 33 $\frac{1}{3}$ % of the last year's export earnings under Part II of the Scheme: Rs.60,000.

First example:

Date	Debit Balance	Export proceeds realised during the monitoring period
2-7-1980	Rs. 60,000	Rs. 132,000
6-8-1980	Rs. 40,000	
10-9-1980	Rs. 20,000	
8-10-1980	Nil	
10-10-1980	Rs. 30,000	
9-11-1980	Rs. 60,000	
29-11-1980	Rs. 40,000	
30-12-1980	Rs. 50,000	
26-2-1981	Rs. 40,000	
29-3-1981	Rs. 60,000	
24-4-1981	Rs. 30,000	
31-5-1981	Rs. 50,000	
29-6-1981	Nil	

(A) Total of daily products of borrowings = 15,660,000

(B) Products of export proceeds realised (132,000x120) = 15,840,000

Since 'B' is greater than 'A', the question of realisation of penal interest does not arise.

Second example:

Date	Debit Balance	Export proceeds realised during the monitoring period
2-7-1980	Rs.60,000	Rs.135,000
10-8-1980	Rs.50,000	
15-9-1980	Rs.40,000	
20-10-1980	Rs.30,000	
15-11-1980	Rs.60,000	
28-12-1980	Rs.20,000	
6-1-1981	Nil	
10-1-1981	Rs.60,000	
11-2-1981	Rs.50,000	
16-3-1981	Rs.40,000	
25-4-1981	Rs.60,000	
29-5-1981	Rs.30,000	
29-6-1981	Rs.50,000	
(A) Total of daily p-roducts of borrowings		= 17,320,000
(B) Products of export proceeds realised (135,000x120)		= 16,200,000
Shortfall ('A'-'B')		= 1,120,000

Penal interest will be levied at the prescribed rate on the above shortfall of 1,120,000.

N.B. If the number of days for which an exporter availed of credit during the above financial year exceeds 360 days, the excess number of days will be divided by 3 and the resultant figure rounded off to the nearest whole number (ignoring less than half number and treating half and more than half number as whole number) which may be added to the multiplier of 120 for working out the products of export proceeds.

ANNEXURE 'B'

Calculation of penal interest under Part II of the Export Finance Scheme for the combined monitoring period July, 1981 to June 1982 in the case of exports of leather & leather products.

Export Performance for the year (1980-81): Rs. 180,000/-

Limit sanctioned at 33 $\frac{1}{3}$ % of the last year's export earnings under Part II of the Scheme: Rs.60,000/.

First example:

Date	Debit Balance	Export proceeds realised during the monitoring period
2-7-1981	Rs.60,000	Rs.88,000
6-8-1981	Rs.40,000	
10-9-1981	Rs.20,000	
8-10-1981	Nil	
10-10-1981	Rs.30,000	
9-11-1981	Rs.60,000	
29-11-1981	Rs.40,000	
30-12-1981	Rs.50,000	
26-2-1982	Rs.40,000	
29-3-1982	Rs.60,000	
24-4-1982	Rs.30,000	
31-5-1982	Rs.50,000	
29-6-1982	Nil	

(A) Total of Daily Products of Borrowings = 15,660,000

(B) Products of Export Proceeds realised (88,000x180) = 15,840,000

Since 'B' is greater than 'A', the question of realisation of penal interest does not arise.

Second example:

Date	Debit Balance	Export proceeds realised during the monitoring period
2-7-1981	Rs.60,000	Rs.90,000
10-8-1981	Rs.50,000	
15-9-1981	Rs.40,000	
20-10-1981	Rs.30,000	
15-11-1981	Rs.60,000	
28-12-1981	Rs.20,000	
6-1-1982	Nil	
10-1-1982	Rs.60,000	
11-2-1982	Rs.50,000	
16-3-1982	Rs.40,000	
25-4-1982	Rs.60,000	
29-5-1982	Rs.30,000	
29-6-1982	Rs.50,000	

(A) Total of daily p-roducts of borrowings	=	17,320,000
(B) Products of export proceeds realised (90,000x180)	=	16,200,000
Shortfall ('A'-'B')	=	1,120,000

Penal interest will be levied on the above short-fall i.e. 1,120,000.

N.B. If the number of days for which an exporter availed of credit during the above financial year exceeds 360 days, the excess number of days will be divided by 2 and the resultant figure rounded off to the nearest whole number (ignoring less than half number and treating half and more than half number as whole number) which may be added to the multiplier of 180 for working out the products of export proceeds.

Weekly Statement of Position—Capital Requirement for Banking Companies Incorporated Outside Pakistan—reporting of—

15
1982 Please refer to BCD Circular No.5 dated the 8th February, 1982 whereby the banks have been informed of the modalities for making with the State Bank interest-free deposits in a freely convertible approved foreign exchange for meeting the requirements of Section 13(3) of the Banking Companies Ordinance, 1962 by banks incorporated outside Pakistan. In this connection it is clarified that rupee equivalent of such deposits will be included in the 'Balances with State Bank of Pakistan' and reported against item 2(i) on the Assets Side of the weekly statement of position. The amount thus included should be shown as a foot-note to the said weekly return under the heading "Rupee equivalent of capital deposit in approved foreign exchange included in item 2(i) above (assets side)". The amount would, however, not count towards cash reserve required to be maintained by the banks under Section 36(1) of the State Bank of Pakistan Act, 1956.

Scheme for Financing Locally Manufactured Machinery.

16
1982 Please refer to BCD Circular No.11 dated the 17th April, 1982 with which an updated 'Copy of the Scheme for Financing Locally Manufactured Machinery was forwarded to Banks'.

It is clarified that under the above Scheme, pre-shipment credit for export of locally manufactured machinery can be extended for more than 180 days (the maximum period permissible under the Export Finance Scheme for pre-shipment and post-shipment credit put together) upto a reasonable period, depending on the terms of the relevant letter of credit/firm export order. As for post-shipment credit, it can be extended under the aforesaid Scheme for a longer period i.e. upto 12½ years.

Banks are advised to provide facilities under the Scheme liberally, provided the terms of the Scheme are fulfilled.

17
1982

Please refer to BCD Circular No.15 dated the 3rd July, 1978 regarding concessionary rate of interest on loans and advances provided to finance fixed industrial and agricultural investments.

Interest Rates.

It is advised that for the purpose of the aforesaid concessionary rate of interest, the term "Fixed Investment" should be interpreted in a broad sense and should cover dies, jigs and tools in so far as financing of fixed industrial investment is concerned.

18
1982

Please refer to BCD Circular No.4 dated the 26th January, 1982 whereby all locally produced goods (which are eligible for export finance under the Export Finance Scheme) supplied locally against international tenders have been made eligible for export finance under the Export Finance Scheme.

Concessionary Finance Under the Scheme for Financing Locally Manufactured Machinery for Locally Produced Goods Supplied Locally Against International Tenders.

It has now been decided that in so far as locally manufactured machinery supplied locally against international tenders is concerned, it would qualify for concessionary finance permissible for export sales at the pre-shipment stage under the State Bank's Scheme for Financing Locally Manufactured Machinery. The term "locally manufactured machinery" should, for this purpose also, be interpreted in a broad sense and should include, besides complete plants and capital goods, engineering goods such as water pumps, tube-wells, oil expellers, refinancing equipment etc., as also consumer durables.

It may be clarified in this connection that the facility will be available for more than 180 days (the maximum period permissible under the Export Finance Scheme) upto a reasonable period, depending on the terms of the contract between the executing agency and the supplier and other relevant documents. The rate of interest applicable would not be more than 2% as prescribed under the Scheme for Financing Locally Manufactured Machinery.

In the event of failure of the supplier to supply the goods to the executing agency within the validity period of the loan or if the bank defaults in passing on the amount received from the supplier towards repayment of the loan within three working days of the receipt of such payment, penal interest will be charged at the scale laid down vide BCD Circular No.8 dated 4th April, 1978.

In the relevant documents to be executed by the supplier/bank, the words "Scheme for Financing Locally Manufactured Machinery", "2% per annum" and "within the validity period of the advance" should be substituted for the words "Export Finance Scheme", "3% per annum" and "within 180 days of the date of the advance" respectively, wherever they appear.

The other relevant terms and conditions laid down in BCD Circular No.4 dated the 26th January, 1982 will apply mutatis mutandis in the case of this facility.

The facility should be extended liberally, provided the terms of the Scheme (viz. Scheme for Financing Locally Manufactured Machinery) are met.

Selective Credit Control.

19
1982

In partial modification of BCD Circular No.24 dated 28th October, 1981, it has been decided to withdraw the minimum margin requirement for opening of letters of credit for the import of Motor-cycles (CKD condition) with immediate effect.

Concessionary Finance Facility Under the Export Finance Scheme and the Scheme for Financing Locally Manufactured Machinery for Local Supplies of Locally Produced Goods Against International Tenders.

20
1982

Please refer to BCD Circulars No.4 and 18 dated the 26th January, 1982 and 18th June, 1982 respectively whereby locally produced goods supplied locally against international tenders have been made eligible for concessionary finance under the Export Finance Scheme and the Scheme for Financing Locally Manufactured Machinery.

It has been represented to us that a system be devised whereby refinance could be extended to the banks after a preliminary check of the documents submitted by them so that the banks do not remain out of funds while detailed scrutiny of the documents is being conducted by the State Bank.

The matter has been considered and it has been decided that State Bank will allow refinance within 24 hours of receipt of a request from a bank on the basis of an under-taking of the bank concerned in the enclosed form, provided all the documents laid down in BCD Circular No.4 dated 26th January, 1982 have been produced and a preliminary check thereof shows that the same are prima facie in order. In case detailed scrutiny of the documents shows that the same contain any deficiencies or defects, the bank concerned will be advised of the same by the State Bank and asked to remove the deficiencies/defects within ten days of the communication from the State Bank in this behalf. In case of the bank's failure to do the needful within the stipulated time, the State Bank will recall the loan by debiting the outstanding amount to the account of the bank with the State Bank and also recover by debit to the said account, penal interest at the rate prescribed vide BCD Circular No.8 dated the 4th April, 1978 on the refinance/loan under advice to the bank. Similarly, in case detailed scrutiny shows that the refinance allowed was in excess of that justified by the relevant documents, the State Bank will immediately recover the amount of excess refinance together with penal interest thereon at the prescribed rate by debit to the account of the bank concerned under advice to it.

On the bank's rectifying the deficiencies/defects to the satisfaction of the State Bank, the refinance will be restored to it on execution of fresh documents and the penal interest already charged refunded. Similarly, in the case of excess refinance recovered from the bank, on the bank's producing satisfactory evidence to justify grant of the same, the amount involved will be re-allowed to the bank on execution of the necessary documents and the penal interest already charged will be refunded.

In order to obviate inconvenience to themselves and their clients, the banks are advised to ensure, while applying for refinance to the State Bank, that all the documents prescribed vide BCD Circular No.4 dated 26-1-1982 are there, that the same are in order and that the refinance applied for is not in excess of that justified by the supplier's schedule of deliveries, his schedule of financial requirements, the terms of the contract between the executing agency and the supplier and the terms of the loan agreement between the international financing agency and the executing agency.

21
1982

It has been decided to enlarge the area of interest-free banking from the 1st July, 1982 as follows:-

**Enlargement of the Area
of Interest-Free
Banking.**

(i) **FINANCING OF WORKING CAPITAL NEEDS OF SELECTED CUSTOMERS IN TRADE AND INDUSTRY ON THE BASIS OF PROFIT AND LOSS SHARING (I.E. "MUSHARIKA"):**

Banks will be free to provide finance for working capital needs of customers in trade and industry on a selective basis on the basis of sharing of profit and loss ("Musharika"). Both the bank and the client will have the option either to extend/avail of finance on PLS basis or on the basis of interest.

A certain proportion of profit in a venture will be payable to the client as management fee. The remaining profit will be distributable between the bank and the client on the basis of their respective funds employed in the venture, calculated on daily product basis. It has been decided to allow complete flexibility, for the time being, to the banks to negotiate with their clients the proportion of the management fee, the sharing ratio of the remaining profit and the weightage, where necessary, to be given to the bank's or the client's funds employed in the venture. However, the sharing ratio of the remaining profit (viz. profit left after payment of management fee) once determined in relation to a venture, will not be alterable.

The proportion of profit payable to the client as management fee (subject to achievement by the client of profit at the

projected level) as well as the sharing ratio of the remaining profit between the bank and the client and the weightage to be given to the funds of the client or those of the bank will be mutually determined on the basis of profit projection given by the client. If the actual profit turns out to be more than the projected, the bank may, at its discretion, enhance the management fee and vice versa. However, the sharing ratio of the remaining profit and the weightage, where necessary, given to the client's or the bank's funds as originally determined shall remain unalterable.

In case of loss, the loss will be borne by the bank and the client strictly in the ratio of their respective funds employed in the venture, calculated on daily product basis.

(ii) FINANCING OF FIXED CAPITAL INVESTMENT NEEDS OF SELECTED INDUSTRIAL CUSTOMERS ON THE BASIS OF LEASING:

Banks will be free to provide finance for fixed capital investment needs to their industrial customers on a selective basis on the basis of leasing. Both the bank and the client will have the option whether to extend/avail of finance on the basis of leasing or on interest basis.

The banks will, for the time being, have complete flexibility in negotiating terms of leasing with their clients.

(iii) FINANCING OF SELECTED CUSTOMERS IN TRADE AND INDUSTRY ON THE BASIS OF HIRE-PURCHASE:

Banks will be free to provide finance for purchase of machinery/equipment/vehicles etc. to their clients in trade and industry on selective basis on the basis of hire-purchase. They will have complete flexibility, for the time being, to negotiate terms of hire-purchase with their clients.

MONITORING OF FINANCE EXTENDED ON THE BASIS OF THE THREE TECHNIQUES REFERRED TO ABOVE:


In order to enable the State Bank to monitor the finance extended on the basis of the three techniques referred to above, the banks will indicate as a foot-note in their weekly statement of position submitted to the State Bank, the outstanding amount of advances extended by them on the basis of the aforesaid techniques in the following manner:-

“Outstanding amount of advances extended on the basis of:

- (a) PLS to selected customers in trade and industry:

- (b) Leasing to selected industrial customers:
- (c) Hire-purchase to selected customers in trade and industry:"

The banks will also submit detailed quarterly returns to the State Bank for which instructions are being issued separately.

 Please refer to BCD Circular No.7 dated the 28th April, 1975, advising increase in the limit of Small Loans from Rs.75,000/- to Rs.100,000/- under the captioned Scheme and BCD Circular No.11 dated the 18th August, 1979, redefining "Small Loans" for industry.

**Small Loans Scheme for
Businessmen and
Industrialists.**

The following amendments have been made in the Scheme with immediate effect:-

(a) **SMALL LOANS FOR BUSINESS:**

The limit of Small Loans for business purposes has been enhanced from Rs.100,000/- to Rs.200,000/-.


(b) **SMALL LOANS FOR INDUSTRY:**

Industries with fixed assets (excluding land and buildings) the original value of which does not exceed Rs.5,000,000/- (instead of Rs.3,000,000/- as heretofore) will qualify for Small Loans.

Consequently, the definition of Small Loans given in the first paragraph of item I of the Scheme Circulated vide BCD Circular No.27 dated the 20th November, 1972, may be amended to read as follows:

"Loans and advances, including bills purchased and discounted, given by any bank for business purposes, not exceeding Rs.two hundred thousand per borrower, including those to dependent members of his family, would be treated as 'Small Loans' under this Scheme. Similarly loans and advances given to industrial units, including cottage industries, which have fixed assets (excluding land and buildings) the original value of which does not exceed Rs.five million, would be treated as 'Small Loans'."

The above definitions will apply for the purposes of both loans under the Small Loans Scheme and the Mandatory Credit Targets.

 Please refer to BCD Circular No.19 dated the 29th June, 1982 in terms of which the import of Motor Cycle (CKD Condition) has been exempted from minimum import letter of credit margin requirement.

Selective Credit Control.

In this connection it is clarified that for the purpose of letter of credit margin, the term 'motor cycles' is intended to include 'motor Scooters'.

It is further clarified that the exemption referred to above (viz. for Motor Cycles/Scooters in CKD Condition) will be available to those firms only who have been given sanction by the Ministry of Commerce for progressive manufacture under deletion programme.

Export Finance Scheme.

24
1982

Please refer to the captioned Scheme circulated to banks vide BCD Circular No.29 dated 11th October, 1977, as amended from time to time.

It has now been decided by the Government of Pakistan that all exports (not covered by L/Cs) made on post-shipment credit under Part-I of the Export Finance Scheme should be compulsorily brought within the purview of the Export Credit Guarantee Scheme. Accordingly, as from the 15th August, 1982, the banks should keep the following instructions also in view while allowing post-shipment credit under Part-I of the Scheme against credit sales in cases where there is no sight or usance letter of credit covering the export:

(i) Cases where only post-shipment credit is needed:

Before allowing post-shipment credit, banks should require the exporter to produce insurance cover under the Export Credit Guarantee Scheme (managed by the Pakistan Insurance Corporation) covering the export, a photostat copy of which, duly certified by concerned bank, will be furnished to the respective office of the State Bank alongwith the application in form 'EB' for obtaining refinance. Where such cover is not produced, concessionary post-shipment export finance should not be allowed.

(ii) Cases where post-shipment credit is involved by way of conversion of pre-shipment credit already allowed:

Where concessionary credit has already been allowed by way of pre-shipment credit and is to be converted into post-shipment credit on shipment of goods, the conversion should be allowed only on production by the exporter of the required insurance cover referred to above at the time of purchase/discounting/acceptance on collection basis of the documents. A certified photostat copy of the insurance cover should be submitted to the concerned office of the State Bank at the time of repayment of the refinance loan. Where such cover is not produced, the conversion should not be allowed and the pre-shipment credit should be recovered immediately and the refinance obtained from the State Bank repaid promptly. However, if the cover is subsequently produced, post-shipment

credit for the remaining usance period or upto a period equal to 180 days less the period for which pre-shipment credit was availed of, whichever is less, may be allowed against which the State Bank will allow refinance for the same period on execution of fresh documents and production of a certified photostat copy of the ECGS cover.

In the case of exports on the basis of credit sales covered by confirmed and irrevocable letters of credit, whether on sight or usance basis, it would not be necessary for the exporter to produce ECGS cover for availment of post-shipment credit.

It has also been decided that at the time of repayment of an export refinance loan obtained under Part-I of the Scheme, the bank, while furnishing specific debit authority to the concerned office of the State Bank for the outstanding amount of the loan, shall also furnish all relevant information to it as per enclosed proforma. A separate proforma should be submitted for each refinance loan.

The following new clause may be inserted in the agreement (Form EA) laid down vide para 2 of the Export Finance Scheme. The banks should immediately furnish, the concerned State Bank Office with fresh agreement containing the new clause:-

“(16A) We undertake to produce to you, in cases of post-shipment export finance extended by us where the export has been made on credit sale basis without a covering sight or usance confirmed and irrevocable letter of credit, a photostat copy, duly certified by us, of the insurance cover obtained by the exporter under the Export Credit Guarantee Scheme covering the export, and in the event of our failure to do so, you shall have the right to recover from us penal interest at 6% above Bank Rate per annum by debit to our accounts now had or which may be had hereafter with you or by adjusting or setting off the same against any amount due from you to us howsoever”.

*Enclosure to BCD Circular No.24
dated 20-7-1982*

Name of the Bank
Branch
No. date

The Chief Manager,
State Bank of Pakistan,
.....

Dear Sir,

EXPORT FINANCE SCHEME, PART-I

We authorise you to debit our account with you with a sum of Rs. (Rupees) towards repayment of

the demand loan availed of by us under Part-I of the above noted Scheme as under:-

Loan No. & date	Name of Exporter	Commodity Exported	Value of Export	Date of Shipment Ship- Negotiation	Amount repaid by the borrower	Date of repayment by the borrower	Penal interest if any recovered from the exporter and date of its recovery
-----------------	------------------	--------------------	-----------------	------------------------------------	-------------------------------	-----------------------------------	--

Photostat copies of the shipping documents, duly certified by us, are enclosed.

We also furnish below further information relating to the export covering the loan:-

- (i) Whether the export was covered by L.C?
- (ii) In case initially, pre-shipment export credit was allowed, the date on which the pre-shipment credit was converted into post-shipment credit.
- (iii) Was the export made on the basis of credit sale without sight or usance confirmed and irrevocable letter of credit?
- (iv) If answer to item No.(iii) above is in the affirmative, whether insurance cover under ECGS was obtained?
- (v) **Particulars of the covering LC/ECGS Cover, if any:**

No. Date Amount

- (a) **Letter of credit.**
- (b) **ECGS cover.**

Certified photostat copy of the letter of Credit ECGS cover referred to above is enclosed.

**Yours faithfully,
(Authorised Signature of the Bank)**

***Strike out whichever is not applicable.**

25
1982

Please refer to BCD Circular No.18 dated the 8th August, 1978, containing a list of purposes medium and long-term loans granted for which purposes are to be treated as fixed agricultural investment qualifying for concessionary rate of interest of not more than 11% per annum.

Fixed Agricultural Investment.

It has been decided that medium/long-term loans and advances for construction of cold storages, godowns, and bins for preservation/storage of agricultural produce, sea-food and meat should, with immediate effect, be treated as fixed agricultural investment. Accordingly, banks will not charge interest at a rate higher than 11% on the said loans and advances.

In the BCD Circular referred to above, under the head "B. Non-Farm Credit" the following item may be added at the end:-

"V. Storage:

Construction of cold storages, godowns and bins for preservation/storage of agricultural produce, sea-food and meat."

26
1982

A question has arisen whether concessionary credit under the Export Finance Scheme and the Scheme for Financing Locally Manufactured Machinery would be available for exports from the Tariff Area of Pakistan to the Export Processing Zones set up in Pakistan.

Export Finance Facility Under the Export Finance Scheme and the Scheme for Financing Locally Manufactured Machinery.

According to sub-section (5) of Section 11 of the Export Processing Zones Authority Rules, 1981, imports into the Export Processing Zones from the Tariff Area of Pakistan shall be deemed to be exports from Pakistan and according to sub-section (4) of Section 11 *ibid*, all imports into the Zones shall be paid for out of the importer's own foreign exchange resources abroad without involving, either directly or indirectly, Pakistan resources. It has, therefore, been decided that all exports from the Tariff Area of Pakistan to an Export Processing Zone in Pakistan, which will be subject to the normal export procedure, will be treated as exports from Pakistan, provided they otherwise qualify for export finance, and the exporters will be entitled to concessionary export finance under the said Schemes on production/execution of documents prescribed under the aforesaid Schemes. The banks would also be entitled to refinance facility from the State Bank in such cases in the usual manner.

27
1982

It has been represented to us that owing to the international economic situation, exports of carpets and rugs and leather and leather products from Pakistan continue to be adversely affected and the exporters of these commodities are still facing serious difficulties in realisation

Export Finance Scheme.

of export proceeds etc. With a view to helping these exporters over-come these difficulties, it has been decided to allow to them the following relaxations vis-a-vis the provisions of the Export Finance Scheme:-

- (i) In the case of export finance availed of under Part-I of the Export Finance Scheme for exports of carpets and rugs and leather and leather products, a total period of upto 270 days (at pre-shipment stage and/or post-shipment stage) may be allowed for repayment, provided shipments are made during the financial year 1982-83 within a period of 180 days after the drawal of the advance.

- (ii) Under Part-II of the Scheme, the two monitoring periods July-December, 1982 and January-June, 1983 may be combined in the case of exports of carpets and rugs and leather and leather products. In other words, the whole financial year 1982-83 would constitute a single monitoring period in the case of exports of the aforesaid commodities. In so far as export performance is concerned, the exporters of the said commodities will be required to make exports of a value equal to twice their average daily borrowings during the combined monitoring period (July, 1982 to June, 1983) as against the normal requirement of thrice the average daily borrowings. For the above purpose, the daily products of borrowings will be compared with the products of export receipts during the combined monitoring period which shall be arrived at by multiplying the amount of export proceeds realised during the period by 180. If there is any short-fall in the receipts, penalty at the prescribed rate shall be recovered from the exporters. In order to make this clearer, illustrations are given in the Annexure.

It may please be noted that the banks will have to submit duplicate copy of form 'EF' duly verified by the Exchange Control Department within 50 days of the close of the combined monitoring period July, 1982 to June, 1983, i.e. by the 20th August, 1983, in terms of the instructions contained in BCD Circular No.14 dated the 8th June, 1981. If this is not done in any case, it will be deemed that matching exports have not been made and the concerned office of the State Bank shall recover penal interest at the prescribed rate by debit to the account of the respective bank. In case the bank subsequently produces duplicate copy of 'EF' form duly verified by the Exchange Control Department, the Chief Manager's Office shall refund the penalty to the extent due on the basis of the entries verified by the Exchange Control Department.

ANNEXURE to BCD Circular No.27 dated 4th August, 1982

EXPORT PERFORMANCE FOR THE LAST YEAR RS.180,000/-
Limit sanctioned at 33½% of the last year's export earnings
under Part-II of the scheme: Rs.60,000/-

1st Example

Date	Debit Balance	Export proceeds realised during the monitoring period
2-7-1982	Rs. 60,000/-	Rs. 88,000/-
6-8-1982	Rs. 40,000/-	
10-9-1982	Rs. 20,000/-	
8-10-1982	Nil	
10-10-1982	Rs. 30,000/-	
9-11-1982	Rs. 60,000/-	
29-11-1982	Rs. 40,000/-	
30-12-1982	Rs. 50,000/-	
26-2-1983	Rs. 40,000/-	
29-3-1983	Rs. 60,000/-	
24-4-1983	Rs. 30,000/-	
31-5-1983	Rs. 50,000/-	
29-6-1983	Nil	

(A) Total of daily products of borrowings = 15,660,000

(B) Products of export proceeds realised (88,000x180) = 15,840,000

Since 'B' is greater than 'A' the question of realisation of penal interest does not arise.

2nd Example:

Date	Debit Balance	Export proceeds realised during the monitoring period
2-7-1982	Rs. 60,000/-	Rs. 90,000/-
10-8-1982	Rs. 50,000/-	
15-9-1982	Rs. 40,000/-	
20-10-1982	Rs. 30,000/-	
15-11-1982	Rs. 60,000/-	
28-12-1982	Rs. 20,000/-	
6-1-1983	Nil	
10-1-1983	Rs. 60,000/-	
11-2-1983	Rs. 50,000/-	
16-3-1983	Rs. 40,000/-	
25-4-1983	Rs. 60,000/-	
29-5-1983	Rs. 30,000/-	
29-6-1983	Rs. 50,000/-	

(A) Total of daily products of borrowings	=	17,320,000
(B) Products of export proceeds realised (90,000x180)	=	16,200,000
Shortfall ('A'- 'B')	=	1,120,000/-

Penal interest will be levied e on the above shortfall i.e. 1,120,000/-.

N.B: If the number of days for which an exporter availed of credit during the above monitoring period exceeds 360 days, the excess number of days will be divided by 2 and the resultant figure rounded off to the nearest whole number (treating half number as whole number) which may be added to the multiplier of 180 for working out the products of export proceeds.

Export Finance Scheme.

28
1982

Please refer to BCD Circular No.29 dated the 11th October, 1977 with which a copy of the Export Finance Scheme was sent to the banks.

It has been observed that the banks do not submit quarterly statement in form 'ED' in terms of para 7 of the Scheme within a reasonable time with the result that verification of the exports against refinance availed of under Part-I of the Scheme remains pending for a long period. It has, therefore, been decided that the aforesaid quarterly statement should reach the respective Chief Manager's Office of the State Bank positively by the 20th of the month succeeding the quarter to which it relates. Remarks to this effect may be made against para 7 of all copies of the Scheme in your possession.

Interest Rates on Deposits.

29
1982

Please refer to para 4 of BCD Circular No.12 dated the 7th June, 1977 prohibiting the banks from reducing the minimum rates of interest prescribed in the said circular by making deductions from interest payable to depositors, or otherwise, for offering cash prizes or other benefits to the depositors directly or indirectly.

It is advised that the banks are also not permitted to offer cash prizes or other benefits to the depositors, directly or indirectly, even without reducing the minimum rates of interest on deposits prescribed by the State Bank unless specific prior permission is obtained from the State Bank. Remarks to this effect may be made on all copies of the above BCD Circular in your possession.

Export Finance Scheme.

30
1982

Please refer to BCD Circular No.24 dated the 20th July, 1982 on the above-noted subject.

As the Pakistan Insurance Corporation have not yet finalised

arrangements for issue of ECGS covers for cases of the type referred to in para 2 of the above-quoted BCD Circular, it has been decided that the instructions contained in that circular will be effective from the 15th September, 1982 instead of the 15th August, 1982 as advised earlier. In other words, till the 14th of September, 1982, ECGS cover will not be necessary for grant of post-shipment finance in cases of the type mentioned above.

Suitable remarks may be made on all copies of the above circular in your possession.

31
1982

Please refer to BCD Circular No. 4 dated the 28th February, 1978 on the above noted subject.

**Export Finance
Scheme—Post-
Shipment Finance.**

As the banks might be aware, Saudi-Pakistan Commercial Centre has started functioning at Jeddah. The Centre has been established for the expansion of trade and economic co-operation between Pakistan and Saudi Arabia. The Centre will act as agent of Pakistani exporters for sale of goods exported from Pakistan. A copy of the Memorandum of Agreement between the Government of Pakistan and M/s. Hottaimi Bin Nehar Jeddah for establishment of the Centre its maintenance and trade by M/s. Hottaimi Bin Nehar with Pakistani exporters appears at annexure 'A'.

It has been decided that banks will allow export finance under Part-I of the Export Finance Scheme against exports made to the aforesaid Centre on consignment sale basis without production of a firm export order or a confirmed and irrevocable letter of credit as required under the Scheme, subject to the following conditions and fulfilment of the relevant terms and conditions of the Export Finance Scheme:

- (i) The facility will be available by way of post-shipment credit only.
- (ii) Each application for post-shipment export finance should be recommended by the Export Promotion Bureau and supported by a photostat copy of the agreement entered into between the Pakistani exporter applying for export finance and M/s. Hottaimi Bin Nehar, Jeddah for handling of the goods to be sent by the exporter to the Centre on consignment sale basis (c.f. clause 16 of the Memorandum of Agreement referred to above).
- (iii) The export finance will be allowed for a maximum period of 180 days as admissible under the Scheme. The borrower will have to liquidate the loan within the aforesaid period by repatriation of export proceeds, failing which he will be liable to pay penal interest at the prescribed rate. However, if the borrower subsequently repatriates export proceeds, the concerned Chief Manager's Office of the State Bank would, on representation being made by the borrower through his bank,

allow refund of the penal interest already charged less penal interest for the period of the delay.

The undertaking to be obtained from the exporter should be in the form as per annexure 'B'.

The banks, while furnishing specific debit authority at the time of repayment of the outstanding amount of a refinance loan to the concerned Chief Manager's office of the State Bank, shall also furnish all relevant information to it in the form as per annexure 'C'. As would be observed from the form, the banks will be under obligation to produce to the Chief Manager's office export proceeds realisation certificate (s) duly verified by the Exchange Control Department as proof of repatriation of export proceeds, within 40 days of the close of the month in the return relating to which the repatriation is required to be reported, failing which it will be deemed that export proceeds have not been repatriated and penal interest at 6% per annum above Bankrate will be recovered by the Chief Manager's office from the bank. In case proceeds realisation certificate, duly verified by the Exchange Control Department, is produced subsequently, the Chief Manager's office will refund penal interest proportionate to the amount repatriated.

Banks are advised to allow export finance liberally against exports to the Centre on consignment sale basis, subject to fulfilment of the above terms and conditions.

*ANNEXURE 'A' to BCD Circular No.31
dated 28th August, 1982*

COPY OF MEMORANDUM OF AGREEMENT BETWEEN

**THE PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN
THROUGH EXPORT PROMOTION BUREAU GOVERNMENT OF
PAKISTAN (EXPORT PROMOTION BUREAU) OF THE ONE PART.
AND
MESSERS HOTTAIMI BIN NEHAR EST. P.O. BOX 4983 JEDDAH
(SAUDI ARABIA), (HOTTAIMI) OF THE OTHER PART.**

Regarding: 1. Establishment of a Display Centre at Jeddah.
2. Maintenance of Display Centre, and
3. Trade by Hottaimi with Pakistan Exporters.

Hottaimi shall collaborate with Export Promotion Bureau in the establishment of a Display and Trade Centre at Jeddah.

Hottaimi shall build a befitting structure for the Display and Trade Centre on their own land, admeasuring about 3,000 square meters of

thereabout at the main Shahra-e-Sitteen at their own exclusive costs. In the meantime alternate arrangements for display and storage of goods have already been made near Jeddah Tower.

The building of the Display and Trade Centre shall be called the "Saudi-Pakistan Commercial Centre" which shall consist of two main portions "Display Centre and Trade Centre" hereinafter collectively referred to the "Centre".

Hottaimi shall arrange construction of the Display Centre on an area of 750 square meters and the Trade Centre including offices, Conference Room, etc. on an area of about 200 square meters, all at their own cost and will provide transportation, legal coverage and other infrastructural facilities including telephone, telex, etc., required for setting up and functioning of the Centre.

Hottaimi shall provide for use of the Display/Trade Centre at least 500 square meters of ware-housing space and also construct, at their own cost, the ancillary buildings required for the amenities such as Pakistani-style Restaurant, Visiting Businessmen's Offices, mini super Market, etc. for the benefit of the Centre.

The internal arrangements and set up and the front decoration of the Display Centre will be the responsibility of the EPB who will bear all the costs for the same. EPB shall at its own cost staff the Display Centre and shall be responsible for their employment, remuneration and discipline. Hottaimi shall, however, assist in procurement of requisits Visas for the staff members of the Display Centre as are sent from Pakistan for work at the Centre.

EPB shall endeavour to see that the Commercial Section of the Pakistan Embassy, Jeddah, provides all possible assistance to Hottaimi in the successful running of the Centre and the Commercial Secretary will assist in the establishment of the Centre with such non-pecuniary help as can be afforded or made available.

Hottaimi shall provide all possible assistance to the Commercial Section of the Embassy of Pakistan for its trade promotion measures, etc., and make its infrastructural facilities available for this purpose.

Hottaimi shall appoint a Senior Representative in Pakistan to look after their interest and coordinate affairs on their behalf in Pakistan. To start with EPB shall at Hottaimi's cost provide a nucleus office and necessary facilities for the effective functioning of the Centre's representative.

EPB shall help and facilitate in setting up of fullfledged liaison/Purchase/Export/Inspection Office of the Centre in Pakistan with sub-offices as and when required and its proper furnishing and equipment including transportation facilities for its effective and efficient functioning. All the

costs to be incurred shall be borne by the Centre in convertible currency.

EPB shall from time to time, import training facilities to the Trade Centre's Staff in Pakistan or through international agencies for their orientation and for the effective and efficient functioning of the Centre.

EPB shall endeavour that Pakistan's public sector agencies, state enterprises, Government Corporation etc., appoint the Centre as their Agent for Saudi Arabia, as far as possible. Other terms and conditions being equal, first preference by such agencies will be given to the Centre. There is, however, no commitment on the part of the Government of Pakistan for this purpose and such will depend on the services and facilities of the Centre.

EPB undertakes not to open any Display/Commercial Centre/Show Room at Jeddah, during the validity of this agreement which will be for an initial period of 15 years extendable by mutual agreement for another period of 5 years.

Hottaimi shall not enter into agreement for a similar Centre with any other country.

Hottaimi shall arrange adequate insurance cover of the building of the Centre and goods of Pakistani exporters therein against fire, burglary, etc., at their own cost.

Hottaimi shall enter into agreement with Pakistani exporters for acting as their agents for handling of their goods for which separate contract will be concluded between Hottaimi and the exporters.

Hottaimi shall maintain full and true accounts of the consignment received and sold by them and render a statement thereof to the consigner according to normal business practices.

Hottaimi shall be responsible for clearance of the goods, transporting and storing them in the Centre's warehouses. The charges for clearing, handling and transportation will be charged at the rate of 3% of the landed cost of the goods.

The actual custom duty will be paid by Hottaimi on account of the exporters and will be deducted from their sale proceeds.

Hottaimi will remit immediately proceeds received from sale of the consignment after deducting the agreed charges.

Hottaimi will further charge 5% commission for rendering all the above mentioned services on the price of goods which are sold at their end.

This Agreement may be terminated by either side giving to the other a notice of six Georgian Calendar months.

Nothing herein contained shall be construed as involving EPB's participation in the Scheme agreed to herein being the projection and popularization of Pakistani products and promotion of their sale in Saudi Arabia.

Any dispute arising out of this agreement shall be referred to arbitration under Pakistan Arbitration Act and the decision of the arbitration shall be final and binding on both the parties.

For and on behalf of
President of the Islamic
Republic of Pakistan.

Sd/-
(HAMID D. HABIB)
Advisor to the President of Pakistan
for Foreign Trade and
Chairman
Export Promotion Bureau
Government of Pakistan
Karachi

Sd/-
Mr. Hottaimi Bin Nehar

WITNESSES:

1. Sd/-
2. Sd/-

*ANNEXURE 'B' to BCD Circular No.31
dated 28th August, 1982
(To be stamped)*

**UNDERTAKING AGAINST POST-SHIPMENT EXPORT
FINANCE UNDER PART I OF EXPORT FINANCE SCHEME FOR
EXPORT (S) TO SAUDI-PAKISTAN COMMERCIAL CENTRE,
JEDDAH ON CONSIGNMENT SALE BASIS**

The Manager,

.....(Branch),

.....(Bank),

Dear Sir,

We do hereby certify and confirm that a post-shipment advance of
Rs..... has been allowed to us by you on

under Part I of the Export Finance Scheme of the State Bank of Pakistan with interest at 3% per annum.

We further confirm that the aforesaid advance has been obtained by us against the following export (s) made by us on consignment sale basis to Saudi-Pakistan Commercial Centre, Jeddah:-

Sr. No. & date	Date of	Amount in Shipment	'E' Form	Commo-
No. E.P.B's	Agreement	foreign	No.	di-ty expor-
letter	executed	currency		ted
containing with M/s.	Hottaimi			
their re-	Bin Nehar			
commend-	Jeddah for			
ation for	the export			
grant of	(s)			
the				
advance.				

The E.P.B.'s above-mentioned letter in original, together with a photostat copy of the agreement referred to above, is enclosed.

We hereby confirm and agree that in the event of our failure to realise the export proceeds of the above export (s) within 180 days from the date of the advance, you have our irrevocable authority to charge us and debit our account with you with interest at 6% per annum above the Bank Rate on the amount of the advance availed of less amount repaid out of export proceeds, if any, repatriated. We certify and confirm that we have not borrowed against the above export (s) any amount from any other bank.

We do hereby further confirm and undertake that the proceeds in respect of the aforesaid export (s) will be realised through your branch and appropriated immediately on realisation towards the aforesaid advance allowed by you to us.

Signature verified.
ter

Authorised signature of the Exporter

Bank's authorised signature.

*ANNEXURE 'C' to BCD Circular No.31
dated 28th August, 1982*

Name of the Bank
Branch
No. date

The Chief Manager,
State Bank of Pakistan,
.....

Dear Sir,

**EXPORT FINANCE SCHEME, PART-I-POST-SHIPMENT FINANCE
AGAINST EXPORTS MADE TO SAUDI-PAKISTAN COMMERCIAL
CENTRE, JEDDAH ON CONSIGNMENT SALE BASIS**

We authorise you to debit our account with you with a sum of
Rs. (Rupees)
towards repayment of the demand loan availed of by us from you under
Part-I of the above noted Scheme against the following export (s) on con-
signment sale basis:-

Loan No. & date	Name of Exporter	Commodity exported	Value of Export	Date of Shipment	Export proceeds already realised, if any Date Amount
--------------------	---------------------	-----------------------	--------------------	---------------------	---

Repayment made by the borrower	Penal interest, if any, recovered from the borrower	Office of State Bank to which realisation reported/will be reported.	Monthly return in which realisation reported/will be reported to SBP
-----------------------------------	--	--	---

Date	Amount	Amount Date of recovery	reported to SBP
------	--------	----------------------------	-----------------

As proof of repatriation of the export proceeds, we undertake to pro-
duce to you export proceeds realisation certificate (s), duly verified by
E.C.D., within 40 days of the close of the month in the return relating to
which the realisation is required to be reported. In case we fail to do so,
you shall have the right to recover from us, by debit to our account with
you, penal interest on the amount of the refinance loan at 6% above Bank
Rate.

Yours faithfully,

(Authorised Signature of the Bank)

Selective Credit Control.

32
1982

Please refer to BCD Circulars No. 19 dated the 29th June, 1982 and No. 23 dated the 10th July, 1982 in terms of which exemption from minimum letter of credit margin requirement on the import of motor cycles/scooters (CKD condition) has been allowed to those firms who have been given sanction by the Ministry of Commerce for progressive manufacture under deletion programme.

It has since been decided that the above exemption will also be available on the import of auto-rickshaws-three-wheelers (CKD condition) to those firms who have been given sanction for progressive manufacture under deletion programme.

**Monitoring of Finances
Extended on the Basis of
Profit and Loss—
Sharing (“Musharika”),
Leasing and Hire-
Purchase.**

33
1982

A reference is invited to the second sub-para of para 2 of BCD Circular No. 21 dated the 30th June, 1982 on the subject of enlargement of the area of interest-free banking. In order to enable the State Bank to monitor finances extended on the basis of the three techniques mentioned above thrown open to the banks and their clients on optional basis as from 1st July, 1982, it has been decided that the banks will submit detailed quarterly returns to the State Bank in the proformae as per annexures ‘A’, ‘B’, ‘C’ and ‘D’. These proformae are explained below:-

(i) PROFORMA AS PER ANNEXURE ‘A’

The main purpose of this proforma is to get information in respect of individual finances of Rs.10 million and above extended by banks for working capital needs of trade and industry on the basis of profit and loss-sharing (“Musharika”) and the projected profit thereon. Besides giving information in respect of individual finances as aforesaid, the proforma should give the total number and total amount in the cases of finances of less than Rs. 10 million as well as the grand total and aggregate amount of all finances extended for the purpose mentioned above. Under Column 7 of the proforma, the projected profit on the venture should be indicated in terms of annual percentage of the total funds of the bank and the client envisaged for the venture. Under column 11, the extent of weightage, if any, agreed to be given to the Bank’s or client’s funds should be indicated in percentage terms and under column 12 it should be indicated whether the weightage is to be given to the funds of the bank or those of the client. For example, if in the case of venture, the bank and the client have mutually agreed to give 50% weightage to the funds of the client, then “50%” should be indicated under column 11 and “client” under column 12. Under column 13, the projected return on the bank’s funds should be indicated in annual percentage terms. The remaining columns of the proforma are self-explanatory.

(ii) PROFORMA AS PER ANNEXURE 'B'

The purpose of the proforma as per Annexure 'B' is to get information in respect of actual return received or loss incurred by banks on finances of Rs.10 million and above extended by them on the basis of profit and loss-sharing ("Musharika") for working capital needs of trade and industry as compared to the return that had been projected at the time when the finances were extended. The various columns of proforma are self-explanatory.

(iii) PROFORMA AS PER ANNEXURE 'C'

The purpose of the proforma as per Annexure 'C' is to obtain information in respect of the range of the lease periods allowed, administrative cost included in the lease money as annual percentage of the bank's finance and the range of the bank's profits included in the lease money in the case of finances extended by banks for fixed investment needs of industrial customers on the basis of leasing. Columns 5 and 6 of the proforma should indicate the range of the lease periods and columns 8 and 9 the range of the bank's profits included in the lease money. For example, if a bank has extended finances to five parties in a quarter and the lease period in the case of the first party is 8 years, in the case of the second 6 years, in the case of the third 10 years, in the case of the fourth 7 years and in the case of the fifth 8 years, under column 5 should be indicated "6 years" and under column 6 "10 years". Similarly, if the bank's profit included in the lease money payable by the aforesaid parties (as annual percentage on the bank's finance) is 9% in the case of the first party, 10% in the case of the second party, 7% in the case of the third party, 9% in the case of the fourth party and 11% in the case of fifth party, under column 8 should be indicated "7%" and under column 9 "11%". The other columns are self-explanatory.

(iv) PROFORMA AS PER ANNEXURE 'D'

The purpose of the proforma as per Annexure 'D' is to obtain information in respect of the range of the hire periods allowed, administrative cost included in the hire as annual percentage of the bank's finance and the range of the bank's profits included in the hire in the case of finances extended by banks to trade and industry on the basis of hire-purchase. Columns 5 and 6 of the proforma should indicate the range of the hire periods and columns 8 and 9 the range of the bank's profits included in the hire. For example, if a bank has extended finances to five parties in a quarter and the hire period in the case of the first is 3 years, in the case of the second 4 years, in

the case of the third 5 years, in the case of the fourth 3 years and in the case of the fifth 4 years, under column 5 should be shown "3 years" and under column 6 "5 years". Similarly, if the bank's profit included in the hire payable by the aforesaid parties (as annual percentage on the bank's finance) is 13% in the case of the first party, 12% in the case of the second party, 15% in the case of the third party, 14% in the case of the fourth party and 14% in the case of the fifth party, under column 8 should be indicated "12%" and under column 9 "15%". The other columns are self-explanatory.

The above returns, accompanied by a covering letter, should reach this Department by the 15th of the month succeeding the quarter to which the same relate. The first set of returns, which would be for the quarter ending 30th September, 1982, should reach this Department by the 15th October, 1982. It would also be necessary to send nil returns (under a covering letter).

ECGS Covers on Exports (Not Covered by L/Cs) Made on Post-shipment Credit Under Part-I of the Export Finance Scheme.



Please refer to BCD Circular No. 30 dated the 10th August, 1982 regarding the above.

It has been decided that the effective date of the instructions contained in BCD Circular No. 24 dated the 20th July, 1982 shall be 1st January, 1983 instead of 15th September, 1982 as advised in BCD Circular No. 30 dated the 10th August, 1982. In other words, till the 31st December, 1982 ECGS cover will not be compulsory for grant of post-shipment finance in cases of the type referred to in para 2 of BCD Circular No. 24 dated the 20th July, 1982.

Suitable remarks may be made on all copies of the above circulars in your possession.

A copy of the Press Note No. 5 (2)/81 (PIC) Ins.III (Vol.II) dated the 9th September, 1982 issued by the Ministry of Commerce, Government of Pakistan is enclosed for information of the banks.

**No.5(2)/81 (PIC)-Ins.III (Vol.II)
Government of Pakistan
Ministry of Commerce**

Islamabad, the 9th Sept., 1982.

PRESS NOTE

Government has decided that all exports made on Post Shipment Credit from Part I of the Export Finance Scheme should be compulsory brought within the purview of Export Credits Guarantee Scheme making it obligatory for the concerned Exporters to take ECGS cover from Pakis-

tan Insurance Corporation. The effective date for such compulsory cover was announced by the State Bank of Pakistan as 15th of September, 1982. However, on representation of the Exporters to make the procedure simple and convenient for acquiring the requisite cover it has been decided that the effective date shall now be 1st January, 1983 instead of 15th September, 1982. Meantime the Exporters who wish to avail such cover on voluntary basis may continue to do so by making proposals to the ECGS Department of Pakistan Insurance Corporation at Shafi Court, 2nd Floor, Mereweather Road, P.O.Box No. 3953, Karachi-4 (Phone 510440, 516840, 516849 and 516971-3).

Sd/-
(Abdul Khaliq Awan)
Deputy Secretary to the
Government of Pakistan.

35
1982

In view of the floating rate of exchange of Pak Rupee, it has been decided that for the purposes of both monitoring realisation of export proceeds as well as imposition of penalty under the Export Finance Scheme, the rupee equivalent of foreign currency realised would be taken into consideration. Where, however, the shortfall in realisation of export proceeds is due to appreciation of the Rupee vis-a-vis the foreign currency in which the bill of exchange has been drawn, since the date of grant of export finance no penalty would be charged and the exporter would be allowed to make up the shortfall out of his own resources.

Export Finance Scheme.

36
1982

The question of investment of surplus PLS funds which a bank may not be in a position to invest readily into assets so far selected for investment of PLS deposits has been considered in the State Bank. It has been decided that a bank having such surplus funds would be free to place the same with another bank (receiving deposits on the basis of participation in profit and loss) on call on PLS basis. The latter bank shall invest such funds only in avenues free of interest as laid down in sub-section (3) of section 26A of the Banking Companies Ordinance, 1962. The borrowing bank will pay return to the lending bank six-monthly (for the six months' periods January to June and July to December) at a rate slightly higher than that determined for its PLS savings bank deposits for the relevant period.

**Interest-Free Banking—
Placement of Surplus
Liquidity in PLS
Operations on Call with
Other Banks.**

While computing the private sector credit of the lending/borrowing bank, the amount of the call deposits on PLS basis will be given the same treatment as is given to interest-based call money.

We would, however, like to emphasise that banks receiving deposits on PLS basis should move over faster to financing on lease, hire-purchase and PLS bases so that instead of lending their surplus PLS funds to other banks on call, they are in a position to invest the same themselves.

**Interest Free Banking—
Assets Selected for the
First Phase.**

37
198

Please refer to BCD Circular No. 26 dated the 24th December, 1980 on the above subject. Enquiries are being received by us from banks as to whether they can also invest their PLS deposits in Modaraba Certificates. It is clarified that banks can invest their PLS deposits in Modaraba Certificates under clause (a) of sub-section (1) of Section 7 of the Banking Companies Ordinance, 1962. The words "Modaraba Certificates" may, therefore, be added after the words "Participation Term Certificates" in item (iii) of para 1 of the BCD Circular referred to above.

**Fixed Agricultural
Investment.**

38
1982

Please refer to BCD Circular No. 18 dated the 8th August, 1978 as amended by BCD Circular No. 25 dated the 27th July, 1982 on the above subject.

It has been decided that medium/long-term loans and advances for the following purposes shall also be treated as fixed agricultural investment:-

- (i) Camels if purchased for agricultural use.
- (ii) Tobacco curing implements (for NWFP only).
- (iii) Power tillers and knapsack sprayers.
- (iv) Purchase of trucks, bullock carts, transport machinery, country boats, fork lifts, etc.
- (v) Purchase of fattening animals, goat/sheep.

The list contained in our BCD Circular No. 18 dated the 8th August, 1978 may be amended as under so as to add the above items therein:-

Item No.	Item as at present	May be amended to read as:
A. Farm Credit:		
4(a)	Bullocks.	Bullocks and camels if purchased for agricultural use.
4(d)	Other agricultural equipments.	Other agricultural equipments, including power tillers and knapsack sprayers.
4(e)	(New item to be added)	Tobacco curing implements (for NWFP only).
11	(New item to be added)	Purchase of trucks, bullock carts, transport machinery, country boats, fork lifts etc.
B. Non-Farm Credit:		
I(3)	Purchase of milch animals.	Purchase of fattening animals, goat/sheep and milch animals.

Please refer to BCD Circular No. 35 dated the 22nd December, 1977 on the captioned subject.

It has been represented to us by trade circles that they have to pay heavy discount on negotiation (by way of discounting) of their bills relating to their exports made on usance basis under confirmed and irrevocable letters of credit. They have pleaded that in case an exporter does not wish to get such a bill discounted with his banker at the time of negotiation in order to avoid heavy discount, he may be allowed to account for his exports for determination of his borrowing entitlement as also for measuring his export performance at the end of each monitoring period under Part II of the Export Finance Scheme.

In view of the above representation, it has been decided that as from the monitoring period that has commenced from 1st July, 1982, in cases of exports against usance bills drawn under confirmed and irrevocable letters of credit without reserve, where the exporter does not choose to get the bill discounted, the date of shipment would form the basis for determination of export performance during the relevant financial year on which the borrowing entitlement under Part II of the Export Finance Scheme is to be based. Similarly, for monitoring the performance at the end of each monitoring period in such cases, the date of shipment would form the basis. However, in cases of exports without a covering letter of credit or if there is covering letter of credit but the negotiation is under reserve, the date of actual realisation of export proceeds would continue to be the basis for determining the export performance for the purposes of both borrowing entitlement and monitoring at the end of each monitoring period.

In view of the above decision, forms "EE" and "EF" have been revised and the revised proformae of the forms are enclosed which would be applicable with immediate effect. Columns 1 to 5 of the Forms "EE" and "EF" will be completed by the exporter and columns 6 to 11 by the Authorised Dealer who will also verify the particulars shown by the exporter under columns 1 to 5. In this connection it may please be noted that where the export is on usance basis and the exporter has not discounted the usance bill with the bank, no date will be indicated against the relevant entry under column 5 of the aforesaid forms.

Form "EE" will continue to be submitted in accordance with the procedure laid down in Para 6 (1) of the Export Finance Scheme read with Para 3 of BCD Circular No. 14 dated 8th June, 1981.

As for "EF" form, the banks will continue to submit the same, duly verified by the Exchange Control Department, to the concerned Chief Manager's office of the State Bank within 50 days from the close of the relevant monitoring period in terms of para 2 of BCD Circular No. 14 dated the 8th June, 1981. As the banks are aware, some of the entries

reported in the "EF" form are marked by the Exchange Control Department for post-facto verification of realisation of export proceeds. In so far as such entries are concerned, the banks will, in future, submit a list of the proceeds actually realised in respect of such entries in the enclosed form (supplement to form "EF"), duly verified by the Exchange Control Department, by the 30th November at the latest in the case of entries reported on "EF" form for the monitoring period January-June and by the 31st May at the latest in the case of entries reported on "EF" forms for the monitoring period July-December failing which it will be deemed that export proceeds shown against the aforesaid entries have not been realised and penal interest due on that account on the respective refinance loans will be recovered from the bank concerned at the prescribed rate by debit to its account with the State Bank.

Interest on Advances.

40
1982

In partial modification of BCD Circular No. 16 dated the 15th July, 1969 (copy enclosed for ready reference), it has been decided that State Bank of Pakistan will charge interest on all its future lendings to banks/ financial institutions for industrial purposes, i.e. loans sanctioned henceforward for fixed industrial investment, at intervals at which instalments are payable to the State Bank. For example, if instalments of a loan are payable at six-monthly intervals, interest on the loan will be charged by the State Bank at half-yearly rests. Similarly, where instalments are payable against a loan annually, interest will be charged by the State Bank at annual rests. We shall be glad if you will also please charge interest on all your future lendings for financing of fixed industrial investment accordingly.

*BCD Circular No.6 dt. 15-7-1969
Enclosure to BCD Circular No.40 dt. 25-11-1982*

Complaints have been received against the practice of banks to charge interest on their advances at monthly rests. It has been represented that by applying interest in this manner, banks realise interest indirectly at a rate higher than what has been agreed to between them and their borrowers. It has also been represented that while interest is applied at monthly rests in the case of advances, the same procedure is not followed by banks in paying interest on deposits. The matter has been investigated and discussed with banks. It has been observed that while some banks charge interest on their advances at quarterly or half-yearly rests, others apply interest at monthly rests.

In view of the above, it has been decided that henceforth interest should be charged by banks on their advances at a frequency which should not be less than three months. In other words, those banks which now apply interest to their advances on monthly basis will have to discontinue the practice and instead charge interest at least on quarterly basis. These instructions will come into force with effect from 1st of July, 1969.

State Bank of Pakistan will also charge interest on its advances to banks at quarterly rests wherever it is now charged at monthly rests.

41
1982

Please refer to paragraph 3 of BCD Circular No. 24 dated the 20th July, 1982 (read with BCD Circulars No. 30 & 34 dated the 10th August, 1982 and 13th September, 1982 respectively) in terms of which, in the case of exports on the basis of credit sales covered by confirmed and irrevocable letters of credit, whether on sight or usance basis, it would not be necessary for the exporter to produce ECGS cover for availment of post-shipment credit under Part I of the Export Finance Scheme. It has been represented to the State Bank on behalf of the exporters that "confirmation" of a letter of credit involves extra cost to the exporter by way of confirmation charges and, therefore, the requirement of confirmation should be waived. The matter has been examined and it has been decided to delete the word "confirmed and" appearing before the words "irrevocable letters of credit" in paragraphs 3 and 5 of BCD Circular No. 24 dated the 20th July, 1982. In other words, in the case of exports on the basis of credit sales covered by sight or usance irrevocable letters of credit (whether confirmed or not), it would not be necessary for the exporter to produce ECGS cover for availment of post-shipment credit under Part I of the Export Finance Scheme.

Export Finance Scheme.

In this connection attention is also invited to paragraph 1 of BCD Circular No. 29 dated the 11th October, 1977 and paragraph 5 of the Export Finance Scheme circulated to the banks there-with in terms of which export finance under Part I of the Scheme is provided by the banks to exporters in cases where either confirmed irrevocable letter of credit or a firm export order has been received. It has been decided to delete the word "confirmed" appearing before the words "irrevocable letter of credit" in the aforesaid paragraphs as also wherever it appears in that context in the Scheme and in our various circulars regarding the Scheme. In other words, export finance will hereafter be provided by the banks under Part I of the Scheme in cases where either an irrevocable letter of credit (whether confirmed or not) or a firm export order has been received. Other terms and conditions of the Scheme will, however, remain unchanged.

Necessary amendments may please be made in all copies of the Export Finance Scheme and the relevant BCD Circulars in your possession.

1
1983

Please refer to BCD Circular No. 34 dated the 13th September, 1982 regarding the above.

ECGS Covers on Exports (not Covered by L/Cs) Made on Post-shipment Credit Under Part-I of the Export Finance Scheme.

It has now been decided that the effective date of the instructions contained in BCD Circular No. 24 dated the 20th July, 1982 shall be 31st January, 1983 instead of 1st September, 1983 as advised in BCD Circular No. 34 dated the 13th September, 1982. In other words, till the 30th January, 1983 ECGS cover will not be compulsory for grant of post-shipment finance in cases of the type referred to in para 2 of BCD Circular No. 24 dated the 20th July, 1982.

Suitable remarks may be made on all copies of the above circulars in your possession.

A copy of the Press Note No. 5 (2)/81(PIC) Ins. III (Vol.II) dated the 28th December, 1982 issued by the Ministry of Commerce, Government of Pakistan is enclosed for information of the banks.

PRESS NOTE

Government had decided that all exports made on post shipment credit from Part I of the Export Finance Scheme should be compulsorily brought within the purview of Export Credits Guarantee Scheme making it obligatory for the concerned exporters to take ECGS cover from Pakistan Insurance Corporation. On representation of the exporters to make the procedure simple and convenient for acquiring the requisite cover it was decided that the effective date should be 1st January, 1983 which has now been extended upto 31st January, 1983. Meantime the exporters who wish to avail such cover on voluntary basis may continue to do so by making proposals to the ECGS Department of Pakistan Insurance Corporation at Shafi Court, 2nd Floor, Mereweather Road, P.O. Box No. 3953, Karachi-4 (Phone 510440, 516840, 516849 and 516971-3).

2
1983

Please refer to para 3 of BCD Circular No. 11 dated the 17th April, 1982 on the captioned subject.

Scheme for Financing Locally Manufactured Machinery.

It is advised that Bankers Equity Ltd. have since been approved for the purpose of Part II (relating to export sales) of the captioned Scheme. With this approval, Part II of the Scheme will hereafter be administered by the following institutions:-

- (i) Scheduled commercial banks.

- (ii) National Development Finance Corporation.
- (iii) Bankers Equity Ltd.

Selective Credit Control.

3
1983

In partial modification of items No. (xxix) and No. (xxx) under the main item 'B' of BCD Circular No. 24 dated the 28th October, 1981, it has been decided to with-draw the minimum margin requirement for opening of letters of credit for the import of industrial raw materials by **manufacturers only**. However, a bank will open L/C only if the item is importable under the Import Policy and the importer produces an import licence for a given quantity.

**Scheme for Financing
Locally Manufactured
Machinery.**

4
1983

Please refer to para 2 of BCD Circular No. 11 dated the 17th April, 1982 containing the names of the development finance institutions authorised to provide financial assistance and lead commercial bank consortia for providing such assistance under Part I of the captioned Scheme relating to local sales.

It is advised that Pak-Libya Holding Co. Ltd. has also been approved by the State bank as a development finance institution for the above purpose. With this approval, part I of the Scheme will hereafter be administered by the following institutions:-

- (i) Pakistan Industrial Credit & Investment Corporation.
- (ii) Industrial Development Bank of Pakistan.
- (iii) National Development Finance Corporation.
- (iv) Bankers Equity Limited.
- (v) Pak-Libya Holding Co. Ltd.
- (vi) Scheduled commercial banks (under the lead of any one of the above development finance institutions).

Bank Charges.

5
1983

The commercial banks have been representing to us that the bank charges laid down in the tariff circulated vide BCD Circular No. 30 dated the 26th October, 1977 (as amended from time to time but which basically remains almost the same in so far as the rates of charges are concerned) needs to be revised upwards in view of their rising costs and inflation over the years. After considering the matter in consultation with the banks, the State Bank of Pakistan, in exercise of the powers conferred on it under the Banking Companies Ordinance, 1962, hereby directs as under:-

- (i) Commercial banks shall not recover charges at rates less than those prescribed in the existing tariff of bank charges except the rate applicable to home remittances (item IC (ii) (b) of the tariff) in which case the rate shall operate as the maximum and no commercial banks shall recover charges in excess thereof. An upto date copy of the aforesaid tariff is enclosed.

(ii) Where a commercial bank fixes rate (s) of charges in excess of the respective rate (s) prescribed in the aforesaid tariff, the rate (s) so fixed shall be uniform for all its costumers. It would, however, be permissible for a bank to fix different rates for different volumes of transactions.

(iii) Subject to (i) and (ii) above, each commercial bank shall fix its rates of charges on a half-yearly basis in advance for the half years January to June and July to December. Rates of charges for the current half year (viz. January to June, 1983) shall be fixed by each bank as sson as possible.

(iv) Each commercial bank shall get its schedule of charges printed and make the same available to its constitutents at all its branches at least seven days before the commenaement of the half year during which the same will remain in force. The bank shall also provide a copy of the printed schedule to the State Bank of Pakistan in the Banking Control Department latest by the 25th June in the case of charges for the half year July to December and by the 26th December in the case of charges for the half year January to June. In the case of the curent half year (viz. January to June, 1983) each bank shall send a copy of its printed schedule of charges therefor to the State Bank of Pakistan in the Banking Control Department by the 15th February, 1983 at the latest.

As laid down in item (i) above, the rate of charges applicable to home remittances in the tariff prescribed by the State Bank would operate as the maximum and banks, may at their discretion, recover them at a lower rate.

TARIFF OF BANK CHARGES

All the rates prescribed in this tariff are to operate as 'minima' except the rate laid down vide item I.C (ii) (b) applicable to Home Remittances which is in the nature of maximum rate.

INTERNATIONAL BANKING:

		R A T E	
Ad-valorem		Flat	Minimum
A. IMPORTS			
(i)	Cash Letters of Credit Letters of Credit under Barter arrange- ments where amounts are expressed in non- convertible U.S. dollar or other foreign currency.	0.25% per quarter or part thereof. 0.10% for each subsequent quarter or part thereof.	Rs.15/-

		R A T E			
		Ad-valorem		Flat	Minimum
(ii)	Non reimbursable Letters of Credit under Aid/Loans/ Rupee Barter.	0.50% per quarter or part thereof. 0.15% for each subsequent quarter or part thereof.			Rs.15/-
(iii)	If bills are to be drawn at a usance under the above Letters of Credit.			Rs.15/- per bill (to be charged at the time of retirement of bill).	
<p>Note:- In the case of usance import bills, banks may also charge commission upto the rate of 0.0625% per month for any period beyond the validity of the letter of credit. In other words if the usance is covered by a letter of credit period for which commission as per (i) above has already been recovered, no extra commission upto the rate of 0.0625% will be charged.</p>					
(iv)	Amendments.			Rs. 5/- per amendment or commission under items (i) & (ii) above, if amendment involves increase in amount or extension in period of shipment.	
(v)	For each application/ revalidation made to the CCI & E on behalf of the customers (including the cost of licence Forms).			Rs.9/-	
(vi)	Mark-up in the case of of import bills under import letters of credit including service charges for clearance of goods without arrangement.	(a)	0.78% for 20 days from the date of negotiation.		
		(b)	If not retired within 20 days from the date of negotiation, a further mark-up of 0.58% for 14 days		

Ad-valorem	R A T E	
	Flat	Minimum
will be applied on the marked-up price according to (a) above plus extra commission at 0.15%.		
(c) If not retired within 34 days of the date of negotiation, further mark-up of 0.62% will be applied on the marked-up price according to (b) above, excluding the extra commission of 0.15% referred to therein.		
(d) If not retired within 48 days of the date of negotiation, a further mark-up of 0.79% will be applied for every fortnight on the marked-up price.		

Note:- Increase of earlier retirement, proportionate rebate at the respective mark-up rate applied will be allowed.

(vii) Collections.	Rs. 10/- per collection provided no charges are realised from the correspondent.
--------------------	--

B. EXPORTS.

(i) Letters of Credit:-		
(a) Advising		Rs. 10/-
(b) Amendment		Rs. 5/-
(c) Negotiation of Rupee Bills under Letters of Credit.	0.125%	Rs. 10/-
(d) Confirmation	0.125% per quarter. This charge is to be recovered from the Pakistani exporter only if the confirmation is added at his instance.	Rs. 10/-

Ad-valorem	R A T E			
	Flat		Minimum	

- | | |
|--|---------|
| (ii) If the documents are sent to other local banks for negotiation under restricted Letter of Credit. | Rs.15/- |
|--|---------|

Note:- The banks concerned may share commission when one bank gives business to another in the case of restricted letters of credit. Commission will, however, be charged at the flat rate of Rs.15/-.

- | | |
|---|---|
| (iii) Collections -
(a) Clean/Cheques
(b) Documentary | (Rs.2/- per collection)*.
(Rs.10/- per collection)*. |
|---|---|

*Inclusive of postage charges.

C. REMITTANCES:

- | | | |
|----------------------|--|--------------------------------------|
| (i) Outward- | | Rs.2/- |
| (ii) (a) Inward - | Nil, if the proceeds are credited to an account with the drawee bank. | (Otherwise a flat charge of Rs.3/-). |
| (b) Home Remittances | Rs.3/- plus cost of Money Order or Telegram Charges when T.T. is requested. No charges if funds go to the branch of the same bank. | |

D. MISCELLANEOUS:

- | | | |
|---|----------|--|
| (i) Correspondents' charges if any will be recovered. | Actuals. | |
| (ii) Postage and Cable charges will be recovered (by rounding them off to the next half Rupee). | Actuals. | |
| (iii) Foreign bills sent for collection returned unpaid. | | Rs.10/- plus telegram charges, if any. |

	Ad-valorem	R A T E	
		Flat	Minimum

I. DOMESTIC BANKING:

A. REMITTANCES

(i)	Drafts, M.Ts & T.Ts.		
	upto Rs. 10,000/-	0.05%	Rs.1/-
	Rs.10,001 to Rs.100,000	0.03%	Rs.5/-
	Over Rs. 100,000	0.02%	Rs.30/-

Telegram charges
on T.Ts. Actuals

Postage on M. Ts. Rs.1/-

Note:- Where collections made by banks branches are remitted to another place, by whatever method it may be, for the purpose of centralisation or otherwise, remittance charges at the above rates are to be recovered.

(ii) Pay Order Re.1/-

(iii) Inland Travellers
Cheques 0.25% Rs.2/-

Foreign Travellers
Cheques Actual commission
of the Principals only

(iv) Inland Letters of Credit- 0.15% per quarter or
opening commission. or part thereof. Rs.10/-

(v) Authorities to
encash Cheques. No commission by
issuing branch but
charges on purchase
of cheques will be
recovered as per
item B (ii)(b), below.

B. BILLS

(i)	Collections		
	(a) Documentary	0.15%	Rs.5/-
	(b) Clean (including cheques)	0.10%	Rs.1/-

Note: The above charges are inclusive of postage.

(ii) Purchase of Bills,
Cheques, etc.
(a) Documentary Bills Same charges as for
other than those collections as indicated

		R	A	T	E
Ad-valorem		Flat		Minimum	
drawn against letters of credit and Clean Bills/Trade cheques.	at (i) (a) & (b) above plus interest at the current lending rates from the date of purchase to the date of payment.				
(b) Other cheques/ demand instruments (like dividend warrants).	0.50% (Inclusive of interest and postage).				Rs.2/-
Note:-					
(a) Collecting agent's charges, if the collecting bank is other than the bank, will be extra.					
(b) Telegram/trunk call charges will be extra, if fate of the instrument is asked for by telegram.					
(c) Returning charges at Rs.3/- for documentary and Rs.1/- for clean collections in case the instruments are returned unpaid.					
(d) If the instruments purchased or negotiated are not retired within 3 days after first presentation, overdue interest at the following rate over the normal rate will be charged for the overdue period.					
(i) If retired after 7 days but upto 21st day inclusive.	Extra commission at 0.15% on flat rate on the amount of the bill and penal interest at 1% per annum from the first day upto the date of retirement.				
(ii) If retired after the 21st day, but before the 30th day inclusive.	Extra commission as above plus penal interest at 2% per annum from the first day upto the date of retirement.				
(iii) if retired on or after the 31st day.	Extra commission as above and penal interest at 5% per annum from the first day until the date of retirement.				
(e) Storage charges: Rs.0.10 per packet per day. Rs.1/- No charge if cleared within 3 days of its receipt by the branch.					

		R A T E	
Ad-valorem		Flat	Minimum
(iii) Documentary bills drawn against inland letters of credit:	(a) Sight bills: 0.5%		Rs.5/-
	(b) Usance bills: Collection charges at the rate indicated at B(i) (a) above and marked-down of 0.6% for every 15 days or part thereof from the date of purchase.		

Note: Other charges as per notes (a) to (c) and (e) above, where applicable, will be extra.

C. ADVANCES

Following charges may be recovered in addition to interest/mark-up.

- (i) **Miscellaneous charges: Actuals.**
Miscellaneous charges (i.e. charges for documents, evaluation of security and maintenance thereof, etc.)
- Penal interest where necessary on overdue advances. 5% maximum per annum over and above the normal lending rate fixed by the State Bank from time to time.

For advances against pledge/hypothecation the various charges may be levied as follows:

- (a) Godown Rent Actuals.
(b) Godown Staff Salaries: Actuals.
- Salaries of Godown Keepers/Chowkidars.
- (c) Godown Inspection Charges:
- (i) Within Municipal limits or within a radius of 5 miles from the branch. Actual. Conveyance charges only.
- (ii) Outside the above limits. T.A. & D.A. as per rules.

		R A T E	
Ad-valorem		Flat	Minimum

(d) **Delivery charges:** Actuals.
If a Godown Keeper is not posted, conveyance charges will be recovered.

(e) **Other incidental expenses:**

Insurance premia, legal charges etc. Actuals.

Note:- While recovering the Miscellaneous Charges like godown rent, godown staff salary, inspection charges ect. the amount recovered from the borrowers shall not exceed the total rent of the godown, salary of the godown staff etc. In other words, Miscellaneous Charges should be levied as per actuals and should not become a source of profit to the banks.

Commitment charges should not be recovered or levied on the undisbursed amount of loans.

D. STANDING INSTRUCTIONS FEE.

Standing instructions fee will be recovered in addition to the usual charges on remittances, etc. if any.	Rs. 1/- per transaction.
---	--------------------------

E. SALE AND PURCHASE OF SECURITIES, SAFE CUSTODY, ARTICLES IN SAFE DEPOSIT & SAFE DEPOSIT LOCKERS

(i) Sale & purchase of shares and securities.	0.125% on the first Rs.10,000/- of purchase price or cost thereof. 0.625% on amounts exceeding Rs.10,000/-	Re. 1/-
---	---	---------

Note:- (a) The above charge is in addition to brokerage.

(b) Commission is not to be recovered on purchase of newly floated securities, where it is payable by the Government/ Government Agencies and from the subscribers to new share floatation. Government Agencies and from the subscribers to new share floatation.

(c) When orders for purchase or sale of shares/securities are executed through the bank's other offices, all incidental expenses, such as postage, insurance charges, etc. incurred will be recovered in addition to the commission/brokerage charged.

		R A T E	
		Flat	Minimum
		Ad-valorem	
(ii)	Withdrawal fee on shares and securities held in safe custody (to be recovered at the time of withdrawal).	0.25% on the first Rs. 10,000/- of the paid-up or face value. Rs. 0.125% on amount exceeding Rs. 10,000/-.	Rs. 1/-
(iii)	Withdrawal fee on Government Securities.	Rs. 1/- per scrip.	
Note:- Where shares and/or securities sold are from those held in safe custody, either commission on sale of shares and securities, as shown against item (i) or withdrawal fees, as shown against item (ii) and (iii) whichever is higher, will be charged, but not both.			
(iv)	Charges for collection of interest and dividend.	0.25% on the amount of interest/dividend collected.	Re. 1/-
(v)	Handling charges for conversion, renewal, consolidation or subdivision of Government Securities.		Re. 1/- per scrip.
(vi)	Articles in Safe Deposit: Fee for Articles in Safe Deposit. (To be recovered in advance at the time of deposit or at the commencement of each quarter):		
	(a) Boxes and Packages:	Re. 0.50 per 100 Cubic inches or any part thereof.	Rs. 2/- per quarter.
	(b) Envelopes	Re. 0.25 per 25 Square inches or any part thereof.	Re. 1/- per quarter.
(vii)	Safe Deposit Lockers: Fee for Safe Deposit Lockers: (To be recovered in advance or at the commencement of the period yearly, Half-Yearly and Quarterly as the case may be):		

	Ad-valorem	R A T E	
		Flat	Minimum
Upto 0.40 Cft. Rs.25/ per annum.			
From 0.41 to 0.80 Cft.”			
Rs.50/- per annum			
From 0.81 to 1.35 Cft.”			
Rs.75/- per annum			
From 1.36 to 1.75 Cft.”			
Rs.100/- per annum			
From 1.76 to 2.00 Cft.”			
Rs.125/- per annum			
From 2.01 to 2.50 Cft.”			
Rs.150/- per annum			
From 2.51 to 3.00 Cft.”			
Rs.175/- per annum			

F. GUARANTEES:

- | | | | |
|-------|---|------------------------------------|---------|
| (i) | Guarantees issued to Shipping Companies in lieu of Bills of Lading. | | Rs.10/- |
| (ii) | Guarantees issued to Collector of Customs in lieu of payment of Export Duty, which are valid upto 6 months. | 0.25% | Rs.10/- |
| (iii) | Other Guarantees. | 0.25% per quarter or part thereof. | Rs.10/- |

In cases where no provision has been made in respect of guarantees issued by banks on behalf of their correspondents, and the commission is payable by the foreign correspondent/his customer it may be charged at such rate as may be mutually agreed to by them.

Note:- All Guarantees issued by banks must contain specific amount and expiry date and a date by which the claims are to be lodged.

G. MISCELLANEOUS CHARGES:

- | | | | |
|-----|---|-----|----------------------|
| (i) | Charges on non-remunerative current accounts (i.e. accounts where the average balances are below Rs.500/-). | 5/- | Rs.5/- per half year |
|-----|---|-----|----------------------|

Banks shall refrain from recovering/levying any charges including commitment charges not prescribed in this schedule.

References:

- (1) Circular letter No. BCD.8/121.00-75 dated 13th March, 1975.
- (2) BCD Circular No.30 dated 26th October, 1977.
- (3) BCD Circular No.31 dated 26th October, 1977.
- (4) BCD Circular No.2 dated 21st January, 1978.
- (5) BCD Circular No.9 dated 6th April, 1978.
- (6) BCD Circular letter No.21/601.03-78 dated 13th June, 1978.
- (7) BCD Circular No.20 dated 15th October, 1978.
- (8) BCD Circular No.8/121.00-79 dated 20th August, 1979.
- (9) BCD Circular No.7 dated 2nd April, 1980.
- (10) BCD Circular No.31 dated 24th December, 1980.
- (11) BCD Circular No.22 dated 21st September, 1981.

ECGS Covers on Exports (not Covered by L/Cs) Made on Post-Shipment Credit Under Part-I of the Export Finance Scheme.



Please refer to BCD Circular No. 1 dated the 2nd January, 1983.

After taking into consideration the views of various agencies concerned for and against the compulsory coverage of exports under the Export Credit Guarantee Scheme, the Government, on reconsideration of the case, have now decided that the compulsory coverage of exports under Export Credit Guarantee Scheme (laid down vide BCD Circular No. 24 dated the 20th July, 1982) should not be introduced and **status quo** should be maintained for the present. The instructions contained in our BCD Circular No. 1 dated the 2nd January, 1983 may, therefore, be treated as cancelled and those contained in BCD Circular No. 24 dated the 20th July, 1982 should not be implemented and status quo should continue.

The exporters who wish to avail of such cover on voluntary basis may continue to do so by making proposals to Export Credit Guarantee Scheme Department of the Pakistan Insurance Corporation, Karachi.

A copy of the Press Note No. 5 (2) 81 (PIC)- Ins. III (Vol.II) dated the 25th January, 1983, issued by the Ministry of Commerce, Government of Pakistan, Islamabad in this behalf is enclosed for information of the banks.

PRESS NOTE

Government had decided that all exports made on Post Shipment Credit from Part I of the Export Finance Scheme should be compulsorily brought within the purview of Export Credits Guarantee Scheme making it obligatory for the concerned Exporters to take Export Credits Guarantee Scheme cover from Pakistan Insurance Corporation. On representation of the Exporters to make the procedure simple and convenient for acquiring the requisite cover it was decided that the effective date should be 1st January, 1983, which was later extended upto 31st January, 1983. After taking into consideration the views of various agencies concerned for and against the compulsory coverage of exports under the Export Cre-

dits Guarantee Scheme, the Government, on re-consideration of the case, has now decided that the compulsory coverage of exports under Export Credits Guarantee Scheme should not be introduced and **status quo** should be maintained for the present. Meantime, the Exporters who wish to avail such cover on voluntary basis may continue to do so by making proposals to Export Credits Guarantee Scheme Department of the Pakistan Insurance Corporation at Shafi Court, 2nd Floor, Mereweather Road, P.O. Box No. 3953, Karachi-4 (Phone 510440, 516840, 516849 and 516971-3).

Issue of Guarantees by
Banks.

7
1983

A reference is invited to our circular No. BCD (2) 40/119-67 dated the 20th June, 1967 (copy enclosed) regarding giving of guarantees of various kinds by the banks on behalf of their constituents wherein the banks were, inter-alia, advised to ensure that the guarantees given by them are backed by readily realisable securities.

It is advised that banks can henceforth issue guarantees on behalf of their constituents backed by any tangible security.

The other instructions contained in the above circular, however, remain unchanged.

This is in continuation of our Circular No. BCD (2) 38/119-67 dated the 17th June, 1967. It is observed that the banks are giving guarantees of various kinds on behalf of their constituents on a very liberal scale. Although these are contingent liabilities the substantial portion of which is not normally expected to turn out into actual liability, instances of the banks having been called upon to honour their commitments under the guarantees given are on the increase. In this process the banks have been obliged to lock up heavy amounts in long term investments which is not desirable for the reasons mentioned in our circular referred to above.

The banks are therefore advised to follow a very cautious policy in giving guarantees in future. They should ensure that the contingent liability assumed by them bears a reasonable relationship with their resources and the guarantees given by them are backed by readily realisable securities so that in the event of their being called upon to honour the same, they are able to realise the funds out of the securities lodged quickly and thus avoid investment of their own funds for long periods.

This is in continuation of our Circular No. BCD (2) 36/119-67 dated the 30th May, 1967. It is observed that some of the commercial banks are committing an unduly large part of their resources in medium and longer term investment and lending. This has the result of depleting their resources for meeting the short term credit needs of the economy. It also affects their ability to adjust their position in line with the changing requirements of the monetary situation. They are advised to ensure that their obligation for meeting the short term credit requirements of the eco-

onomy specially of high priority sectors such as jute and cotton is adequately met before undertaking longer term lending. As the commercial banking system has become heavily dependent on central bank assistance which has to be reduced, the banks are advised to step up uheir efforts to mobilise fresh deposits and to consult the State Bank of Pakistan before making any further investment in equity or loan capital of corporate bodies.

EXPORT FINANCE SCHEME—SUBSTITUTION OF FIRM ORDER/LETTER OF CREDIT

8
1983

Please refer to BCD Circular No. 12 dated the 25th April, 1982 on the above noted subject.

In terms of para 2 (iii) of the above circular, one of the conditions for allowing substitution of the firm order/letter of credit is that the goods should be shipped within the validity of the new firm order/L.C. or within 180 days of availment of credit against the original firm order/L.C. whichever is earlier. It has now been decided that in cases where the borrower is unable to ship the goods to the new buyer within the due date as mentioned above but makes the shipment subseouently and also fulfils all the other conditions laid down in the said circular, the State Bank would, on representation being made by him, allow refund of penalty less penalty for the period of delay in the shipment as is being done in cases other than those of substitution vide para 3 of BCD Circular No. 24 dated the 24th November, 1980.

9
1983

In partial modification of our circular No. 28 dated the 10th December, 1969, it has been decided to substitute the para given below for the existing para 2(b):

Expenditure—
Advertisement,
Advance, Rent, Etc.—
Regulation of

Para 2 (b)

Total advance rent paid during the accounting year should not exceed 5% of total expenditure during that year.

10
1983

We enclose for your information and necessary action a copy of the Banking Companies (Recovery of Loans) (Amendment) Ordinance, 1983 (Ordinance II of 1983). This amendment was published in the Gazette of Pakistan, Extra Ordinary, Part I dated the January 30, 1983.

Amendment in the
Banking Companies
(Recovery of Loans)
Ordinance, 1979
(Ordinance, XIX of
1979).

ORDINANCE NO. II 1983

AN ORDINANCE

further to amend the Banking Companies (Recovery of Loans) Ordinance, 1979.

WHEREAS it is expedient further to amend the Banking Companies (Recovery of Loans) Ordinance, 1979 (XIX of 1979), for the purposes hereinafter appearing;

AND WHEREAS the President is satisfied that circumstances exist which render it necessary to take immediate action;

NOW, THEREFORE, in pursuance of the Proclamation of the fifth day of July, 1977, and in exercise of all powers enabling him in that behalf, the President is pleased to make and promulgate the following Ordinance:-

1. Short title and commencement.-(1) This Ordinance may be called the Banking Companies (Recovery of Loans) (Amendment) Ordinance, 1983.

(2) It shall come into force at once.

2. Amendment of section 2, Ordinance XIX of 1979.- In the Banking Companies (Recovery of Loans) Ordinance, 1979 (XIX of 1979), hereinafter referred to as the said Ordinance, in section 2,-

(a) in clause (a), after the word "includes", the words and comma "the Pakistan Industrial Credit and Investment Corporation Limited", shall be inserted and shall be deemed always to have been so inserted; and

(b) for clause (f) the following shall be substituted, namely:-

"(f) "Special Court" means-

(i) in respect of a case in which the outstanding amount of the loan does not exceed one million rupees, or the trial of offences punishable under this Ordinance, a person who is or has been a District Judge or an Additional District Judge and is appointed by the Federal Government, by notification in the official Gazette, to be a Special Court to exercise jurisdiction within such territorial limits as may be specified in the notification, and, in the absence of such appointment, the District Court; and

(ii) in respect of any other case, the High Court in the exercise of original civil jurisdiction;".

3. Amendment of section 4 Ordinance XIX of 1979.- In the said Ordinance, in section 4, in sub-section (3), for the words "one hundred and eighty" the word "ninety" shall be substituted.

4. **Omission of section 5 Ordinance XIX of 1979.**- In the said Ordinance, section 5 shall be omitted.

5. **Amendment of section 6, Ordinance XIX of 1979.**-In the said Ordinance, in section 6,-

- (a) in sub-section (1), in clause (b),-
 - (i) for the words "an Assistant Sessions Judge" the word "Session" shall be substituted;
 - (ii) the first proviso shall be omitted; and
 - (iii) in the second proviso, the word "further" shall be omitted;
- (b) in sub-section (2), clause (a) shall be omitted; and
- (c) in sub-section (4), for the full stop at the end a colon shall be substituted and thereafter the following proviso shall be added and shall be deemed always to have been so added, namely:-
 - "Provided that nothing in this sub-section shall be deemed to affect-
 - (a) the right of a banking company to seek any remedy before any court that may be available under the law by which the banking company may have been established or under that law as amended from time to time; or
 - (b) the jurisdiction of any court such as is referred to in clause (a), or to require the transfer to a Special Court of any proceedings pending before any such court immediately before the commencing day."

6. **Insertion of new section 6A, Ordinance XIX of 1979.**- In the said Ordinance, after section 6, amended as aforesaid, the following new section shall be inserted, namely:-

"6A. **Extension of limitation.**- A suit for the recovery of a loan other than a loan referred to in section 4 may be entertained by a Special Court within two years of the expiration of the period of limitation applicable to such suit if the Special Court is satisfied that the banking company filing the suit had sufficient cause for not filing it within the said period."

7. **Amendment of section 8, Ordinance XIX of 1979.**- In the said Ordinance, in section 8,-

- (a) in sub-section (2), for the word "decree", occurring for the second time, the words "the institution of the suit shall be substituted; and
- (b) after sub-section (2), amended as aforesaid, the following new sub-section shall be inserted, namely:- "(2A) A Special Court shall not, without the consent of the decree-holder, allow the

decretal amount to be paid in such instalments as would extend the period of full recovery of the decretal amount beyond one year from the date of the decree.”.

8. **Transfer of pending cases.**- Any case which, immediately before the commencement of this Ordinance, was pending before a Special Court established under section 5 of the said Ordinance shall, on such commencement, stand transferred to the Special Court which would have had jurisdiction in the case had it been instituted after such commencement.

(2) In respect of a case transferred to a Special Court by virtue of sub-section (1), the Special Court shall not, by reason of the said transfer, be bound to recall and re-hear any witness who has given evidence before the transfer and may act on the evidence already recorded by or produced before the Court from which the case is so transferred.

Banking Companies Ordinance, 1962 Section 83 Sub-section (IC).

11
1983 Attention is invited to sub-section (IC) of section 83 of the Banking Companies Ordinance, 1962 (Ordinance No. LVII of 1962) inserted vide Banking Companies (Amendment) Ordinance, 1979 (Ordinance No. LVI of 1979) published in the Gazette of Pakistan Extra Ordinary Part I dated 8th October, 1979 at page 502 and 503. In line 11 of sub-section (IC) due to printing error section 43B has been printed instead of 43D. The Corrigendum published in the Gazette of Pakistan Extra Ordinary Part I dated March 20, 1980 at page 39 is reproduced hereunder:-

‘page 503: In line 11,
for “43B”, read “43D”’.

Banks are advised to note this corection in all copies of the Ordinance in their possession.

Selective Credit Control.

12
1983 Please refer to BCD Circular No. 3 dated the 15th January, 1983 in terms of which minimum margin requirement for opening of letters of credit for the import of industrial raw materials by manufacturers only was withdrawn and the banks could open L/Cs without margin only if the importer produced an import licence for a given quantity.

It has since been decided to waive the condition of production of import licence for a given quantity.

Bank Charges.

13
1983 Attention of banks is invited to BCD Circular No. 5 dated the 25th January, 1983. The banks, in clause (iv) of this circular were directed to get their schedule of charges printed and make them available to their constituents.

We have received complaints from the members of the public, businessmen, trade associations and bodies that the rates at which these charges were being levied were not being made available to them. Banks are advised to make satisfactory arrangements for the supply of printed copies of the schedule of charges to all their constituents at all branches.

14
1983

In continuation of BCD Circular No. 2 dated the 7th February, 1974 on the subject noted above it has been decided, to allow Pakistan Industrial Credit & Investment Corporation to borrow funds at call from commercial scheduled banks with immediate effect.

Deposit Rates.

The money so lent to the Pakistan Industrial Credit & Investment Corporation should be reported as foot-note to the weekly statement of position.

15
1983

Please refer to paragraph No. 2 BCD Circular No. 19 dated 6th August, 1981, requiring the banks to furnish (1) Weekly & Quarterly Statement of Position pertaining to PLS assets and liabilities (with all the required foot-notes) and (2) Consolidated position of interest-based and PLS assets and liabilities (with all the existing foot-notes). Banks were directed vide BCD Circular No. 26 dated 24th December, 1980 that for the purposes mentioned in the Circular banks will provide financial accommodation only on the basis indicated against each purpose and not on the basis of interest. Further purposes were advised to the banks from time to time. To ascertain the quantum of financial accommodation provided by the banks on the bases indicated above, on weekly basis, it has been decided to add an annexure (proforma enclosed) to the Weekly Statement of Position (consolidated).

Interest-free Banking—
Weekly & Quarterly
Statements of Position.

The Weekly Statement of Position for the week ending 7th July, 1983 and onwards and the Quarterly Statement of Position as on 30th September, 1983 and onwards may be furnished to us in the light of the above instructions.

**ANNEXURE TO WEEKLY
STATEMENT OF POSITION**

NAME OF BANKS.....
POSITION OF ASSETS ACQUIRED ON BASES OTHER
THAN INTEREST AS ON.....

(Rupees in Millions)

Purpose	Amount Outstanding	Included in Item No. of Consolidated position
(i) Financing of commodity operations of the Federal and Provincial Governments and their agencies.		
(ii) Export Bills purchased/negotiated under letters of credit (other than those 'under reserve').		

Purpose	Amount Outstanding	Included in Item No. of Consolidated position
(iii) Investment in ordinary shares, NIT Units, Participation Term Certificates, Modaraba Certificates and in PLS based transactions of the Investment Corporation of Pakistan and the Bankers Equity Ltd.		
(iv) Finance to House Building Finance Corporation.		
(v) Documentary inland bills drawn against letters of credit purchased/ discounted.		
(vi) Financing of trading operations of Rice Export Corporation of Pakistan, Cotton Export Corporation, Trading Corporation of Pakistan and Utility Stores Corporation.		
(vii) Import bills drawn under letters of credit (Except LIM facility).		
(viii) Finance to individuals for the construction/purchase of houses or flats.		
(ix) Financing of Working Capital needs of selected customers in trade and industry.		
(x) Financing of fixed Capital Investment needs of selected industrial customers.		
(xi) Financing of selected customers in trade and industry (on hire-purchase basis).		
(xii) Surplus PLS funds placed on call with other banks.		
(xiii) PLS deposit with SBP:		
(xiv)		
(xv)		

Signatur of Two Authorised Persons with Name, Designation and Telephone Number.

16
1983

In partial modification of B.C.D. Circular No. 10 dated 11th April, 1982, it has since been decided that charging of interest at annual rests (instead of quarterly rests) would be related to the annual closing of accounts of the lending institution and/or the date of repayment of the loan if the date of repayment falls on a date other than the date of the annual closing of accounts. For example, if a loan has been allowed on 3-5-1983 for a period of eight months, interest for the period 3-5-1983 to 31-12-1983 (in case that is the date of annual closing of accounts) will be charged on 31-12-1983 and for the remaining period of the loan, on the date of repayment. In the case of a loan allowed on the aforesaid date (3-5-1983) for a period of 30 months, interest for the period 3-5-1983 to 31-12-1983 would be charged on 31-12-1983, for the entire calendar year 1984 on 31-12-1984 and for the remaining period of the loan on the date of repayment. In the case of a loan allowed on the same date for a period of six months, interest for the entire period would be charged on the date of repayment.

**Charging of Interest on
Agricultural Loans.**

17
1983

Please refer to the first paragraph of the Export Finance Scheme forwarded to banks vide BCD Circular No. 29 dated the 11th October, 1977 in terms of which raw cotton, wool, rice, hides and skins and leather wet blue do not qualify for concessional export finance. It has now been decided that, in addition to the above commodities, mutton and beef shall also not qualify for concessional export finance.

Export Finance Scheme.

18
1983

Please refer to BCD Circular No. 12 dated the 25th April, 1982 wherein the banks were advised that in cases where the exporter was unable to export goods against the original firm order/letter of credit, export finance was obtained whereagainst under the Export Finance Scheme, the State Bank allowed utilisation of the concessional export finance for export of the same goods against a new firm order/letter of credit. It has now been decided that commercial banks may, on receipt of a written request from the exporter, allow substitution of a firm export order/letter of credit by a new firm export order/letter of credit without reference to the State Bank, subject to the following conditions:-

**Export Finance
Scheme—Substitution of
Firm Order/Letter of
Credit.**

- (i) The bank will satisfy itself that no export finance was availed of by the exporter or will be availed of by him against the new firm order/letter of credit or against the firm order in relation to which the said L.C. was received, from any bank under Part-I of the Export Finance Scheme. It will also satisfy itself that export proceeds realised/to be realised against shipments made under the new firm order/L.C. have not been accounted for/will not be accounted for under Part-II of the Export Finance Scheme. The bank will record a certificate in this behalf in the proforma enclosed to BCD Circular No. 12 dated the 25th April, 1982 (copy of proforma enclosed).

- (ii) The goods should be shipped within the validity of the new firm order/L.C. or within 180 days of availment of credit against the original firm order/L.C., whichever is earlier.
- (iii) Value of the goods exported/to be exported against the new firm order/L.C. should cover the loan obtained against the original firm order/L.C.
- (iv) The goods proposed to be substituted should be the same as mentioned in the original firm order/L.C. Slight variation of the type exemplified below shall, however, be permissible. For example, if the original firm order/L.C. was for cotton yarn of 30 counts, substitution would be permissible, subject to the other conditions laid down above, if the new firm order/L.C. is for cotton yarn of a different count. Similarly, it would be in order if grey cloth of 90 c.m. width is substituted by grey cloth of a different width. However bleached cloth or cloth of synthetic fibre may not be substituted for grey cloth.

The banks will advise particulars of the substituted as well as the new firm order/L.C. to the respective offices of the State Bank within the validity period of the refinance loan failing which the concerned office of the State Bank will recover penal interest at the prescribed rate.

During the inspection of banks, the State Bank Inspectors will conduct a check of the cases of substitution to see if the conditions laid down above have been fulfilled. All the relevant documents, including photostat copies of the invoice, bill of lading and 'E' form duly certified by the bank, should be carefully kept, to be produced before the State Bank Inspectors during the course of inspection.

**ENCL. TO BCD CIRCULAR
No. 18 DATED 20-7-1983**

**CERTIFICATE TO BE GIVEN BY THE BANK CONCERNED IN
CASES OF SUBSTITUTION OF FIRM EXPORT ORDER/
LETTER OF CREDIT UNDER THE EXPORT FINANCE SCHEME**

Certified that: (i) no export finance was availed of by M/s or will be availed of by them against the following new firm export order (s)/L.C. (s) or against the firm export order (s) in relation to which the said L.C. (s) was/were received, from our bank or from any other bank under part-I of the Export Finance Scheme; and (ii) the export proceeds realised against shipments made under the aforesaid new firm export order(s)/L.C. (s) have not been accounted for and will not be accounted for under Part-II of the Export Finance Scheme.

**Particulars of the new firm
export order (s) and L.C. (s)**

	Firm export order (s)	Letter(s) of credit
1.	No. and date.	
2.	Date till which valid.	
3.	Name of buyer.	
4.	Amount.	
5.	Due date of shipment.	
6.	Goods already exported.	
7.	Date of shipment of above goods.	
8.	Value of above goods (already shipped).	
9.	Goods yet to be exported.	
10.	Date by which above goods are to be shipped.	

**Particulars of the original firm export order (s) and
L.C. (s) in place of which the above mentioned firm export
order (s) and L.C. (s) are proposed to be substituted**

	Firm export order (s)	Letter (s) of credit
1.	No. and date.	
2.	Date till which valid.	
3.	Name of buyer.	
4.	Amount.	
5.	Due date of shipment.	
6.	Goods already exported.	
7.	Date of shipment of above goods.	
8.	Value of above goods (already shipped).	
9.	Goods yet to be exported.	
10.	No., date & amount of refinance loan obtained from State Bank of Pakistan.	
11.	Due date of repayment of the refinance loan.	

Signatures of the
Authorised signatories
of the bank concerned.

**Small Loans Scheme for
Businessmen and
Industrialists.**

19
1983

Please refer to BCD Circular No.22 dated the 8th July, 1982 on the above subject.

In the **context** of the definition of small loans for industry it is clarified that in the case of hotels/motels, those loans will be treated as small loans where the total original cost of the project (**including** land and buildings) does not exceed Rs.5,000,000/-.

The following may, therefore, be added at the end of the existing definition of small loans (as amended vide para 3 of BCD. Circular No. 22 dated 8-7-1982) given in the first paragraph of item I of the Scheme circulated vide BCD. circular No. 27 dated the 20th November, 1972:-

“In the case of hotels/motels, however, those loans will be treated as small loans where the total original cost of the project (**including** land and buildings) does not exceed Rs.five million.”

Export Finance Scheme.

20
1983

It has been represented to us that owing to the international economic situation, exports of carpets and rugs from Pakistan continue to be adversely affected and the exporters of these commodities are still facing serious difficulties in realisation of export proceeds etc. With a view to helping these exporters over come these difficulties, it has been decided to allow them the following relaxations vis-a-vis the provisions of the Export Finance Scheme:-

- (i) In the case of finance availed of under Part-I of the Export Finance Scheme for exports of carpets and rugs, a total period of upto 270 days (at pre-shipment stage and/or post-shipment stage) may be allowed for repayment, provided shipments are made within the financial year 1983-84 but not later than **31-12-1983** and within a period of 180 days after the drawal of the export finance advance.
- (ii) In the case of exports of carpets & rugs, the two monitoring periods July-December, 1983 and January-June, 1984 under Part II of the Scheme may be combined or, in other words, the whole financial year may constitute a single monitoring period and the exporters may be required to make exports equal to twice their average daily borrowings during the combined monitoring period as against the normal requirement of thrice the average daily borrowings. For the above purpose, the daily products of borrowings will be compared with the products of export receipts during the combined monitoring period which shall be arrived at by multiplying the amount of export proceeds realised during the period by 180. If there is any short-fall in the receipts, penalty at the prescribed rate shall be

recovered from the exporters. In order to make this clearer, illustrations are given in the Annexure.

It may please be noted that the banks will have to submit duplicate copy of form 'EF' duly verified by the Exchange Control Department within 50 days of the close of the combined monitoring period July, 1983 to June, 1984, i.e. by the 20th August, 1984 in terms of the instructions contained in BCD Circular No. 14 dated the 8th June, 1981. If this is not done in any case, it will be deemed that matching exports have not been made and the concerned office of the State Bank shall recover penal interest at the prescribed rate by debit to the account of the respective bank. In case the bank subsequently produces duplicate copy of 'EF' form duly verified by the Exchange Control Department, the Chief Manager's Office shall refund the penalty to the extent due on the basis of the entries verified by the Exchange Control Department.

ANNEXURE TO BCD CIRCULAR NO. 20 DATED 31ST AUGUST, 1983

EXPORT PERFORMANCE FOR THE LAST YEAR RS.180,000

LIMIT SANCTIONED AT 33-1/3% OF THE LAST YEAR'S EXPORT EARNINGS UNDER PART - II OF THE SCHEME RS.60,000/-

1ST EXAMPLE

Date	Debit Balance	Export Proceeds realised during the monitoring period.
2-7-1983	Rs.60,000	Rs.88,000
6-8-1983	Rs.40,000	
10-9-1983	Rs.20,000	
8-10-1983	Rs. Nil	
10-10-1983	Rs.30,000	
9-11-1983	Rs.60,000	
29-11-1983	Rs.40,000	
30-12-1983	Rs.50,000	
26-2-1984	Rs.40,000	
29-3-1984	Rs.60,000	
24-4-1984	Rs.30,000	
31-5-1984	Rs.50,000	
29-6-1984	Rs. Nil	

(A) Total of Daily products of Borrowings = 15,660,000

(B) Products of Export Proceeds realised = 15,840,000
(88,000 x 180)

Since 'B' is greater than 'A' the question of realisation of penal interest does not arise.

2ND EXAMPLE

Date	Debit Balance	Export Proceeds realised during the monitoring period.
2-7-1983	Rs.60,000	Rs.90,000
10-8-1983	Rs.50,000	
15-9-1983	Rs.40,000	
20-10-1983	Rs.30,000	
15-11-1983	Rs.60,000	
28-12-1983	Rs.20,000	
6-1-1984	Rs. Nil	
10-1-1984	Rs.60,000	
11-2-1984	Rs.50,000	
16-3-1984	Rs.40,000	
25-4-1984	Rs.60,000	
29-5-1984	Rs.30,000	
29-6-1984	Rs.50,000	

(A) Total of Daily products of Borrowings = 17,320,000

(B) Products of Export Proceeds realised (90,000 x 180) = 16,200,000

Short-fall (A-B) = 1,120,000

Penal interest will be levied on the above short-fall i.e. 1,120,000.

N.B. If the number of days for which an exporter availed of credit during the above monitoring period exceeds 360 days the excess number of days will be divided by 2 and the resultant figure rounded off to the nearest whole number (treating half number as whole number) which may be added to the multiplier of 180 for working out the products of export proceeds.

Export Finance Scheme—Concessionary Finance Facility Against Goods Shipped for Display/Sale in International Fairs/Exhibitions.

21
1983

The trade bodies in Pakistan have represented that the concessionary export finance facility may also be extended to exporters against goods shipped for display/ sale in international fairs/exhibitions. The matter has been considered in the State Bank and it has been decided to extend the facility to persons taking goods for display/sale in international fairs/exhibitions.

The facility will be available, by way of **post-shipment finance only**, under Part I of the Export Finance Scheme against export of commodities (for display/sale in international fairs/exhibitions) eligible for export finance under the Scheme. However, production of Firm Export Order/ irrevocable letter of credit will not be necessary as required under the

Scheme. A scheduled bank may, on receipt of a written request from an exporter, allow post-shipment finance on production/execution by him of the following documents:-

- (i) D.P. Note.
- (ii) Undertaking as per Annexure 'A'.
- (iii) Recommendations from the Export Promotion Bureau specifying the following:-
 - (a) Venue of the Fair/Exhibition.
 - (b) Duration of the Fair/Exhibition with its commencement and closing dates.
 - (c) Value and description of the goods meant for display in the Fair/Exhibition.
- (iv) Shipping documents, viz. Bill of lading, invoice and 'E' form.

The bank will be eligible to obtain refinance from the concerned office of State Bank of Pakistan on case by case basis against the finance already provided by it to the exporter on production of the documents mentioned in para 2 above in addition to the documents required to be executed by the bank itself under the Scheme.

The refinance should be repaid by the borrower/bank, and the goods remaining unsold, if any, should be re-imported into Pakistan, within 30 days of the closing date of the fair/exhibition or within 180 days of the drawal of the advance, whichever is earlier. In case the borrower repays the advance earlier than the said period, the bank will be bound to repay to the State Bank the amount of refinance within three working days of the date on which the borrower repays the advance. Any failure on the part of the bank in this regard will make the bank liable to pay to the State Bank additional interest at 7% above Bank Rate per annum on the outstanding amount of the refinance.

In case the borrower fails to repay/repatriate the proceeds or, in the event of the goods remaining unsold wholly or partly, fails to re-import the unsold goods within the period prescribed in para 4 above, the bank concerned will recover from the borrower additional interest at 6% per annum above Bank Rate on the amount of the export finance by way of penalty which will be passed on to the State Bank within three working days from the date of recovery thereof from the borrower. However, if the borrower subsequently repatriates the proceeds, or submits documentary evidence, viz. Bill of Entry, in respect of re-import of the goods remaining unsold, the concerned Chief Manager's Office of the State Bank of Pakistan would, on representation being made by the borrower through his bank, allow refund of the penal interest already charged less penal interest for the period of delay in repatriation of the proceeds or re-import of the goods.

The bank, while furnishing specific debit authority at the time of repayment of the outstanding amount of a refinance loan to the concerned Chief Manager's office of the State Bank of Pakistan shall also fur-

nish all the relevant information in the form as per Annexure 'B'. The Bank will be under obligation to produce to the Chief Manager's office of the State Bank export proceeds realisation certificate duly verified by the Exchange Control Department within 40 days of the close of the reporting month i.e. the month in which the repatriation of the sale proceeds is required to be reported to Exchange Control Department in the Monthly Foreign Exchange Returns. Similarly, if the goods remain unsold (partly or wholly), the bank will be required to produce documentary evidence, e.g. Bill of Entry, within 60 days of the closing date of the fair/exhibition as proof of re-import of goods in Pakistan. In case of its failure to do so, it will be deemed that export proceeds have not been repatriated/the unsold goods have not been re-imported and penal interest at 6% per annum above Bank Rate on the amount of the refinance or the proportionate amount thereof, as the case may be, will be recovered by the Chief Manager's office from the bank. In case proceeds realisation certificate, duly verified by the Exchange Control Department or proof of re-import of the unsold goods is produced subsequently, the Chief Manager's Office of the State Bank of Pakistan will refund penal interest proportionate to the amount repatriated/goods re-imported.

*Annexure 'A' to BCD Circular
No. 21 dated 5-9-1983*

**UNDERTAKING AGAINST POST-SHIPMENT EXPORT
FINANCE UNDER PART-I OF EXPORT FINANCE SCHEME
AGAINST GOODS SHIPPED FOR DISPLAY/SALE IN
INTERNATIONAL FAIR/EXHIBITION**

The Manager,
..... (Branch)
..... (Bank),

Dear Sir,

We do hereby certify and confirm that a post-shipment advance of Rs..... has been allowed to us by you on under Part I of the Export Finance Scheme of the State Bank of Pakistan with interest at 3% per annum.

We further confirm that the aforesaid advance has been obtained by us against the following export (s) made by us for display/sale in international fair/exhibition being held at.....from.....till.....

Sr. No.	No. & date of E. P.B's letter containing their recommendation for grant of the advance.	Date & place of fair/exhibition and its duration	Amount in foreign currency	Shipment date.	'E' form No.	Commodity exported

The Export Promotion Bureau's above mentioned letter in original is enclosed.

We hereby confirm and agree that in the event of our failure to adjust the loan by realisation of export proceeds of the above exports/re-import into Pakistan the goods that may remain unsold (of the value of shortfall in export proceeds) within 30 days of the closing date of the Fair/Exhibition of within 180 days of the drawal of advance whichever is earlier, you have our irrevocable authority to charge us and debit our account with you with interest at 6% per annum above the Bank Rate on the amount of advance availed of less amount repaid out of exports proceeds/on the value of the unsold goods not re-imported by us into Pakistan. We certify and confirm that we have not borrowed against the above export (s) any amount from any other bank.

We do hereby further confirm and undertake that the proceeds in respect of the aforesaid export (s) will be realised through your branch and appropriated immediately on realisation towards the aforesaid advance allowed by you to us.

Signature verified,
Bank's authorised signature.

Authorised signature of
the Exporter

*Annexure 'B' to BCD Circular
No. 21 dated 5-9-1983*

The Chief Manager
State Bank of Pakistan

Name of the Bank
Branch
No. Date

Dear Sir,

**EXPORT FINANCE SCHEME PART-I POST-SHIPMENT FINANCE
AGAINST GOODS SHIPPED FOR DISPLAY/SALE IN INTERNA-
TIONAL FAIR/EXHIBITION**

We authorise you to debit our account with you with a sum of Rs.....(Rupees.....) towards repayment of the demand loan availed of by us from you under Part I of the above-noted Scheme against the following export(s):-

Loan No. & Date	Name of Exporter	Commo- dity ex- ported	Value of Export	Date of Shipment	Export pro- ceeds already realised, if any. Date Amount	Shipping documents in support of re-import of goods of the value of shortfall Date Amount
1	2	3	4	5	6	7

Repayment made by the borrower		Penal interest, if any, recovered from the borrower.	Office of State Bank to which realisation reported will be reported	Monthly return in which realisation reported/will be reported to SBP
Date	Amount	Amount	Date of recovery	
8		9		10
				11

As proof of repatriation of the export proceeds, we undertake to produce to you export proceeds realisation certificate(s) duly verified by Exchange Control Department within 40 days of the close of the month in the return relating to which the realisation is required to be reported. In case of the goods which have remained unsold (partly or wholly), we undertake to produce to you documentary evidence relating to re-import of the goods into Pakistan, e.g. Bill of Entry, within 60 days of the closing date of the fair/exhibition. In case we fail to do so, you shall have the right to recover from us, by debit to our account with you, penal interest on the amount of the refinance or proportionate amount thereof as the case may be, at 6% per annum above Bank Rate.

Yours faithfully,
(Authorised signature of the Bank)

CREDIT OPERATIONS

22
1983

Please refer to BCD Circular No. 8 dated the 4th March, 1982 on the subject cited above.

It is advised that the restrictions imposed vide BCD Circular No. 3 dated the 13th February, 1975, will also not apply to the guarantees issued by the banks in favour of Saudi-Pak Industrial and Agricultural Investment Company Ltd.

Selective Credit Control.

23
1983

Please refer to BCD Circular No. 3 dated the 15th January, 1983 read with BCD Circular No. 12 dated the 10th April, 1983.

It has since been decided that hence-forth, the exemption from minimum margin requirement on opening of letters of credit for the import of industrial raw materials will be applicable to all importers, irrespective of whether they are industrial consumers or commercial concerns and whether the licences have been marked "Industrial" or "Commercial". However, a bank will open L/C only if the item is importable under the Import Policy and the importer produces an import licence.

Export Finance Scheme.

24
1983

Please refer to BCD Circulars No. 8 and 29 dated the 9th March, 1981 and 23rd November, 1981 respectively regarding the captioned Scheme.

It has been decided to extend the period of monitoring under Part-II of the Scheme from six months to one year. Limits to be allowed by the commercial banks to the exporters would, however, continue to be upto 33 1/3% of their export earnings from eligible commodities during the previous financial year. Exporters would also continue to repatriate export proceeds within the prescribed time limit according to Exchange Control Regulations. Also, as in the past, the banks will ensure that export finance provided under Part-II is not in duplication of the facility provided under Part-I of the Scheme.

Refinance under Part-II of the Scheme will be provided by the State Bank under Section 17(4) (c) of the State Bank of Pakistan Act, 1956, for a period of 180 days at a time. It would be a continuing process so that the facility is available as an advance limit throughout the year (July-June). However, it would be a case of fresh loan each time and not that of renewal.

Repayments and withdrawals may be allowed freely by the banks provided that the total outstanding at any time does not exceed the exporter's entitlement of 33 1/3% of the previous year's export earnings.

The monitoring period will now run from July to June. During this period of one year, the exporter shall have to repatriate export proceeds equal to at least thrice his daily average borrowing during the year in question (during the monitoring period July, 1983 to June, 1984, exporters of carpets and rugs would, however, be required to repatriate export proceeds equal to at least twice their average daily borrowing during the period vide BCD Circular No. 20 dated 31-8-1983). In case of shortfall on the basis of daily products, the exporter shall be liable to pay penal interest at the prescribed rate. For this purpose, the daily products of borrowings under Part-II of the Scheme will be compared with the products of the export proceeds which shall be arrived at by multiplying the amount of export proceeds realised during the financial year by 120. In order to make this clearer, illustrations are given in the Annexure.

It may please be noted that the banks will now have to submit duplicate copy of form 'EF' duly verified by the Exchange Control Department within 50 days of the close of the monitoring period July-June each year by the 20th August in terms of the instructions contained in para 2 of BCD Circular No. 14 dated the 8th June, 1981. If this is not done in any case, it will be deemed that matching exports have not been made and the concerned office of the State Bank shall recover penal interest at the prescribed rate by debit to the account of the respective bank. In case the bank subsequently produces duplicate copy of 'EF' form duly verified by the Exchange Control Department, the Chief Manager's Office shall refund the penalty to the extent due on the basis of the entries verified by the Exchange Control Department.

The form 'EF' will continue to be submitted by banks in accordance

with the procedure laid down in para 6(1) of the Export Finance Scheme. As stated in para 3 of the BCD Circular No. 14 dated the 8th June, 1981, verification of the form will be completed by the Exchange Control Department within 25 days of its receipt from the bank concerned or by the 15th August, whichever is later.

All returns required to be submitted by the exporters/banks in respect of Part-II of the Scheme should hereafter cover the monitoring period July to June.

The above instructions shall be deemed to be effective from the 1st July, 1983.

All other instructions relating to Part-II of the Scheme issued from time to time will remain unchanged.

Necessary remarks may be made on all copies of the Export Finance Scheme in your possession.

*ANNEXURE to BCD Circular No. 24
Dated 22nd October, 1983*

Calculation of penal interest under Part II of the Export Finance Scheme during the monitoring period July to June

Export Performance for the last year: Rs.180.000/-

Limit sanctioned at 33-1/3% of the last year's export earnings under Part II of the Scheme: Rs.60.000/-

First example

Date	Debit Balance	Export Proceeds realised during the monitoring period
2-7-1983	Rs.60,000	Rs.132,000
6-8-1983	Rs.40,000	
10-9-1983	Rs.20,000	
8-10-1983	Rs. Nil	
10-10-1983	Rs.30,000	
9-11-1983	Rs.60,000	
29-11-1983	Rs.40,000	
30-12-1983	Rs.50,000	
26-2-1984	Rs.40,000	
29-3-1984	Rs.60,000	
24-4-1984	Rs.30,000	
31-5-1984	Rs.50,000	
29-6-1984	Rs. Nil	

(A) Total of Daily products of Borrowings	=	15,730,000
(B) Products of Export Proceeds realised (132,000 x 120)	=	15,840,000

Since 'B' is greater than 'A' the question of realisation of penal interest does not arise.

Second example

Date	Debit Balance	Export Proceeds realised during the monitoring period
2-7-1983	Rs.60,000	Rs.135,000
10-8-1983	Rs.50,000	
15-9-1983	Rs.40,000	
20-10-1983	Rs.30,000	
15-11-1983	Rs.60,000	
28-12-1983	Rs.20,000	
6-1-1984	Rs. Nil	
10-1-1984	Rs.60,000	
11-2-1984	Rs.50,000	
16-3-1984	Rs.40,000	
25-4-1984	Rs.60,000	
29-5-1984	Rs.30,000	
29-6-1984	Rs.50,000	

(A) Total of Daily products of Borrowings	=	17,370,000
(B) Products of Export Proceeds realised (135,000 x 120)	=	16,200,000
Shortfall (A-B)	=	1,170,000

Penal interest will be levied at the prescribed rate on the above shortfall of 1,170,000.

N.B. if the number of days for which an exporter availed of credit during the above financial year exceeds 360 days, the excess number of days will be divided by 3 and the resultant figure rounded off to the nearest whole number (ignoring less than half number and treating half and more than half number as whole number) which may be added to the multiplier of 120 for working out the products of export proceeds.

Interest Rates.

25
1983

Please refer to BCD Circulars No.8 dated the 4th April, 1978 and No.11 dated the 26th April, 1978 regarding the rates of penal interest under the Export Finance Scheme and the Scheme for Financing Locally Manufactured Machinery.

It has now been decided to increase the rate of penal interest recoverable from the exporters in the following types of cases from 6% above Bank Rate to 10% above Bank Rate (inclusive of the respective concessionary rate):-

A. EXPORT FINANCE SCHEME:

- (i) In case the borrower fails to effect shipment within the due date or there is shortfall in the shipment as compared to the export finance obtained. (Para 5(5) of Part-I of the Scheme).
- (ii) In case the short-fall in performance by the exporter (para 6(3) of Part-II of the Scheme).

B. SCHEME FOR FINANCING LOCALLY MANUFACTURED MACHINERY (EXPORT SALES):

Default in exports (mis-utilization of the concessionary finance).

The revised rate of penal interest will, in the case of Part-I of the Scheme, be applicable on the loans taken by the exporters on or after the date of issue of this circular. In cases where loans were taken prior to the date of issue of this circular, penal interest at the old rate of 6% above Bank Rate (including the respective concessionary rate) will be leviable. In the case of Part-II of the Scheme, the revised rate will be applicable to shortfalls in export performance during the monitoring period July, 1983 to June, 1984 and thereafter. In the case of shortfalls prior to the said monitoring period, the old rate shall apply.

All other instructions relating to realisation of penal interest from the exporter and payment thereof to the State Bank will remain unchanged.

Necessary remarks may please be made in the relevant paragraphs of Part-I and Part-II of the Export Finance Scheme circulated vide BCD Circular No.29 dated the 11th October, 1977 and in BCD Circular No.8 dated the 4th April, 1978 relating to the Scheme for Financing Locally Manufactured Machinery, read with BCD Circular No.11 dated the 26th April, 1978.

Encashment of Demand
Drafts and Telegraphic
Transfers.

26
1983


Please refer to the instructions contained in BCD Circular No.4 dated the 13th February, 1975 on the above subject.

It has been brought to our notice that some bank branches do not


encash demand drafts on demand/presentation. This results in hardship and inconvenience to the draft-holders. You are, therefore, advised to bring the contents of the above Circular (copy enclosed) to the notice of all your branches for their guidance and strict compliance.

It has been repeatedly brought to our notice by the various Chambers of Commerce and Industry as well as by private businessmen that the banks do not encash bank drafts drawn on them on presentation and also do not make payment of the Telegraphic Transfers until the confirmatory credit advice is received by the paying branch from the issuing branch. This practice defeats the very purpose for which the businessmen travelling from one city to another carry bank drafts or ask for payments through Telegraphic Transfers. This is also against the legal obligations of the banks who should pay such instruments on presentation.

You are accordingly advised that Demand Drafts issued by a branch of your bank should be promptly paid on presentation by the drawee branch. Similarly, Telegraphic Transfers should be promptly paid on presentation of intimation sent by your bank to the payees. The advice should not be taken to mean, however, that you are to dispense with adopting the normal precautionary measures against forgeries and frauds such as the giving of letters of introduction to the beneficiaries of the drafts, the use of protectographs for printing of important figures and particulars in a draft or even test codes for the purpose. The intention simply is to ensure the prompt encashment of drafts and Telegraphic Transfers as is required by law and the nature of these instruments.

 Please refer to the first paragraph of the Export Finance Scheme forwarded to banks vide BCD Circular No.29 dated the 11th October, 1977 read with BCD Circular No.17 dated the 19th July, 1983, in terms of which raw cotton, wool, rice, hides and skins, leather wet blue and mutton and beef do not qualify for concessionary export finance. It has now been decided that in addition to the above commodities, wheat shall also not qualify for concessionary export finance.

Export Finance Scheme.

 In partial modification of BCD Circular No.24 dated the 28th October, 1981, it has been decided to relax the minimum margin requirement on letters of credit for import of 'Onions' with immediate effect.

Selective Credit Control.

1
1984

Please refer to the first paragraph of the Export Finance Scheme forwarded to banks vide BCD Circular No. 29 dated the 11th October, 1977 read with BCD Circular No. 17 and 27 dated the 19th July and 24th November, 1983 respectively in terms of which raw cotton, wool, rice, hides and skins, leather wet blue, mutton and beef and wheat do not qualify for concessionary export finance.

Export Finance Scheme.

It has now been decided that in addition to the above commodities, cotton yarn shall also not qualify for concessionary export finance as from the 3rd January, 1984. However, in the case of contracts (for export of cotton yarn) already registered with the Export Promotion Bureau till 2nd January, 1984, concessionary export finance under Part I of the Scheme will be allowed, provided that letters of credit against such contracts are opened within 45 days from the said date (2-1-1984), i.e. upto 15th February, 1984. In such cases concessionary export finance will be provided by the banks subject to the following conditions, provided other terms and conditions of the Scheme are fulfilled:-

- (i) The exporter will produce a certificate (in original) from the Export Promotion Bureau certifying that the contract (for export of Cotton Yarn) against which export finance is sought has been registered with the Bureau on or before the 2nd January, 1984. The certificate should either be endorsed on the contract or if given separately, should give all the essential particulars of the contract (viz No. date, names of the exporter and the importer, commodity, rate and amount of contract).
- (ii) The exporter will give an undertaking that in case he fails to arrange (a) for opening of a letter of credit in relation to the contract (particulars of which should be given in the undertaking) by 15-2-1984 and (b) for the original L.C. to be furnished to the bank by 20-2-1984, he would repay the amount of the concessionary finance immediately and also pay penal interest thereon to the bank at the prescribed rate for the period for which the facility is availed of by him. In case the undertaking is not fulfilled, the bank concerned will repay the amount of refinance to the State Bank within the prescribed grace period and also recover and pass on to the State Bank the amount of penal interest.

As regards the export finance already availed of under Part I of the Scheme for the export of cotton yarn against contracts, the exporters will

be required to arrange for opening of letters of credit in relation to the same by 15-2-1984 and provide the bank concerned with the original letter of credit by 20-2-1984, failing which the bank should withdraw the concessional finance as from 21-2-1984, repay the refinance to the State Bank within the prescribed grace period and recover penal interest at the prescribed rate from the exporter for the period from 3-1-1984 till 20-2-1984 and pass on the same to the State Bank.

In so far as monitoring of the export performance under part II of the Scheme is concerned, export proceeds repatriated or and after 3-1-1984 will not count towards export performance except in the case of export contracts received till 2-1-1984, provided the same have been registered with the Export Promotion Bureau till that date, subject to the condition that letters of credit are opened in relation thereto by 15-2-1984 at the latest. A photo-stat copy each of the certificate of the Export Promotion Bureau and the letter of credit, duly certified by the bank concerned, should be sent to the respective office of the State Bank along with the statement in form EF for the monitoring period July, 1983 to June, 1984.

Export Finance Scheme.

2
1984

Please refer to BCD Circular No. 1 dated the 3rd January, 1984.

The sentences at (i), (ii) & (iii) given below may respectively be added at the end of para 2(ii), para 3 and para 4 of the said BCD Circular:-

- (i) The bank shall produce to the respective office of the State Bank a certified photostat copy of the letter of credit referred to above by 23-2-1984, failing which it will be presumed that no letter of credit has been opened and the amount of refinance will be debited by the State Bank to the account of the bank on 25-2-1984 (24th February, 1984 being Friday) along with penal interest at the prescribed rate for the period the refinance has been availed of.
- (ii) The bank shall produce to respective office of the State Bank a certified photostat copy of the letter of credit referred to above by 23-2-1984, failing which the amount of the refinance along with penal interest thereon for the period from 3-1-1984 to 20-2-1984 will be debited by the State Bank to the account of the bank.
- (iii) Where photostate copies of the said certificate and/or letter of credit are not submitted along with the aforesaid statement, it will be presumed that the contract was not registered with the Export Promotion Bureau by the due date and/or no letter of credit was opened. Accordingly, the export proceeds repatriated in such cases shall not be taken into account while calculating the export performance.

3
1984

Please refer to the first paragraph of the Export Finance Scheme forwarded to banks vide BCD Circular No. 29 dated the 11th October, 1977, BCD Circular Nos. 17 and 27 dated the 19th July and 24th November, 1983 respectively and BCD Circular No. 1 dated the 3rd January, 1984 advising the commodities that do not qualify for concessional export finance under the Export Finance Scheme.

Export Finance Scheme.

It has since been decided that stainless steel scrap would also not qualify for concessional finance under the above Scheme.

The commodities which do not qualify for export finance under the Export Finance Scheme are now as under:-

- (i) Raw Cotton.
- (ii) Wool.
- (iii) Rice.
- (iv) Hides & Skins.
- (v) Leather wet blue.
- (vi) Mutton and beef.
- (vii) Wheat.
- (viii) Cotton yarn and
- (ix) Stainless Steel Scrap.

4
1984

In terms of BCD Circular No. 20 dated the 13th August, 1981 commercial banks were permitted to make housing loans and advances exceeding Rs.150,000/- but not exceeding Rs.300,000/- in individual cases, subject to an overall quarterly/annual ceiling being advised separately to each commercial bank, on the basis of participation in income/loss. Such loans and advances are not permissible on the basis of interest.

Credit Policy—Housing Finance.

It is clarified that the above instructions do not apply to loans and advances made to Co-operative Housing Societies and Town Development Authorities etc. for land development. Such loans can be given on the basis of interest over and above the ceiling for housing but within the overall credit ceiling.

5
1984


Please refer to BCD Circular No. 3 dated the 22nd January, 1984 advising the commodities that do not qualify for concessional export finance under the above Scheme.


Export Finance Scheme.

It has since been decided that export of jewellery made out of gold received under the Entrustment Scheme would not qualify for concessional finance under the Export Finance Scheme.

The commodities which do not qualify for export finance under the Export Finance Scheme are now as under:-

- (i) Raw Cotton.
- (ii) Wool.
- (iii) Rice.
- (iv) Hides & Skins.
- (v) Leather Wet Blue.
- (vi) Mutton and Beef.
- (vii) Wheat.
- (viii) Cotton Yarn.
- (ix) Stainless Steel Scrap and
- (x) Jewellery exported under the Entrustment Scheme.

Selective Credit Control.  In partial modification of BCD Circular No. 24 dated the 28th October, 1981, it has been decided to withdraw the minimum margin requirement on advances against 'VISCOSE FIBRE' to manufacturing units with immediate effect.

Bank Charges.  Please refer to BCD Circular No. 5 dated the 25th January, 1983 on the above noted subject.

The matter has been reconsidered in the State Bank of Pakistan and in exercise of the powers conferred on it under the Banking Companies Ordinance, 1962, the banks are directed as under:-

(i) The minimum rates of bank charges prescribed vide the BCD Circular referred to above stand with-drawn as from the end of current month.

(ii) The rate applicable to home remittances, which is reproduced below shall, however, continue to operate as the maximum and no commercial bank shall recover charges in excess thereof:-

"Home Remittances Rs.3/-
plus cost of Money Order
or Telegram Charges when
T.T. is requested. No
charges if funds go to
the branch of the same
bank."

(iii) Subject to (ii) above, all commercial banks are, w.e.f. 1st April, 1984, free to fix their rate (s) of charges. The rate (s) fixed by a

bank shall be uniform for all citar customers. It would, however, be permissible for a bank to fix different rates for different volumes of transactions.

(iv) Subject to (ii) above, each commercial bank shall fix its rates of charges on a half-yearly basis in advance for the half years January to June and July to December. Rates of charges for the remaining period of the current half year shall be fixed by each bank as soon as possible.

(v) Each commercial bank shall get its schedule of charges printed and make the same available to its constituerts at all its branches at least seven days before the commencement of the half year during which the same will remain in force. The bank shall also provide a copy of the printed schedule to the State Bank of Pakistan in the Banking Control Department latest by the 25th June in the case of charges for the half year July to December and by the 26th December in the case of charges for the half year January to June. In the case of the remaining period of the current half year, each bank shall send a copy of its printed schedule of charges therefor to the State Bank of Pakistan in the Banking Control Department by the 15th April, 1984 at the latest.

As laid down in item (ii) above, the rate of charges applicable to home remittances prescribed by the State Bank would operate as the maximum and banks, may at their discretion, recover them at a lower rate.



Please refer to BCD Circular No. 15 dated the 3rd July, 1978.

Fixed Agricultural Investment.

In supersession of BCD Circular Nos. 18,25 and 38 of 8th August, 1978, 27th July, 1982 and 21st November, 1982 respectively, it is advised that medium/long term loans and advances for the purposes specified under the head **Medium/Long Term** in the list of items forwarded to the nationalised commercial banks vide ACD Circular No. 1/83 dated 19th July, 1983 (copy enclosed) shall be treated as fixed agricultural investment.

AGRICULTURAL LOANS SCHEMES

Please refer to Para 3 of ACD Circular No. 1/82 dated 11th April, 1982 on the above subject.

We forward herewith a revised list of items eligible for credit in Agricultural Sector for your information and necessary action.

Agricultural Credit List of Items

	Short-term	Medium/Long-term
A. Farm Credit (i) Production and Development	1. Seeds 2. Water (Not taxes) 3. Fertilizers 4. Pesticides and weedicides 5. Farm Power (hire) 6. Diesel oil for tubewell operations 7. Electric charges for tubewell operations	1. Land improvement (Clearance of jungle, levelling, layout, terracing, soil improvement, embankment land formation and bund construction) 2. Water-course improvement (alignment, lining, silt clearance, construction of modules and culverts). 3. Wells (a) Tube-wells (b) Open-wells (c) Persian wheels (d) Lift pumps (e) Deep turbines (f) Electrical installations 4. Farm Power (a) Bullocks and camel if purchased for agricultural use. (b) Tractors, trailers and implements (c) Thrashers (d) Tobacco curing equipment. (e) Other agricultural equipments including power tillers and knapsack sprayers. 5. Farm construction (Sheds for animals, equipment and other farm requisites) 6. Arboriculture (Wind-breakers shelter-belts, hedges) 7. Orchards including nurseries 8. Fencing 9. Solar energy plants/wind mills including installation cost.

	Short-term	Medium/Long-term
(ii) Storage, transportation, marketing, packing and processing by farmers from field only.	<ol style="list-style-type: none"> 1. Storage hire-charges 2. Transportation-hire charges 3. Cost of packing materials. 	<ol style="list-style-type: none"> 1. Construction of cold storages by farmers 2. Construction of godowns bins on farms. 3. Purchase of trucks, bullock-carts, transport machinery, country-boats, fork-lifts etc. 4. Purchase of processing machinery for use at the farms

B.Non-Farm Credit

(i) Livestock (Goat/Sheep & cattle)	<ol style="list-style-type: none"> 1. Feeds, raising veterinary expenses 	<ol style="list-style-type: none"> 1. Feed Lots/Fattening station-structures & equipment 2. Livestock Farm-structures & equipment. 3. Purchase of Fattening animals, Goat/Sheep and Milch animals 4. Construction of cold storages by livestock producers
(ii) Poultry	<ol style="list-style-type: none"> 1. Purchase of chicks 2. Feeds & raising charges 	<ol style="list-style-type: none"> 1. Hatchery Farm-structures and equipment 2. Poultry Farm-structures and equipment 3. Construction of cold storages by poultry producers.
(iii) Forestry		<ol style="list-style-type: none"> 1. Tree plantation including nurseries 2. Apiculture 3. Sericulture
(iv) Fisheries (Inland and marine excluding deep sea fishing)	<p style="text-align: center;">INLAND</p> <ol style="list-style-type: none"> 1. Seed 2. Feed bags 3. Manuring 4. Running charges of 	<p style="text-align: center;">INLAND</p> <ol style="list-style-type: none"> 1. Cost of excavation/ construction/expansion/ rehabilitation of ponds. 2. Cost of installation of tubewells/pumping sets/

Short-term	Medium/Long-term
tube-wells/ pumping sets	Ancillary structure 3. Water Channels 4. Fencing
INLAND & MARINE	
5. Curing and Dry- ing by fisher- men.	5. Fishing Boats (Trawlers, sail boats) 6. Nets, twines and ropes 7. Fish Yards 8. Construction of cold storages by fishermen.
MARINE	
(v) Bio-gas plants	9. Marine-Engines and spare parts 10. Other boat equipment (floats, life-buoys, life jackets, navigational lights, compasses, echosounders, insulation material). 1. Cost of plant, including installation cost.

Export Finance Scheme.

9
1984

Please refer to BCD Circular No. 1 dated the 3rd January, 1984 whereby the banks were advised that cotton yarn shall not qualify for concessionary export finance as from 3rd January, 1984 except in the case of contracts (for export of cotton yarn) already registered with the Export Promotion Bureau till 2nd January, 1984, provided that letters of credit thereagainst were also opened upto 15th February, 1984.

It has now been decided that concessionary export finance against letters of credit for the export of cotton yarn opened on or before 2nd January, 1984 which were received by the banks in Pakistan and advised to the beneficiary by 18th January, 1984, shall be admissible irrespective of whether or not the contracts relating to such letters of credit were registered with the Export Promotion Bureau till 2nd January, 1984.

Export Finance Scheme.

10
1984

Please refer to BCD Circular No. 5 dated the 5th February, 1984 advising the commodities that do not qualify for concessionary export finance under the above Scheme.

It has since been decided that export of Live Stock would not qualify for concessionary finance under the Export Finance Scheme. The commodities which do not qualify for export finance under the Export Finance Scheme shall henceforth be as under:-

- (i) Raw Cotton.
- (ii) Wool.
- (iii) Rice.
- (iv) Hides & Skins.
- (v) Leather wet blue.
- (vi) Mutton & Beef.
- (vii) Wheat.
- (viii) Cotton yarn.
- (ix) Stainless steel scrap.
- (x) Jewellery exported under the Entrustment Scheme.
- (xi) Live Stock.

11
1984

Please refer to para 2 of BCD Circular No. 11 dated the 17th April, 1982 containing the names of the development finance institutions authorised to provide financial assistance and lead commercial bank consortia for providing such assistance under Part I of the captioned Scheme relating to local sales.

**Scheme for Financing
Locally Manufactured
Machinery.**

It is advised that Pakistan Kuwait Investment Company Ltd. and Investment Corporation of Pakistan have also been approved by the State Bank as development finance institutions for the above purpose. With this approval, Part I of the Scheme will hereafter be administered by the following institutions:-

- (i) Pakistan Industrial Credit & Investment Corporation.
- (ii) Industrial Development Bank of Pakistan.
- (iii) National Development Finance Corporation.
- (iv) Bankers Equity Limited.
- (v) Pak-Libya Holding Co. Ltd.
- (vi) Pakistan Kuwait Investment Company Ltd.
- (vii) Investment Corporation of Pakistan.
- (viii) Scheduled Commercial banks (under the lead of any one of the above development finance institutions).

12
1984

In partial modification of BCD Circular No. 24 dated the 23rd October, 1981, it has been decided to relax the minimum margin requirement on letters of credit for import of 'potato' with immediate effect.

Selective Credit Control.

**Elimination of 'RIBA'
from the Banking
System.**

13
1984

As has been announced by the Finance Minister, it is the intention of Government that the Banking System should shift over to Islamic modes of financing during the course of the next financial year. These modes of financing have been described in annexure I. This shift will take place according to the following programme:

- (i) As from the 1st July, 1984, all banking companies will be free to make finances available in any of the modes of financing listed in annexure I. However, as a transitional arrangement, they will also be free to lend on the basis of interest, provided that no accommodation for working capital will be provided or renewed on interest basis for a period of more than six months.
- (ii) As from the 1st January, 1985, all finances provided by a banking company to the Federal Government, Provincial Governments, public sector corporations and public or private joint stock companies shall be only in any one of the modes indicated in annexure I.
- (iii) As from the 1st April, 1985, all finances provided by a banking company to all entities, including individuals, shall be on the same basis as mentioned in (ii) above.
- (iv) The appropriate mode of financing to be adopted in any particular case will be settled by agreement between the banking company and the client. Some possible modes of financing for various transactions have been shown in annexure II.
- (v) As from the 1st July, 1985, no banking company shall accept any interest-bearing deposits. As from the date, all deposits accepted by a banking company shall be on the basis of participation in profit and loss of the banking company, except deposits received in Current Account on which no interest or profit shall be given by the banking company.

The instructions contained in items (i), (ii) and (iii) above shall, however, not apply to on-lending of foreign loans which will continue to be governed by the terms of the loans. Likewise, the instructions contained in item (v) above shall not apply to foreign currency deposits.

The above instructions are being issued under the Banking Companies Ordinance, 1962. Further instructions, where necessary, will follow.

PERMISSIBLE MODES OF FINANCING

- (A) Financing by lending:
- (i) Loans not carrying any interest on which the banks may recover a service charge not exceeding the proportionate cost of the operation, excluding the cost of funds and provision for bad and doubtful debts. The maximum service charge permissible to each bank will be determined by the State Bank from time to time.
 - (ii) Qard-e-Hasana loans given on compassionate ground free of any interest or service charge and repayable if and when the borrower is able to pay.
- (B) Trade-related modes of financing including the following:
- (i) Purchase of goods by banks and their sale to clients at appropriate mark-up in price on deferred payment basis. In case of default, there should be no mark-up on mark-up.
 - (ii) Purchase of trade bills.
 - (iii) Purchase of moveable or immoveable property by the banks from their clients with Buy-Back Agreement or otherwise.
 - (iv) Leasing
 - (v) Hire-purchase
 - (vi) Financing for development of property on the basis of a development charge.

The maximum and the minimum rates of return to be derived by the banks from these modes of financing will be as may be determined by the State Bank from time to time.

- (C) Investment type modes of financing. These modes include the following:
- (i) Musharika or profit and loss sharing.
 - (ii) Equity participation and purchase of shares.
 - (iii) Purchase of participation term certificates and Mudarba certificates.
 - (iv) Rent-sharing

The maximum and minimum rates of profit to be derived by the banks from such transactions will be as may be prescribed by the State Bank from time to time. However, should any losses occur, they will have to be proportionately shared among all the financiers.

**POSSIBLE MODES OF FINANCING FOR
VARIOUS TRANSACTIONS**

NATURE OF BUSINESS	BASIS OF FINANCING
I. Trade and Commerce	
(a) Commodity operations of the Federal and Provincial Governments and their agencies.	Mark-up in price.
(b) Export Bills purchased/ negotiated under Letters of Credit (other than those under reserve).	(i) Exchange Rate differential in the case of foreign currency bills.
	(ii) Commission or mark-down in the case of Rupee bills.
(c) Documentary Inland Bills drawn against Letters of Credit purchased/discounted.	Mark-down in price.
(d) Import Bills drawn under Letters of Credit.	Mark-up in price.
(e) Financing of exports under the State Bank's Export Finance Scheme and the Scheme for Financing Locally Manufactured Machinery.	Service charge/Concessional Service charge.
(f) Other items of trade & commerce.	Fixed investment Equity participation, P.T.Cs., leasing or hire-purchase. Working Capital Profit and loss sharing or mark-up.
II. Industry	Fixed Investment Equity participation, P.T.Cs., Modaraba Certificates, leasing, hire-purchase or mark-up. Working Capital Profit & loss sharing or mark-up.

NATURE OF BUSINESS	BASIS OF FINANCING
III. Agriculture and Fisheries	
(a) Short-term Finance.	<p>Mark-up. In the case of small farmers and small fishermen who are at present eligible for interest free loans finance for the specified inputs etc. upto the prescribed amount may also be on mark-up basis. The mark-up amount may however be waived in the case of those who repay the finance within the stipulated period and payment of the mark-up made by the State Bank to banks by debit to Federal Government Account.</p>
(b) Medium and Long-term Finance	
(i) Tube-wells & other wells.	<p>Leasing or hire-purchase. In addition to ownership of machinery, banks may create charge on the land in their favour as in the case of other loans to the farmers under the Passbook System.</p>
(ii) Tractors, trailers and other farm machinery and transport (including fishing boats, solar energy plants etc.)	<p>Hire-purchase or leasing.</p>
(iii) Plough-cattle, Milch Cattle & other live stock	<p>Mark-up</p>
(iv) Dairy & Poultry.	<p>PLS/mark-up/hire-purchase/leasing.</p>
(v) Storage and other farm construction (viz. Sheds for animals, fencing etc.)	<p>Leasing or rent sharing basis with flexible weightage to the bank's funds.</p>
(vi) Land Development.	<p>Development charge.</p>
(vii) Orchards, including nurseries.	<p>Mark-up, development charge or PLS basis.</p>

NATURE OF BUSINESS	BASIS OF FINANCING
(viii) Forestry.	Mark-up, development charge or PLS.
(ix) Water Course improvement.	Development charge
IV. Housing	Rent sharing with flexible weightage to bank's funds or buy-back cum mark-up.
V. Personal Advances (other than those for business purposes & housing)	
(a) Consumer durables (cars, motor cycles, scooters and house-hold goods).	Hire-purchase.
(b) For consumption purposes.	Against tangible security with buy back arrangement.

Export Finance Scheme.

14
1984

Please refer to BCD Circular No. 10 dated the 20th May, 1984 advising the commodities that do not qualify for concessionary export finance under the above Scheme.

It has since been decided that the commodities which do not qualify for export finance under the Export Finance Scheme shall henceforth be as specified in the enclosed list.

EXPORT FINANCE SCHEME

LIST OF COMMODITIES NOT ELIGIBLE FOR CONCESIONARY EXPORT FINANCE

Sr.No.	Commodity
1.	Raw Cotton.
2.	Cotton Yarn.
3.	Fish other than frozen and preserved.
4.	Mutton and Beef.
5.	Petroleum Products.
6.	Crude Vegetable Minerals.
7.	Wool and Animal Hair.
8.	Crude Animal Material.
9.	Feed-stuff for Animals.

10. All Grains including Grain Flour.
11. Stone, Sand and Gravel.
12. Waste and Scrap of all kinds.
13. Fertilizer Crude.
14. Oil-seeds, Nuts and Kernels.
15. Pearls and Precious Stones.
16. Jewellery exported under the Entrustment Scheme.
17. Live Animals.
18. Hides and Skins.
19. Leather Wet Blue.
20. Inorganic Elements, Oxides etc.
21. Crude Minerals.
22. Works of Arts and Antiques.
23. All Metals.
24. Fur Skins.
25. Wood in rough or squared.

15
1984

Please refer to BCD Circular No. 5 dated the 5th February, 1981. It has been decided to withdraw with immediate effect the concessionary export finance facility under the Export Finance Scheme hithertofore allowed to the Cotton Export Corporation for the export of raw cotton.

Export Finance Scheme.

16
1984

Please refer to BCD Circular No. 22 dated 8th July, 1982, and BCD Circular No. 19 dated the 23rd July, 1983.

**Small Loan Scheme for
Businessmen &
Industrialists.**

It has since been decided that with effect from 1st July, 1984, industries with fixed assets (excluding Land and Buildings) the original value of which does not exceed Rs.10 million (instead of Rs.5 million as heretofore) will qualify for small loans under the captioned scheme. It is further decided that in the case of hotels/motels only such projects with fixed assets (including land and buildings) the total original cost of which does not exceed Rs.10 million shall qualify for small loans.

Consequently, the definition of Small Loans given in the first paragraph of the scheme circulated vide BCD Circular No. 27 dated 20th November, 1972 may be amended to read as under:

“Loans and advances, including bills purchased and discounted, given by any bank for business purposes, not exceeding Rs.200,000 per borrower, including those to dependant members of his family, would be treated as ‘Small Loans under the scheme. Similarly loans and ‘Small loans’ advances given to industrial units including cottage industries, which have fixed assets (excluding land and buuildings) the original value of which does not exceed Rs.10 million would be treated as ‘Small Loans’. In the case of hotels/motels, however, those loans will be treated as Small

Loans where the total original cost of the project (including land and buildings) does not exceed Rs.10 million”.

The above definition shall apply for the purposes of both loans under the Small Loans Scheme and the Mandatory Credit Targets.

17
1984

“It is clarified that a licensed branch of a banking company can conduct evening banking also for any number of hours determined by the banking company itself without any clearance from the State Bank of Pakistan”.

Export Finance Scheme.

18
1984

Please refer to BCD Circular No. 14 dated the 15th July, 1984 enclosing the list of commodities which do not qualify for concessionary finance under the above Scheme.

It is advised that the commodity mentioned at serial No. 6 of the said list may be read as ‘Crude Vegetable Materials’.

Necessary correction may please be made in the list enclosed to the above Circular with you.

Concessionary Finance Under the Scheme for Financing Locally Manufactured Machinery for Locally Produced Goods Supplied Locally Against International Tenders.

19
1984

Please refer to para 2 of BCD Circular No. 18 dated the 13th June, 1982.

It is clarified that major supplies of gas linepipe of 6” diameter and above against international tenders may be considered by the State Bank as qualifying for the concessionary finance under the above-mentioned Circular.

Amendments in the Banking Companies Ordinance, 1962.

20
1984

We enclose for your information and necessary action a copy of Finance Division’s Notification No. S.R.O.641(1)/84 dated the 17th July, 1984. This Notification was published in Gazette of Pakistan, Extraordinary, Part II, dated the 18th July, 1984.

**FINANCE DIVISION
(Internal Finance Wing)
Islamabad, the 17th July, 1984**

S.R.O. 641(1)/84.—In exercise of the powers conferred by section 3A of the Banking Companies Ordinance, 1962 (LVII of 1962), the Federal Government is pleased to specify the following corporations and companies for the purposes of the said section, namely:-

1. The National Development Finance Corporation.
2. The Bankers Equity Limited.

3. The Pak-Libya Holding Company Limited.
4. The Pakistan Kuwait Investment Company Limited.
5. The Saudi-pak Industrial & Agricultural Investment Company Limited.
6. The Small Business Finance Corporation.

21
1984

We enclose for your information and necessary action a copy of Banking Companies (Amendment) Ordinance, 1984 (Ordinance No. XXXIV of 1984) published in the Gazette of Pakistan, Extraordinary, Part I, dated the 2nd August, 1984.

**Amendments in the
Banking Companies
Ordinance, 1962.**

ORDINANCE NO. XXXIV OF 1984
AN
ORDINANCE

further to amend the Banking Companies Ordinance, 1962

WHEREAS it is expedient further to amend the Banking Companies ordinance, 1962 (LVII of 1962), for the purposes hereinafter appearing;

AND WHEREAS the President is satisfied that circumstances exist which render it necessary to take immediate action;

NOW, THEREFORE, in pursuance of the Proclamation of the fifth day of July, 1977, and in exercise of all powers enabling him in that behalf, the president is pleased to make and promulgate the following Ordinance:-

1. Short title and commencement.-(1) This ordinance may be called the Banking Companies (Amendment) Ordinance, 1984.

(2) It shall come into force at once.

2. Amendment of Section 13, ordinance LVII of 1962.- In the Banking Companies Ordinance, 1962 (LVII of 1962), hereinafter referred to as the said Ordinance, in section 13, in sub-section (1), the following Explanation shall be added at the end, namely:-

“Explanation.- In this section and in sections 22 and 29, “liabilities” shall not include the paid-up capital or the reserves or any credit balance in the profit and loss account of the banking company or the amount of any loan taken from the State Bank or the amount received as loan in Pakistan currency by the banking company from the Federal Government, whether out of a foreign currency loan contracted by the Government or otherwise, or the amount of foreign currency loans obtained by the banking company directly from any foreign agency.”

3. Amendment of section 22, Ordinance LVII of 1962.- In the said Ordinance, in section 22, the Explanation shall be omitted.

Sd/-
GENERAL
M. ZIA-UL-HAQ
President

Sd/-
JUSTICE
IRSHAD HASAN KHAN
Secretary

Export Finance Scheme.



It has been represented to us that owing to the international economic situation, exports of carpets and rugs from Pakistan continue to be adversely affected and the exporters of these commodities are still facing serious difficulties in realisation of export proceeds etc. With a view to helping these exporters over-come these difficulties, it has been decided to allow them the following relaxations vis-a-vis the provisions of the Export Finance Scheme:-

- (i) In the case of finance availed of under Part I of the Export Finance Scheme for exports of carpets and rugs, a total period of upto 270 days (at pre-shipment stage and/or post-shipment stage) may be allowed for repayment, provided shipments are made within the financial year 1984-85 **but not later than 31-12-1984** and within a period of 180 days after the drawal of the export finance advance.
- (ii) As for export performance against borrowings under Part II of the Scheme, the exporters of carpets and rugs may be required to make exports equal to twice their average daily borrowings during the monitoring period July, 1984-June, 1985 as against the normal requirement of thrice the average daily borrowings. For the above purpose, the daily products of borrowings will be compared with the products of export receipts during the monitoring period which shall be arrived at by multiplying the amount of export proceeds realised during the period by 180. If there is any short-fall in the receipts, penalty as prescribed from time to time shall be recovered from the exporters. In order to make this clearer, illustrations are given in the Annexure.

It may please be noted that the banks will have to submit duplicate copy of form 'EF' duly verified by the Exchange Control Department within 50 days of the close of the monitoring period July, 1984-June, 1985, i.e. by the 20th August, 1985 in terms of the instructions contained in

BCD Circular No. 14 dated the 8th June, 1981. If this is not done in any case, it will be deemed that matching exports have not been made and the concerned office of the State Bank shall recover penal interest as prescribed from time to time by debit to the account of the respective bank. In case the bank subsequently produces duplicate copy of 'EF' form duly verified by the Exchange Control Department, the Chief Manager's Office shall refund the penalty to the extent due on the basis of the entries verified by the Exchange Control Department.

ANNEXURE TO BCD CIRCULAR NO.22 DATED 22-10-1984

EXPORT PERFORMANCE FOR THE LAST YEAR RS.180,000

LIMIT SANCTIONED AT 33-1/3% OF THE LAST YEAR'S EXPORT EARNINGS UNDER PART - II OF THE SCHEME RS.60,000/-

Ist example

Date	Debit Balance	Export Proceeds realised during the monitoring period.
2-7-1984	Rs. 60,000	Rs. 88,000
6-8-1984	Rs. 40,000	
10-9-1984	Rs. 20,000	
8-10-1984	Rs. Nil	
10-10-1984	Rs. 30,000	
9-11-1984	Rs. 60,000	
29-11-1984	Rs. 40,000	
30-12-1984	Rs. 50,000	
26-2-1985	Rs. 40,000	
29-3-1985	Rs. 60,000	
24-4-1985	Rs. 30,000	
31-5-1985	Rs. 50,000	
29-6-1985	Rs. Nil	

(A) Total of Daily products of Borrowings = 15,660,000

(B) Products of Export Proceeds realised = 15,840,000
(88,000 x 180)

Since 'B' is greater than 'A' the question of realisation of penal interest does not arise.

2nd example

Date	Debit Balance	Export Proceeds realised during the monitoring period.
2-7-1984	Rs. 60,000	Rs. 90,000
10-8-1984	Rs. 50,000	
15-9-1984	Rs. 40,000	
20-10-1984	Rs. 30,000	
15-11-1984	Rs. 60,000	
28-12-1984	Rs. 20,000	
6-1-1985	Rs. Nil.	
10-1-1985	Rs. 60,000	
11-2-1985	Rs. 50,000	
16-3-1985	Rs. 40,000	
25-4-1985	Rs. 60,000	
29-5-1985	Rs. 30,000	
29-6-1985	Rs. 50,000	

(A) Total of Daily products of Borrowings = 17,320,000

(B) Products of Export Proceeds realised = 16,200,000
(90,000 x 180)

Short-fall (A-B) = 1,120,000

Penal interest will be levied on the above
Short-fall i.e. 1,120,000

N.B. If the number of days for which an exporter availed of credit during the above monitoring period exceeds 360 days the excess number of days will be divided by 2 and the resultant figure rounded off to the nearest whole number (treating half number as whole number) which may be added to the multiplier of 180 for working out the products of export proceeds.

Selective Credit Control.

23
1984

In partial modification of BCD Circular No. 24 dated the 28th October, 1981, it has been decided to withdraw, with immediate effect, the minimum margin requirement on opening of letters of credit for the import of all live animals except swine.

Scheme for Financing
Locally Manufactured
Machinery.

24
1984

Please refer to BCD Circular No. 11 dated the 17th April, 1982 with which an amended copy of the Scheme for Financing Locally Manufactured Machinery was forwarded to the banks.

It has since been decided that while submitting application for refinance under the captioned Scheme, the banks/approved development finance institutions, in addition to the documents/information already prescribed, shall also furnish the name and address of the manufacturer of machinery exported/to be exported. Accordingly in item 3 of Form LMMIV prescribed vide BCD Circular No. 8 dated the 22nd March, 1973 after sub-item (b) following new sub-item (c) may be added:-

“(C) Name & address of the manufacturer”.



Please refer to the Export Finance Scheme circulated vide BCD Circular No. 29 dated the 11th October, 1977.

Export Finance Scheme.

It has since been decided to substitute the following for para 5 (5) of the Scheme (Part-I) as amended vide para 3 of BCD Circular No. 24 dated the 24th November, 1980.

“In case the borrower fails to effect the shipment within 180 days of the availment of concessionary export finance from the bank, penal interest (inclusive of the concessionary rate) at the rate of 10 per cent per annum above the Bank Rate shall be recovered from him by way of penalty which shall be passed on to the State Bank within three working days from the date of recovery from the borrower.

In case of delayed shipments, i.e. shipment made after the expiry of 180 days, the State Bank would, on representation being made by the borrower allow refund of the penalty less penalty at the rate prescribed above for the period of the delay, Further, in cases of failure to export or delay in export for reasons beyond the control of the borrower, State Bank may, at its absolute discretion, waive/refund the entire penalty or part thereof”.

The system of levying of penal interest is being replaced by a system of fines with effect from 1st January, 1985, details of which are being advised to banks separately.

In consequence of the above, the condition laid down vide item (ii) of the first para of BCD Circular No. 18 dated the 20th July, 1983 may be amended to read as under:-

“The goods should be shipped within 180 days of the availment of concessionary export finance against the original firm order/L.C”.

The implication of the above amendments is that no penalty shall be recoverable in those cases where exports are made within 180 days of the availment of the export finance from the bank regardless of such export being made after the date of shipment stipulated in the firm order/L.C.

The above instructions shall apply to all loans/finances (under the Export Finance Scheme) maturing on or after the date of issue of this Circular.

Elimination of 'RIBA' from the Banking System—Rate of Service Charge Recoverable on Finances Provided by Way of Lending Other Than "Qard-e-Hasana".

26
1984

Please refer to item (A) (i) of Annexure 1 to BCD Circular No. 13 dated the 20th June, 1984.

The maximum rate of service charge which a bank/development finance institution may recover on its loans other than "Qard-e-Hasana" during an accounting year shall be Calculated by dividing the total of its expenses excluding cost of funds and expenditue relating to bad assets and income taxation by the mean of its total assets at the beginning and end of the year and rounding off the result to the nearest decimal of a porcentage point. An illustration of this is given in the annexure.

A bank/DFI may recover service charge during an accounting year on the basis of the rate determined by it which shall be communicated by it to each of its branches, as also intimated to the State Bank at least a week before Commencement of each accounting year. However, immediately after its accounts for an accounting year are audited, it shall work out the maximum rate at which service charge was recoverable during that accounting year on the basis of the methodology laid down in Para 2 above and in case the rate so worked out is less than the rate determined for the year earlier, it shall refund the excass recoveries if any, to its clients concerned within one month of audit of the accounts. It shall also submit to the State Bank for post-facto audit, within five months of the close of the accounting year, the rate worked out as above along with a certificate, in case the rate is lower than the one determined earlier for the year, to the effect that excess recoveries have been refunded to the clients concerned.

The above instructions are being issued under the Banking Companies Ordinance 1962.

*Annexure to BCD Circular No. 26
26th November, 1984*

Name of Bank.....
Maximum Rate of Service Charge recoverable for the year ended.....

CALCULATION SHEET

(Figures in Million of Rs.)

For the above year.

- | | | |
|----|---|-------|
| 1. | Total Expenditure (total income less balance of profit i.e. gross profit, as per audited Profit and Loss Account) | 4,775 |
| 2. | LESS: | |
| | (i) Interest and return on deposits, borrowings, etc. | 3,600 |

(ii)	Income taxation and provision for it if charged to Expenses Account	50
(iii)	Bad assets provision and write-offs by direct debit to Expenses Account.	25
(iv)	Total of (i) to (iii)	3,675
3.	Administrative Expenditure (1 minus 2 (iv))	1,100
4.	Total Assets at the beginning of the year.	29,000
5.	Total assets at the end of the year.	35,000
6.	Average of the total assets at the beginning and end of the year.	32,000

Service Charge in percentage terms to the nearest decimal point (3 divided by 6 and multiplied by 100]

$$= \frac{1100}{32,000} \times 100 = 3.4\%$$

27
1984

Please refer to item (b) of Annexure I to BCD Circular No. 13 dated the 20th June, 1984.

Elimination of 'RIBA' from the Banking System—Rates of Return in Case of Trade Related Modes of Financing.

Until further instructions, the annual rates of return derived by a bank/development finance institution in respect of trade-related modes of financing shall be within the ranges indicated below:-

	Minimum rate of return	Maximum rate of return
(i) For exports under the Export Finance Scheme	No minimum	3%
(ii) For Part I (Local Sales) of the Scheme for Financing Locally Manufactured Machinery	No minimum	9%
(iii) For part II (Export Sales) of the Scheme for Financing Locally Manufactured Machinery	No minimum	2%
(iv) For other purposes for which specific instructions have not been issued separately.	11%	18%

As already indicated in the BCD Circular referred to above, there should be no mark-up on the marked-up price. Similarly, there should be no compounding of overdue return/service charge in other cases also.

The above instructions are being issued under the Banking Companies Ordinance, 1962.

Elimination of 'RIBA' from the Banking System—Rates of Return in the Case Investment Type Modes of Financing.

28
1984

Please refer to item (C) of Annexure I to BCD Circular No. 13 dated the 20th June, 1984.

Until further instructions, the minimum annual rates of return which a bank/development finance institution may keep in view while considering proposals for provision of finance and the maximum annual rate of return that they may derive on the basis of investment modes of financing shall be as indicated below:-

	Minimum rate of return to be kept in view	Maximum rate of return
(i) For exports under the Export Finance Scheme	No minimum	3%
(ii) For Part I (Local Sales) of the Scheme for Financing Locally Manufactured Machinery	No minimum	9%
(iii) For part II (Export Sales) of the Scheme for Financing Locally Manufactured Machinery	No minimum	2%
(iv) For other purposes for which specific instructions have not been issued separately.	11%	No maximum

In cases under (iv) above, the rate of return derived by a bank/development finance institution should not, actual profits of the client permitting, be less than the minimum rate indicated there-against. All such cases, where financing of Rs.10 million or more is provided by a bank/DFI in each case and actual return is lower than the prescribed minimum, should be reported to the State Bank of Pakistan in the attached proforma on a half yearly basis for the half year ended 30th June and 31st December every year which should reach the State Bank by the last working day of the month following the respective half year.

NAME OF BANK/DFI

Return in respect of cases where the rate of profit earned by us was less than the projected minimum rate prescribed by the State Bank, for the half year ended

Type of trade/ industry	Name of the party with names and addresses of directors/ partners/proprietors	Amount of financing	Return actually received		Rate during preceding three half years	REMARKS (reasons for profit being lower than the minimum prescribed by State Bank)
			Amount	Rate		
1	2	3	4	5	6	7

Should losses occur these shall be shared by all the financiers in proportion to the respective finances provided by them. This applies to all the items listed in para 2 above.

The above instructions are being issued under the Banking Companies Ordinance 1962.

Elimination of 'RIBA' from the Banking System—Export Finance Scheme.

29
1984

Please refer to BCD Circular No.13 dated the 20th June, 1984.

It has been decided that as from the 1st January, 1985, finance provided by a bank under the Export Finance Scheme shall be only on the basis of any one of the non-interest modes of financing considered appropriate by the bank. The maximum rate of return to be derived by a bank from such finance shall be as laid down in BCD Circulars No.27 and 28 dated the 26th November, 1984, State Bank continuing to provide refinance by way of loans without interest or service charge.

Also as from the 1st January, 1985, the system of levying of penal interest for defaults by the exporters/suppliers/banks in fulfilling their obligations under the Scheme will be replaced by a system of fines to be imposed by the State Bank. The new system will apply to export finance/refinance provided on or after the aforesaid date. The fine will be in addition to return payable according to the mode on the basis of which the finance/refinance was provided. The scale of the fines shall be as indicated below:-

- (i) If an exporter who had obtained finance under Part-I of the Scheme fails to ship the goods by the due date, he will be subjected to a fine at the rate of Rs.110 per Rs.1,000/-, or part thereof, of the finance.
- (ii) If, in a case of the type mentioned in (i) above, the exporter subsequently ships the goods, he will be liable to pay fine only for the period of the delay in the shipment at the rate of Paisas 60 per day for Rs.1,000/- or part thereof, of the finance. In other words, on his making an application in this behalf, the fine already recovered from him in terms of (i) above, less fine for the period of the delay, will be refunded to him.
- (iii) In case an exporter who had obtained finance under Part-II of the Scheme, fails to match his borrowings by his export performance, he will be subjected to a fine of paisas 60 per Rs.1,000/- or part thereof, of the shortfall in the total daily products of exports undertaken by him.
- (iv) If an exporter who had obtained finance for export of goods for sale/display in an international exhibition/fair, fails to repatriate the export proceeds in respect of goods sold at the

exhibition/fair within 30 days of the close of the exhibition/fair or within the permissible period of availment of the finance, whichever is less, he will be subjected to a fine at the rate mentioned in (i) above on the amount of the finance. If he subsequently repatriates the proceeds, on his making an application in this behalf, the fine already recovered from him, less fine for the period of the delay at the rate mentioned in (ii) above, will be refunded to him.

- (v) If a supplier who had obtained finance for making local supplies against international tenders, fails to supply the goods by the due date, he will be subjected to a fine at the rate mentioned in (i) above on the amount of the finance. If he subsequently supplies the goods, on his making an application in this behalf, the fine already recovered from him, less fine for the period of the delay at the rate mentioned in (ii) above, will be refunded to him.
- (vi) If a bank fails to deposit with the State Bank, towards repayment of the respective refinance loan, the amount of a repayment made to it by/on account of the exporter/supplier within 3 days of receipt of the amount by it, it shall be subjected to a fine at the rate mentioned in (ii) above on the amount involved till the amount is deposited with the State Bank.
- (vii) If the amount of refinance obtained by a bank from the State Bank under Part-II of the Scheme at any time exceeds the amount of export finance provided by it to an exporter, it shall be subjected to a fine at the rate mentioned in (ii) above on the excess refinance for so long as the excess continues.
- (viii) If an exporter/a supplier/a bank defaults in fulfilling any other obligation under the Scheme, he/it shall be subjected to a fine at the scale mentioned in (ii) above on the amount involved for the relevant period.

The other provisions of the Scheme as amended from time to time, shall, however, remain unchanged.



Please refer to BCD Circular No.13 dated the 20th June, 1984.

It has been decided that as from the 1st January, 1985, finance provided by a development finance institution/bank shall only be on the basis of any one of the non-interest modes of financing considered appropriate by the DFI/bank. The maximum rate of return to be derived by a DFI/bank from such finance shall be as laid down in BCD Circulars No.27 and 28 dated the 26th November, 1984.

Elimination of 'RIBA' from the Banking System—Scheme for Financing Locally Manufactured Machinery.

In the case of Part-I (Local Sales) of the Scheme, the State Bank will provide refinance to the DFI/bank concerned on the basis of sharing of the profit and loss. The share of the State Bank in the profit will be 75%. In the event of loss, the loss will first be met out of the Reserves and credit balance in the profit and loss account of the DFI/bank which have been created during the period of financing and the balance, if any, shared by all the financiers in proportion to the respective finances provided by them. As for Part-II (Export Sales) of the Scheme, the State Bank will continue to provide refinance by way of loans without interest of service charge.

Also as from the 1st January, 1985, the system of levying of penal interest for defaults by the exporters/suppliers/DFIs/banks in fulfilling their obligations under the Scheme will be replaced by a system of fines to be imposed by the State Bank. The new system will apply to finance/refinance provided on or after the aforesaid date. The fine will be in addition to return payable according to the mode on the basis of which the finance/refinance was provided. The scale of the fines shall be as indicated below:-

- (i) If an exporter who had obtained pre-shipment finance under the Scheme, fails to ship the locally manufactured machinery by the due date, he will be subjected to a fine at the rate of Rs.110/- per Rs.1,000/- or part thereof, of the finance.
- (ii) If in a case of the type mentioned in (i) above, the exporter subsequently ships the machinery, he will be liable to pay fine only for the period of the delay in the shipment at the rate of paisa 60 per day per Rs.1,000/-, or part thereof, of the finance. In other words, on his making an application in this behalf, the fine already recovered from him in terms of (i) above, less fine for the period of the delay, will be refunded to him.
- (iii) If a supplier who had obtained finance for making local supplies of locally manufactured machinery against an international tender, fails to make the supplies by the due date, he will be subjected to a fine at the rate mentioned in (i) above on the amount of the finance. If he subsequently makes the supplies, on his submitting an application in this behalf, the fine already recovered from him, less fine for the period of the delay at the rate mentioned in (ii) above will be refunded to him.
- (iv) If a DFI/bank fails to deposit with the State Bank, towards repayment of the respective refinance, the amount of a repayment made to it by/on account of the exporter/supplier within 3 days of receipt of the amount by it, it shall be subjected to a fine at the rate mentioned in (ii) above on the amount involved till the amount is deposited.

- (v) If an exporter/supplier/DFI/bank defaults in fulfilling any other obligation under the Scheme, he/it will be subjected to a fine at the scale mentioned in (ii) above on the amount involved for the relevant period.

The other provisions of the Scheme, as amended from time to time, shall, however, remain unchanged.

31
1984

Please refer to BCD Circular No.27 dated the 24th December, 1980.

The following amendment may be made in the last para under item "B Liquid assets" of para 1 of the aforesaid circular:-

The following words appearing at the end of the last but one sentence of the para may be deleted:-

"other than Government commodity operations in which they will not be invested"

In addition to banks, development finance institutions which are authorised to take deposits will also hereafter be permitted to make, at their absolute discretion, term deposits of one year with the State Bank on the basis of participation in profit and loss. It would be at the absolute discretion of the State Bank how to invest these funds in various non-interest avenues.

32
1984

Please refer to BCD Circular No.13 dated the 20th June, 1984.

Vide BCD Circular No.7 dated the 28th March, 1984, bank charges, except charges for home remittances, have been deregulated. The schedules of bank charges received from the banks show that the following items of bank charges are based on interest:

- (i) Mark-up in the case of import bills under import letters of credit.
- (ii) Mark-down in the case of documentary bills drawn against inland letters of credit.

The schedules also provide for levy of overdue/penal interest in case of non-retirement/non-payment of inland cheques, bills etc. purchased.

In exercise of the powers vested in it under the Banking Companies Ordinance, 1962, the State Bank of Pakistan is pleased to direct that as from the 1st January, 1985, interest, wherever charged by a banking company/development finance institution in any of the items of bank charges, shall be replaced by a non-interest mode considered appropriate by it. Moreover, overdue/penal interest or mark-up on mark-up shall not be charged by a banking company/DFI as from that date. Instead, it may take legal steps for recovery of the overdue finance.

Elimination of 'RIBA' from the Banking System—Making of PLS Term Deposits by Banks/DFIs with the State Bank.

Elimination of 'RIBA' from the Banking System—Bank Charges.

Elimination of 'RIBA' from the Banking System—Finances Provided by the State Bank to Banks and Development Finance Institution for Meeting Temporary Liquidity Difficulties (Including T.T. Discounting Facilities).

33
1984

Please refer to BCD Circular No.13 dated the 20th June, 1984.

Finance for meeting temporary liquidity difficulties (including T.T. discounting facilities) is at present being extended by the State Bank to banks/DFIs on the basis of interest. Such finance will, as from 1st January, 1985, be provided by the State Bank on profit and loss sharing basis as indicated below:-

(i) **To banks and N.D.F.C.**

The finance will be provided on the basis of profit and loss sharing. The rate of profit to be derived by the State Bank from the finance will be equal to the rate of return which the bank obtaining the finance will pay on its savings accounts for the half year in question. If a bank or N.D.F.C. is not maintaining any savings account the rate of profit shall be the rate of return paid on its deposits of six months' maturity. Provisional payment of return may be made quarterly in the first week of each quarter on the basis of the return paid for the previous six months' period subject to adjustment. In case a bank incurs loss during the period, the profit received from it by the State Bank during that period will be refunded to it and the loss shared by all the financiers in proportion to the respective finances provided by them.

In the case of a bank which will start accepting PLS Deposits only on or after the 1st January, 1985, the provisional rate for the first two quarters may be 8% per annum subject to adjustment on the basis of actual rate of return subsequently declared.

(ii) **To development finance institutions which do not accept deposits.**

The finance will be provided on the basis of profit and loss sharing with appropriate weight for State Bank or the financial institution's funds, which will be advised at the time of sanction of the limit. In the case of profit the amount of profit will be shared by the various financiers in proportion to the respective finances provided by them after allowing for the weightage. In the event of loss, the amount of loss will be shared by all the financiers in proportion to their respective finances. Provisional payment of profit may be made quarterly in the first week of each calendar quarter on the basis of audited accounts for the preceding accounting year of the borrowing DFI, subject to adjustment.

Elimination of 'RIBA' from the Banking System—Determination of Rates of Profit on Various Types of PLS Liabilities of the Banks and DFIs.

34
1984

In exercise of the powers vested in it under the Banking Companies Ordinance, 1962, the State Bank of Pakistan is pleased to direct that a banking company or development finance institution receiving PLS

deposits shall declare rates of profit on various types of its PLS deposits on a half yearly basis for the half year ending 30th June and the half year ending 31st December each year after obtaining clearance from the State Bank in regard to the rates of profit proposed to be declared. The proposed rates should be worked out after compiling the relevant information in the enclosed proformae 'A', 'B', 'C', 'D' and 'E' which also give numerical illustrations for guidance in determining the rates. Proposals alongwith information in the aforesaid proformae in regard to the rates proposed to be declared for each half year shall be submitted to the State Bank by the 20th of the month succeeding the half year.

As explained in the proforma 'E' enclosed, while distributing non-interest income in the manner spelt out therein, the following weightages will be given to PLS deposits, PLS borrowings and equity:-

Type and Maturity	Weightage to be given
A. DEPOSITS:	
<u>I. Special notice deposits.</u>	
(i) Withdrawal at 7 to 29 day's notice	0.65
(ii) Withdrawal at notice of 30 days or over	0.75
II. Savings accounts:	1.00
III. PLS Call Deposits from other banks:	Weightage as agreed to by the banks concerned.
<u>IV. Term Deposits:</u>	
(i) For terms upto and inclusive of 6 months:	1.00+0.05 for each month of the term of the deposit.
(ii) For terms in excess of 6 months:	1.3 for the first six months plus 0.01 for each subsequent month of the term of the deposit subject to a maximum of 2.08.
B. PLS BORROWINGS:	Borrowings of various maturities will be given weightages as for term deposits of corresponding maturities.
C. EQUITY	Not exceeding 5 as may be determined by the concerned bank.

The amount of non-interest income distributable on PLS deposits of each type/maturity will be converted into an annual percentage rate of profit and the rate rounded off to the nearest one-tenth of a percentage point as illustrated in proforma 'E'.

It would appear that if the non-interest earning assets are low as compared to PLS deposits, the rate of return on such deposits will be low as in such a situation a part of the funds will remain unutilised. The Banks/DFIs should carefully watch the growth of PLS deposits and ensure that their investments in non-interest bearing assets are substantially higher than the deposits. If for any reason this is not feasible at any stage, the unutilised funds should be deposited with the State Bank on PLS basis as already permitted under BCD Circular No.27 dated the 24th December, 1980 in the case of banks, which facility is being extended to DFIs also.

The figures in the annexed Statements should pertain only to the domestic operations of the nationalised commercial banks. The part of the cost of head office organisation attributable only to external operations will be secluded from domestic costs. Similarly, the cost of foreign banks organisations meant only for external operations will have to be distributed among the branches abroad and the share attributable to branches in Pakistan taken into account. The figures for these cost calculations as well as the provisions for bad and doubtful debts will have to be finally estimated by the State Bank of Pakistan for distribution of profits. This will, however, be without prejudice to the figures adopted by Income Tax authorities in due course which will be the basis of taxation of banks and allowing remittance of profits by foreign bank branches located in Pakistan.

Statement 'A'

.....
(Name of the Bank)

**Average funds employed on earning assets during the
six months ended**

(Rs.000)

**I. Funds employed on the basis of
Interest.**

Particulars	Average	
(i) Loans & Advances	80,000	
(ii) Balances held abroad	5,000	
(iii) Investments	35,000	1,20,000

**II. Funds employed on non-interest
basis**

(i) Assets based on trade-related modes of financing.	100,000
--	---------

(ii) Assets based on investment type modes of financing.	110,000	
(iii) PLS deposits with other banks.	20,000	
(iv) Funds employed on the basis of other modes, if any.	10,000	2,40,000
	Total:	3,60,000

The following assets will not be included in this statement:-

- (i) Loans on the basis of service charge.
- (ii) Qard-e-Hasana.
- (iii) Assets on which interest or return is not being taken to income account.

Statement 'B'

.....
(Name of the Bank)

Income for the six months ended

(Rs.000)

I. INTEREST-BASED INCOME

Income from	Amount of Income
(i) Loans & Advances	4,800
(ii) Balances held abroad	300
(iii) Investments	2,100
(iv) Total:	7,200

II. NON-INTEREST INCOME:

Income from	Amount of Income
(i) Assets based on trade-related modes of financing.	7,000
(ii) Assets based on investment type modes of financing.	6,600

(iii) PLS deposits with other banks.	1,000
(iv) Non-fund based income	800
(v) Other non-interest sources.	200
(vi) Total:	15,600
(vii) LESS:	
(a) Proportionate Admn: cost as per Statement 'D'	4,930
(b) Provision for Bad/Doubtful Non-interest based assets.	380
	5,310
(viii) Balance (vi minus vii)	10,290
(ix) Less Management fee not exceeding 10% of viii.	1,029
(x) net non-interest income (viii minus ix)	9,261

Statement 'C'

.....
(Name of the Bank)

**Average remuneratable liabilities for the six months
ended**

(Rs.000)

Particulars	Average	
I. Interest bearing Liabilities		
(i) Deposits	70,000	
(ii) Borrowings	10,000	80,000
II. PLS Liabilities		
(i) Deposits.	140,000	
(ii) Borrowings	20,000	160,000

III. Equity

(i) Capital	20,000	
(ii) Reserves	10,000	
(iii) Balance of Profit & Loss Account.	—	30,000
Total:		270,000

Statement 'D'

.....
(Name of the Bank)

Administrative cost for the six months ended
and its allocation between interest based income and
non-interest income

(Rs:000)

I. Administrative Cost

Particulars		Amount
Total expenditure excluding taxes on income.		18,000
Less:		
(i) Interest and/or return on deposits, borrowings, etc.	10,500	
(ii) Bad & doubtful assets written off directly.	295	10,795
Administrative cost.		7,205

II. Allocation of the Administrative Cost.

(i) Non-interest income as per statement 'B'	15,600
(ii) Interest-based income as per statement 'B'	7,200
(iii) Total:	22,800

(iv) Ratio of (i) to (iii).	13:19
(v) Administrative cost allocable to non-interest income (cost multiplied by the ratio, i.e. 13/19)	4,930

Statement 'E'

.....
(Name of the Bank)

(Rs.000)

**Distribution of net non-interest income (Item ii(x) of Statement 'B')
for the six months ended**

1.	Average earning assets as per statement 'A'.	3,60,000
2.	Average remuneratable liabilities as per statement 'C'.	2,70,000
3.	Ratio of 2 to 1 above.	3:4
4.	Total Non-interest assets as per statement 'A'.	2,40,000
5.	Total Non-interest assets deflated by the ratio at 3.	1,80,000
6.	Manner of distribution of Non-interest income:	

- (i) If the figure at 5 above is less than or equal to the average PLS deposits as per statement 'C', the entire net non-interest income as per statement 'B' will be distributed on the PLS deposits.
- (ii) If the figure at 5 above is more than the average of PLS deposits as per statement 'C' but less than or equal to the sum of average PLS deposits and PLS borrowings, the non-interest income will be applied to remunerate the entire PLS deposits plus such portion of the PLS borrowings which together with PLS deposits is equal to the amount at 5 above.
- (iii) If the figure at 5 above is more than the average of PLS deposits and PLS borrowings but less than or equal to the sum of PLS deposits, PLS borrowings and equity as per statement 'C', only such portion of non-interest income will be applied to remunerate the whole of PLS deposits

and PLS borrowings and such portion of equity which together with PLS deposits and PLS borrowings is equal to the amount at 5 above.

- (iv) If the figure at 5 above is more than the sum of average PLS deposits and PLS borrowings and equity as per statement 'C', only such portion of non-interest income will be applied to these items as bears the same ratio to the total non-interest income as the sum of PLS deposits, PLS borrowings, and equity bears to the amount at item 5 above.
- (v) The distribution of non-interest income to the various remuneratable liabilities will be made after giving the following weights to various items:-

Particulars	Weightage
I. DEPOSITS:	
1. Special Notice Deposits:	
(i) Withdrawable at 7 to 29 days' notice.	0.65
(ii) Withdrawable at notice of 30 days or more.	0.75
2. Savings Accounts	1.00
3. PLS call deposits from other banks.	Weightage as agreed to by the banks concerned.
4. Term Deposits	
(i) Up to and inclusive of 6 months.	1.00 + 0.05 for each month of the term of the deposits
(ii) terms in excess of 6 months	1.3 for the first six months plus 0.01 for each subsequent month of the term of the deposit, subject to a maximum of 2.08.
II. PLS BORROWINGS:	
	Borrowings of various maturities will be given weightages as for term deposits of corresponding maturities indicated above.
III. EQUITY:	
	Not exceeding 5 as may be determined by the concerned bank.

Net non-interest income (Rs.9,261,000) would thus be distributed as in the Annexure.

Annexure to Statement 'E'
(Rs.000)

Type and Maturity of Non-interest Liabilities	Average	Weightage	Weighted Average Liabilities	Income Allocation	Annual Rate of Return in terms of Percentage	Rate of Return rounded off to the Nearest one-tenth a percentage point
I. DEPOSITS						
1. Special Notice Deposits:						
(i) 7 to 29 days notice	30,000	0.65	19,500	828	52.52%	5.5%
(ii) Over 30 days notice	20,000	0.75	15,000	637	6.37%	6.4%
2. Savings Accounts:	30,000	1.00	32,000	1273	8.49%	8.5%
3. PLS Call Deposits:	20,000	1.00	20,000	849	8.49%	8.5%
4. Term Deposits:						
(i) 3 months	10,000	1.15	11,500	488	9.76%	9.8%
(ii) 6 months	10,000	1.30	13,000	552	11.04%	11.0%
(iii) 1 year	10,000	1.36	13,600	577	11.54%	11.5%
(iv) 5 years	10,000	1.84	18,400	781	15.62%	15.6%
II. BORROWINGS:						
Borrowings (1 year)	20,000	1.36	27,200	1154	11.54%	11.5%
III. EQUITY:						
	20,000	2.50	50,000	2122	21.22%	21.2%
Total:	180,000	218,200	9261			

Export Finance Scheme.

35
1984

Please refer to BCD Circular No. 22 dated the 22nd October, 1984 regarding the relaxations vis-a-vis the provisions of the Export Finance Scheme allowed to the exporters of carpets and rugs.

Sub para (i) of the first paragraph of the aforesaid BCD Circular may be substituted as under:-

"In the case of export finance availed of under Part I of the Export Finance Scheme for exports of carpets and rugs, a total period of upto 270 days (at pre-shipment stage and/or post-shipment stage) may be allowed for repayment, provided shipments are made during the financial year 1984-85 within a period of 180 days after the drawal of the export finance advance."

DEPOSIT RATES

36
1984 In continuation of our BCD Circular No. 14 dated the 25th May, 1983 on the subject noted above it has been decided to allow National Development Leasing Corporation, a subsidiary company of National Development Finance Corporation, to borrow funds at call from commercial scheduled banks with immediate effect.

The money so lent to the National Development Leasing Corporation should be reported as foot-note to the weekly statement of position.

37
1984 Please refer to item (B) of Annexure I to BCD Circular No. 13 dated the 20th June, 1984.

Elimination of 'RIBA' from the Banking System—Rates of Profit in Case of Trade-Related Modes of Financing.

With effect from 1-1-1985 and until further instructions, the annual rates of profit earned by a bank/development finance institution in respect of trade-related modes of financing shall be within the ranges indicated below:-

	Minimum	Range of profit Maximum
(i) For exports under the Export Finance Scheme	No minimum	2½%
(ii) For Part I (Local Sales) of the Scheme for Financing Locally Manufactured Machinery	No minimum	7½%
(iii) For part II (Export Sales) of the Scheme for Financing Locally Manufactured Machinery	No minimum	2½%
(iv) For other purposes for which specific instructions have not been issued separately.	10%	20%

As already indicated in the BCD Circular referred to above, there should be no mark-up on the marked-up price. Similarly, there should be no compounding of overdue profit/service charge in other cases also.

The above instructions are being issued under the Banking Companies Ordinance, 1962 and will supersede the instructions conveyed in BCD Circular No. 27 dated 26-11-1984.

Elimination of 'RIBA' from the Banking System—Rates Profit in the Case of Investment Type Modes of Financing.

38
1984

Please refer to item (C) of Annexure I to BCD Circular No. 13 dated the 20th June, 1984.

With effect from 1-1-1985 and until further instructions, the minimum annual rate of profit which a bank/development finance institution may keep in view while considering proposals for provision of finance and the maximum annual rate of profit that they may earn on the basis of investment modes of financing shall be as indicated below:-

	Range of profit	
	Minimum to be kept in view.	Maximum
(i) For exports under the Export Finance Scheme	No minimum	2½%
(ii) For Part I (Local Sales) of the Scheme for Financing Locally Manufactured Machinery	No minimum	7½%
(iii) For part II (Export Sales) of the Scheme for Financing Locally Manufactured Machinery	No minimum	2½%
(iv) For other purposes for which specific instructions have not been issued separately.	10%	No maximum

In cases under (iv) above, the profit earned by a bank/development finance institution should not actual profits of the client permitting, be less than the minimum profit indicated there-against. All such cases, where financing of Rs.10 million or more is provided by a bank/DFI in each case and actual profit is lower than the prescribed minimum, should be reported to the State Bank of Pakistan in the attached proforma on a half yearly basis for the half years ended 30th June and 31st December every year which should reach the State Bank by the last working day of the month following the respective half year.

Should losses occur, these shall be shared by all the financiers in proportion to the respective finances provided by them. This applies to all the items listed in para 2 above.

The above instructions are being issued under the Banking Companies Ordinance, 1962 and will supersede orders already issued in BCD Circular No. 28 dated the 26th November, 1984.

*Annexure to BCD Circular
No. 38 dated 10-12-1984*

NAME OF BANK/DFI

**Profit in respect of cases where the profit earned by us was less than the projected minimum
prescribed by the State Bank, for the half year ended**

Type of trade/ industry	Name of the party with names and addresses of directors/ partners/proprietors	Amount of financing	Profit actually received		Rate during preceding three half years	REMARKS (reasons for profit being lower than the minimum prescribed by State Bank)
			Amount	Rate		
1	2	3	4	5	6	7

**Elimination of 'RIBA'
from the Banking
System—Scheme for
Financing Locally
Manufactured
Machinery.**

39
1984

Please refer to BCD Circular No. 13 dated the 20th June, 1984.

It has been decided that as from the 1st January, 1985, finance provided by a development finance institution/bank shall only be on the basis of any one of the non-interest modes of financing considered appropriate by the DFI/bank. The maximum rate of profit to be earned by a DFI/bank from such finance shall be as laid down in BCD Circulars No. 37 and 38 dated the 10th December, 1984.

In the case of Part-I (Local Sales) of the Scheme, the State Bank will provide refinance to the DFI/bank concerned on the basis of sharing of the profit and loss. The share of the State Bank in the profit will be 75%. In the event of loss, the loss will first be met out of the Reserves and credit balance in the profit and loss account of the DFI/bank which have been created during the period of financing and the balance, if any, shared by all the financiers in proportion to the respective finances provided by them. As for Part-II (Export Sales) of the Scheme, the State Bank will continue to provide refinance by way of loans without interest or service charge.

Also as from the 1st January, 1985, the system of levying of penal interest for defaults by the exporters/suppliers/DFI/bank in fulfilling their obligations under the Scheme will be replaced by a system of fines to be imposed by the State Bank. The new system will apply to finance/refinances provided on or after the aforesaid date. The fine will be in addition to profit payable according to the mode on the basis of which the finance/refinance was provided. The scale of the fines shall be as indicated below:-

- (i) If an exporter who had obtained pre-shipment finance under the Scheme, fails to ship the locally manufactured machinery by the due date, he will be subjected to a fine not exceeding Rs.125/- per Rs.1,000/- or part thereof, of the finance.
- (ii) If in a case of the type mentioned in (i) above, the exporter subsequently ships the machinery, he will be liable to pay fine only for the period of the delay in the shipment. Fine imposed in such case will not exceed paisa 75 per day per Rs.1,000/-, or part thereof, of the finance. In other words, on his making an application in this behalf, the fine already recovered from him in terms of (i) above, less fine for the period of the delay, will be refunded to him.
- (iii) If a supplier who had obtained finance for making local supplies of locally manufactured machinery against an international tender, fails to make the supplies by the due date, he will be subjected to a fine at the rate mentioned in (i) above on the amount of the finance. If he subsequently makes the supplies, on his submitting an application in this behalf, the fine already recovered from him, less fine for the period of the

delay at the rate mentioned in (ii) above will be refunded to him.

- (iv) If a DFI/bank fails to deposit with the State Bank, towards repayment of the respective refinance, the amount of a repayment made to it by/on account of the exporter/supplier within 3 days of receipt of the amount by it, it shall be subjected to a fine at the rate mentioned in (ii) above on the amount involved till the amount is deposited.
- (v) If an exporter/supplier/DFI/bank defaults in fulfilling any other obligation under the Scheme, he/it will be subjected to a fine at the scale mentioned in (ii) above on the amount involved for the relevant period.

This circular is in supersession of Circular No.30 dated 26-11-1984. The other provisions of the Scheme, as amended from time to time, shall, however, remain unchanged.

40
1984

Please refer to BCD Circular No.13 dated the 20th June, 1984.

**Elimination of 'RIBA'
from the Banking
System—Export
Finance Scheme.**

It has been decided that as from the 1st January, 1985, finance, provided by a bank under the Export Finance Scheme shall be only on the basis of any one of the non-interest modes of financing considered appropriate by the bank. The maximum rate of a profit to be derived by a bank from such finance shall be as laid down in BCD Circulars No.37 and 38 dated the 10th December, 1984, State Bank continuing to provide refinance by way of loans without interest or service charge.

Also as from the 1st January, 1985, the system of levying of penal interest for defaults by the exporters/suppliers/banks in fulfilling their obligations under the Scheme will be replaced by a system of fines to be imposed by the State Bank. The new system will apply to export finance/refinance provided on or after the aforesaid date. The fine will be in addition to profit payable according to the mode on the basis of which the finance/refinance was provided. The scale of the fines shall be as indicated below:-

- (i) If an exporter who had obtained finance under Part-I of the Scheme fails to ship the goods by the due date, he will be subjected to a fine not exceeding Rs.125/- per Rs.1,000/-, or part thereof, of the finance.
- (ii) If, in a case of the type mentioned in (i) above, the exporter subsequently ships the goods, he will be liable to pay fine only for the period of the delay in the shipment. Fine imposed in such cases will not exceed paisa 75 per day per Rs.1,000/- or part thereof, of the finance. In other words, on his making an application in this behalf, the fine already recovered from him in terms of (i) above, less fine for the period of the delay, will be refunded to him.

- (iii) In case an exporter who had obtained finance under Part-II of the Scheme, fails to match his borrowings by his export performance, he will be subjected to a fine not exceeding paisa 75 per Rs.1,000/- or part thereof, of the shortfall in the total daily products of exports undertaken by him.
- (iv) If an exporter who had obtained finance for export of goods for sale/display in an international exhibition/fair, fails to repatriate the export proceeds in respect of goods sold at the exhibition/fair within 30 days of the close of the exhibition/fair or within the permissible period of avilment of the finance, whichever is less, he will be subjected to a fine at the rate mentioned in (i) above on the amount of the finance. If he subsequently repatriates the proceeds, on his making an application in this behalf, the fine already recovered from him, less fine for the period of the delay at the rate mentioned in (ii) above will be refunded to him.
- (v) If a supplier who had obtained finance for making local supplies against international tenders, fails to supply the goods by the due date, he will be subjected to a fine at the rate mentioned in (i) above on the amount of the finance. If he subsequently supplies the goods, on his making an application in this behalf the fine already recovered from him, less fine for the period of the delay at the rate mentioned in (ii) above, will be refunded to him.
- (vi) If a bank fails to deposit with the State Bank, towards repayment of the respective refinance loan, the amount of a repayment made to it by/on account of the exporter/supplier within 3 days of receipt of the amount by it, it shall be subjected to a fine at the rate mentioned in (ii) above on the amount involved till the amount is deposited with the State Bank.
- (vii) If the amount of refinance obtained by a bank from the State Bank under Part-II of the Scheme at any time exceeds the amount of export finance provided by it to an exporter, it shall be subjected to a fine at the rate mentioned in (ii) above on the excess refinance for so long as the excess continues.
- (viii) If an exporter/a supplier/a bank defaults in fulfilling any other obligation under the Scheme, he/it shall be subjected to a fine at the scale mentioned in (ii) above on the amount involved for the relevant period.

This circular has been issued in supersession of BCD Circular No.29 dated the 26th November, 1984. The other provisions of the Scheme as amended from time to time, shall, however, remain unchanged.

Export Finance Scheme.



Please refer to Item No.3 of the list enclosed with BCD Circular No.14 of 5th July, 1984.

It is clarified that all types of preserved fish and shrimps such as fro-

zen fish and shrimp, dried salted fish, smoked fish as well as canned fish are eligible for concessionary finance under the Export Finance Scheme. As such, the item mentioned at Sr. No.3 of the list referred to above refers to fresh, unfrozen and unpreserved fish and shrimp only which do not qualify for the facility of concessionary export finance.

42
1984

Please refer to BCD Circular No.40 dated the 10th December, 1984 in terms of which as from 1st January, 1985, finance provided by a bank under the Export Finance Scheme shall be only on the basis of any one of the non-interest modes of financing considered appropriate by the bank. This has necessitated revision of Forms EA, EB, EC, ED, EE, EF and EG circulated with our BCD Circular No.29 dated 11th October, 1977. The revised forms enclosed with this Circular shall be made use of as from 1st January, 1985. New agreement in the revised form EA may, however, be executed and deposited with the respective office of State Bank, latest by the 1st January, 1985.

FORM 'EA'

**FORM OF THE AGREEMENT TO BE OBTAINED FROM THE
PRINCIPAL/HEAD OFFICE OF THE SCHEDULED BANKS.
(TO BE STAMPED AS AN AGREEMENT IN ACCORDANCE WITH
THE LAW IN FORCE IN EACH PROVINCE)**

..... (Place)
..... (Date)

To

The State Bank of Pakistan,
.....
.....

Dear Sirs,

In consideration of your agreeing at our request to make available refinance at your discretion to us from time to time under Section 17(2)(a)/17(4)(c) of the State Bank of Pakistan Act, 1956, not exceeding the sum of Rs. for which amount we have delivered to you a demand promissory note in your favour we agree as follows:-

- (1) As security for the said refinance we shall deliver to you such bills of exchange/demand/usance promissory notes as are acceptable to you and are drawn on and payable in Pakistan

and arise out of bonafide finances provided on the basis of any one of the non-interest modes of financing to exporters for financing exports under Export Finance Scheme and such bills of exchange/promissory notes shall be endorsed by us to you.

- (2) In respect of each bill of exchange/promissory note delivered to you, in terms of clause 1 above, we shall give you a certificate, that the same arises out of bonafide finances provided by us to the exporters for financing exports and it is understood that the aforesaid accommodation will be made and continued on the faith of the truth and correctness of such certificates.
- (3) Against the cover of the bills of exchange/demand/usance promissory notes lodged with you as per clause 1 above, we will take refinance from you, from time to time according to our need.
- (4) We shall not deliver to you any bill of exchange/promissory note in terms of this agreement unless we are satisfied that all parties liable thereon are financially sound, solvent and credit-worthy and that by such delivery we certify the genuineness of signatures as well as the authority of all persons thereon.
- (5) On each occasion we obtained refinance from you, we shall give you a certificate that the same is being taken by us against bonafide finances provided by us to the Exporters for financing exports, and it is understood that the said refinance facilities will be made and continued on the faith of the truth and correctness of such certificates.
- (6) The profit to be earned by us from the exporters expressed in annual percentage shall not exceed 2½%.
- (7) Without prejudice to your right to obtain repayment of the amount of refinance outstanding at any time on demand, we undertake that the refinances taken by us on each occasion will be repaid by us within a maximum period of 180 days from the date of the refinance and in case the exporter repays the finance earlier than the said period we shall be bound to repay to you the amount of refinance so repaid by the exporter within a period of 3 working days of the date on which the exporter repays the finance.
- (8) Without prejudice to your rights as creditors against us for the realization of any bill of exchange/promissory note at maturity, we agree, if you so desire, to take at our expense, all steps as may be necessary to realize the money from our debtor and forthwith pay the same to you.

- (9) We agree that the fact of your not taking steps to enforce payment of such bills of exchange/promissory notes or any of them against the signatory or signatories thereon shall in no way release us from liability thereon and we further agree that it shall be unnecessary for you to give any notice of dishonour.
- (10) We agree that in default of repayment by us on any bill of exchange/promissory note or under the terms of clause 7 and 8 above, you have our authority not only to debit without further reference to us our accounts now held or which may be held here-after with you for the amount due by us under any such bill of exchange/promissory note or under clause 7 or 8 above but also to adjust or set off such amount against any amount which may be due from you to us or come into your possession. We undertake not to question the correctness or propriety of such debits or set off on any ground whatsoever.
- (11) We undertake to advise you promptly of any change in the position of any exporters provided with finance by us under the Export Finance Scheme whereagainst we obtain refinance from you, which can reasonably be considered to affect the security of the bill of exchange hereunder. We further agree that you shall have the right of inspection of our records and books and we shall at all times be prepared to execute or procure execution, at our expense, of such further documents, notes, bonds, agreements etc., including the assignment deed of securities now held by us or which may be obtained by us from our customers/exporters as you may consider necessary on receipt of such reports from us or on inspection of our records and registers or otherwise and you shall have the right to seek and obtain full assistance and cooperation from us for discharging your duties and performing your functions.
- (12) We agree that this Agreement, the demand promissory note executed by us for Rs. (notice of dishonour of which promissory note is merely waived under Section 98 of Negotiable Instrument Act, 1881), the bills of exchange/demand/usance promissory notes tendered by us in terms of clause-1 above and the securities/security documents mentioned in clause 21, shall operate as a continuing security for the said refinance and all costs, charges or expenses which you may be entitled to recover under law notwithstanding the existence of a credit balance at any time or any partial payment or fluctuations in accounts or withdrawal of any part of the security.
- (13) If the exporter provided with finance by us under the Export Finance Scheme fails to utilize the finance exclusively for financing exports or effect the shipment within 180 days of the

availment of the export finance from us except where such failure is due to reasons beyond the control of the exporter, we undertake to recover from him within 15 days following the date of his failure to utilize the finance exclusively for financing export or the due date of shipment a fine at the rate as may be prescribed by the State Bank from time to time. The fine so recovered will be passed by us to the State Bank not later than three working days after the date of recovery. If we fail to pass on the fine as aforesaid you shall have the right to (1) adjust or set off the same against any amount due by us from you or (2) debit our accounts now held on which may be held thereafter with you.

- (14) Any demand to be made by you under the agreement shall be sufficiently made if it is made in writing and addressed and sent by post or otherwise to our Head Office or our branch tendering the document mentioned in Clause-1 above.
- (15) We agree to obtain an undertaking from the exporters concerned that the finances provided by us to them, shall be exclusively used by them for financing exports and that they would promptly furnish, at their expense, such information, in such form and at such time as we may demand from time to time.
- (16) We expressly understand that you are entitled to cancel this refinance limit or to recall the refinances at any time for any reason whatsoever or howsoever, without any prior notice to us and that you are entitled not to make any refinance anytime under the aforesaid scheme and that we have acquired no right or claim for demanding refinance from you by grant of the said line/s of credit under the scheme or by the execution of demand promissory note in your favour or by deposit of demand promissory notes/bills of exchange in question or by providing finance to any exporter on the faith of this agreement or the continuing of the scheme.
- (17) Without prejudice to your right as creditor against us for realization of any bill of exchange/promissory note, at maturity, we agree, if you so desire, to take at our expense, all steps as may be necessary to realise the money from the exporter financed under the Scheme and forthwith pay the same to you to the extent required to pay our obligation and pending such payment, shall hold the same for and on your behalf.
- (18) Notwithstanding the endorsements of bills of exchange/promissory notes mentioned in clause-1 hereinbefore or the assignment of finance indebtedness and/or the securities therefore mentioned in clause 21 in your favour, we shall always remain

liable as a principal debtor to you for the due repayment of the refinance given to us under this agreement.

- (19) We agree that all amounts received by us from the exporters for which refinance has been obtained from you shall be applied by us in repayment of this refinance to you and till so applied, shall be held by us for and on your behalf.
- (20) We agree that notwithstanding anything contained elsewhere in this agreement the amount of this refinance will become due and payable by us, if we commit breach of any of the terms and conditions of this agreement. We agree that you have our authority to decide whether we have committed breach of any of the terms and conditions of this agreement and that we shall not question such decision on any ground whatsoever.
- (21) We agree to hold the securities/security documents now held or which may be held by us as security for the preshipment export finance given to the exporters upon trust for you so long as any refinance in respect of these finances remain outstanding from us and by way of security for due repayment thereof and we undertake to deal with the same as you may direct. We further agree that if and when we realise these securities or any part of it we shall pay over to you all such realizations, to the extent required to pay our obligation and pending such payment, shall hold the same for and on your behalf. We further agree to assign/transfer to you, at your demand at our expense, all such securities and security documents in your favour. We agree that despite such assignment/transfer the provision of clause 8, 9 and 10 shall mutatis mutandis apply.
- (22) Save as is otherwise provided in this agreement such contents of the scheme as circularised vide BCD Circular No.29 dated the 11th October, 1977 as modified from time to time which are relevant to this agreement shall be deemed to have been incorporated in this agreement.

Yours faithfully,

For and on behalf of

.....

.....

(Name of the Scheduled Bank)

(Signature)

(Designation)

FORM OF APPLICATION TO BE SUBMITTED BY THE SCHEDULED BANKS TO THE CONCERNED OFFICE OF THE STATE BANK OF PAKISTAN TO OBTAIN REFINANCE FROM THE STATE BANK AGAINST FINANCES PROVIDED TO THE EXPORTERS UNDER PART-I OF EXPORT FINANCE SCHEME

Name of the Scheduled Bank:
.....
Address:
Date:

To

The State Bank of Pakistan,
.....
.....

Dear Sirs,

In terms of the agreement executed by us with you on (Date), we hereby apply to you for refinance to the extent of Rs. against finances provided by us to the exporters by way of export finance as detailed in the enclosed statement in Form 'EC'.

As provided in the said Agreement we enclose bills of exchange/ promissory notes specified in the schedule hereto, executed in our favour and endorsed by us in your favour in respect of the finances sanctioned to our constituents as listed in enclosed statement in Form 'EC'.

We request you to grant refinance:-

- (i) by purchase/rediscount of Bills of Exchange and Promissory notes under Section 17(2) (a) of the State Bank of Pakistan Act, 1956 or;
- (ii) as a finance against such bills under Section 17(4)(c) of the said Act. (clause not applicable to be deleted).

We certify that the signatures on the said bills/notes are the genuine signatures of the parties thereto and that where a bill or note is signed or endorsed by a person purporting to act under an authority, such person is duly authorised so to do and to the best of our knowledge and belief each such party is financially sound, solvent and credit worthy.

We certify that to the best of our knowledge and belief the finances provided by us to the exporters as specified in the schedule hereto have been used by the exporters to finance the export of goods covered by the Export Finance Scheme (Part-I).

We certify that bills of exchange/promissory notes specified in the schedule hereto are eligible for purchase/rediscount as provided in Section 17(2)(a)/17(4)(c) of the State Bank of Pakistan Act, 1956.

Yours faithfully,

Signature

Designation

SCHEDULE TO FORM 'EB'

Sl. No.	D a t e	Name of the drawer or maker	Amount
---------	---------	-----------------------------	--------

Total Rs:

Signature:

Place:

Date:

FORM 'EF'
(To be submitted in triplicate).

**PARTICULARS OF EXPORT RECEIPTS IN RESPECT OF
ELIGIBLE COMMODITIES UNDER PART II OF THE EXPORT FINANCE
SCHEME FOR THE YEAR**

FULL NAME AND ADDRESS OF THE EXPORTER:

EXPORT REGISTRATION NUMBER:

NAME AND ADDRESS OF THE BANK

Sr. No.	Export Form No.	Commodity	Amount export proceeds realised		Monthly return and name of the office of the State Bank to which realisation reported by the bank	Remarks
			In foreign exchange	In Rupees		

I/we hereby solemnly affirm that the above statement does not include:-

- (i) any export of commodities which do not qualify for export finance under the Export Finance Scheme and
- (ii) any export against which we obtained export finance from any bank under part 1 of the Export Finance Scheme.

Signature of the exporter.

Signature
Name and Designation of Authorised Officer of the Bank.

(To be verified and authenticated by Exchange Control Deptt:)

FORM 'EE'

(To be submitted in triplicate).

**PARTICULARS OF EXPORT RECEIPTS IN RESPECT OF
ELIGIBLE COMMODITIES UNDER PART II OF THE EXPORT FINANCE
SCHEME FOR THE YEAR**

FULL NAME AND ADDRESS OF THE EXPORTER:

EXPORT REGISTRATION NUMBER:

NAME AND ADDRESS OF THE BANK

Sr. No.	Export Form No.	Commodity	Amount of export proceeds realised		Monthly return and name of the office of the State Bank to which realisation reported by the bank	Remarks
			In foreign exchange	In Rupees		

I/we hereby solemnly affirm that the above statement does not include any export of commodities which do not qualify for export finance under the Export Finance Scheme.

Total:

Signature of the exporter.

Certified that the above entries have been verified and found correct.
Borrowing limit of Rs.allowed.

Signature
Name and Designation of Authorised Officer of the Bank.

(To be verified and authenticated by Exchange Control Deptt.)

APPLICATION FORM TO BE SUBMITTED BY SCHEDULED BANKS TO THE CONCERNED OFFICE OF THE STATE BANK OF PAKISTAN TO OBTAIN REFINANCE UNDER EXPORT FINANCE SCHEME (PART-I)

NAME OF THE SCHEDULED BANK

ADDRESS

DATE

Sl. No.	Name and address of the exporter	Commodity to be exported	Destination of export	L/c or firm Order	By whom opened/ placed	PARTICULARS OF L/C. FIRM ORDER				Amount of Finance	Margin retained	Due date of repayment	The profit, expressed in annual percentage, earned from exporter
						Number	Amount	Date by which shipment is effected	Date of Finance				
1	2	3	4	5	6	7	8	9	10	11	12	13	14

Certified that the contents of this statement are correct to the best of our knowledge and belief.

For and on behalf of

.....
(Name of the Scheduled Bank)

(Signature)
(Designation)

N.B. Exporters to be listed commodity wise.

Serial No.....

FORM "BD"
(To be submitted in triplicate.)

STATEMENT OF FINANCES AND REFINANCE OBTAINED FROM STATE BANK OF PAKISTAN UNDER THE EXPORT FINANCE SCHEME
(PART-I) FOR THE QUARTER INDED.....

NAME OF THE SCHEDULED BANK

ADDRESS:

DATE:

Sl. No.	Name and address of exporter	Sr. Mc. of relative form "SC"	Commodity exported	Date of shipment & GRP Form No	Date of shipment finance	Amount of finance	Date of repayment by borrower	Date of Refinance from State Bank of Pakistan	Amount of Refinance	Date of Refinance repaid	Amount of fine, if any recovered exporters.	Date and amount of fine surrendered to State Bank of Pakistan
1	2	3	4	5	6	7	8	9	10	11	12	13

Certified that the contents of this statement are correct to the best of our knowledge and belief.

For and on behalf of

.....
(Name of the Scheduled Bank)

(Signature)
(Designation)

N.B. Exporters to be listed commodity wise.

*To be consolidated and
submitted by Head Office.*

FORM-EG

**EXPORT FINANCE PROVIDED UNDER PART II
OF THE EXPORT FINANCE SCHEME BY (Name of the Bank)
during the quarter**

(Rupees in thousands)

Total number of exporters	Total export proceeds on discount of eligible exports during the last financial year	Total financing entitlement allowed to the exporters	Total amount financed and outstanding as at the end of the quarter	Total amount of refinance obtained from the SBP and outstanding at the end of the quarter	No. of exporters who failed to meet the export commitment	Total amount of shortfall in meeting the export commitment	Total to fine recovered
------------------------------	---	---	--	--	---	--	-------------------------------

Signature of the Bank
Name of Designation fo the Officer

43
1984

Please refer to BCD Circular No.39 dated the 10th December, 1984 in terms of which as from the 1st January, 1985, finance provided by DFI/bank under the Scheme for Financing Locally Manufactured Machinery shall be only on basis of any one of the non-interest modes of financing considered appropriate by the DFI/bank. This has necessitated revision of forms LMM II, LMM III and LMM IV circulated with our BCD Circular No.8 dated the 22nd March, 1973. The revised forms enclosed with this circular shall be made use of as from 1st January, 1985.

Elimination of 'RIBA' from the Banking System—Scheme for Financing Locally Manufactured Machinery—Export Sales.

FORM LMM II

**FORM OF THE AGREEMENT TO BE OBTAINED FROM THE
PRINCIPAL OFFICE OF THE SCHEDULED BANKS.
(TO BE STAMPED AS AN AGREEMENT IN ACCORDANCE WITH
THE LAW IN FORCE IN EACH PROVINCE)**

..... (Place)
..... (Date)

To

The State Bank of Pakistan,
.....
.....

Dear Sirs,

In consideration of your agreeing at our request to make available refinance by way of **purchase/rediscount of bills of exchange/promissory notes** under Section 17(2)(d) of the State Bank of Pakistan Act, 1956 we agree as follows:-

1. We shall endorse and deliver to you such bills of exchange/demand/usance promissory notes as are acceptable to you and are drawn on and payable in Pakistan arising out of bonafide finances provided to exporters of locally manufactured machinery.
2. We shall give you a certificate in respect of each bill of exchange/promissory note endorsed and delivered to you, in terms of clause 1 above, to the effect that the same has arisen out of bonnfide finances provided by us to the exporters of locally manufactured machinery by way of preshipment/post shipment export finance and it is understood by us that the aforesaid accommodation will be made and continued on the faith of the truth and correctness of such certificates.
3. We may from time to time obtain from you refinance available to

us under the aforesaid Scheme, according to our needs against the cover of the bills of exchange/demand/usance promissory notes lodged with you as per clause 1 above.

4. We shall not deliver to you any bill of exchange/promissory notes in terms of this agreement unless we are satisfied that all parties liable thereon are financially sound, solvent and credit-worthy and that by virtue of such endorsement and delivery we certify the genuineness of signature as well as the authority of all persons thereon.

5. On each occasion we obtain refinance from you, we shall give you a certificate that the same is being taken by us against bonafide finances provided by us to exporters of locally manufactured machinery by way of preshipment export finance, and it is understood that the said accommodation will be made and continued on the faith of the truth and correctness of such certificates.

6. The profit to be earned by us from the exporters expressed in annual percentage shall not exceed 2½%.

7. Without prejudice to your right to take action under Clause 16 we undertake that the refinances taken by us on each occasion will be repaid by us within a maximum period of 180 days from the date of the finance or on the expiry of the usance promissory notes as the case may be.

8. Without prejudice to your rights as creditors against us for the realization of any bill of exchange/promissory note at maturity, we agree, if you so desire, to take at our expense, all steps as may be necessary to realise the money from our debtor and forthwith pay the same to you.

9. We agree that the fact of your not taking steps to enforce payment of such bills of exchange/promissory notes or any of them against the signatory or signatories thereon shall in no way release us from liability thereon and we further agree that it shall be unnecessary for you to give any notice of dishonour.

10. We agree that in default of repayment by us on any bill of exchange/promissory note or in case of occurring of any right to you or liability to us in terms of clauses 7,8 and 16 of these presents you have our authority to debit our account or accounts, current or otherwise, now held or which may be held hereafter with you for the amount due from us under any such Bill of Exchange/Promissory Notes or in terms of clause 7, 8 and 16 of these presents.

11. We agree that the Demand Promissory Note (Notice of dishonour of which is hereby waived in terms of Section 98 of Negotiable Instrument Act), executed by us in your favour, this agreement and the bills of exchange/demand/usance/Promissory notes delivered to you under clause 1 shall, notwithstanding in existence of a credit balance at any time

or any partial-payments or fluctuations of accounts of withdrawal of any part of the security/operates as continuing security for repayment of all sums due on found due under this agreement and all costs, charges, or expenses which you may be entitled under the law to recover from us.

12. We agree that we shall from time to time, and at all times hereafter while there finances remain outstanding or continue and whenever required by you to do so, furnish, at our expense, to you such information/reports in such form as you may prescribe regarding the solvency of the parties on each such bill of exchange/promissory note and undertake to advise you promptly of any change in the position of any such party which can reasonably be considered to affect your security hereunder. You shall have the right of (i) inspection of our records and books (ii) take extracts therefrom and (iii) see or obtain full assistance and cooperation from us carrying out such inspection or taking extracts etc. Further you shall have the right at all times to ask us to execute or procure execution, at our expense, of such further documents notes, bonds agreements etc. as you may consider necessary on receipt of such reports from us or on inspection of our records and registers.

13. We agree to obtain an undertaking from each of the exporter to whom a finance is made by us under the said Scheme for export sale of locally manufactured machinery to the effect that while he repays in full the finances obtained by him he shall not, without our written permission, create in any manner any charge lien and other encumbrances or interest in favour of any other party or agency on any of his properties-movable or immovable owned or held by him.

14. We undertake to obtain a declaration from each of exporters to the effect that the finance obtained by him shall be utilized by him entirely for the export sales of locally manufactured machinery and not for any other purpose.

15. We also expressly agree that you shall have the sole right to vary, amend, alter or add to the terms and conditions on this agreement without reference to us and we agree to invariably comply with the same.

16. We expressly understand that you are entitled to cancel, recall or repayment of this refinance at any time for any reason without any prior notice to us and that you are not obliged to make any refinance to us any time under the aforesaid scheme and that by lodging bills of exchange/demand/usance promissory notes in terms of clause 1 above or by making finances on the faith of the provision of the scheme or continuance of the said Scheme, we have acquired no right or claim to demand refinance from you.

17. If the exporter fails to effect the shipment on or before the due date as mentioned in the Letter of Credit or the firm order, we undertake to recover from him within 15 days from the date of shipment, a fine at the

rate as may be prescribed by the State Bank from time to time. The fine so recovered shall be passed by us to the State Bank not later than two working days after the date of recovery.

Yours faithfully,

For and on behalf of

.....

.....

(Name of the Scheduled Bank)

(Signature)

(Designation)

FORM LMM III

**FORM OF APPLICATION TO BE SUBMITTED BY THE
SCHEDULED BANKS TO THE STATE BANK OF
PAKISTAN TO OBTAIN REFINANCE FROM THE
STATE BANK AGAINST FINANCES PROVIDED TO THE
EXPORTERS BY WAY OF PRESHIPMENT/POST SHIPMENT
EXPORT FINANCE UNDER THE SCHEME FOR FINANCING
LOCALLY MANUFACTURED MACHINERY**

name of the Scheduled Bank:

Address:

Date:

To

The State Bank of Pakistan

.....

.....

Dear Sirs,

In terms of the agreement executed by us with you on
(Date), we hereby apply to you for refinance to the extent of Rs.
against finance given by us to the exporters by way of preshipment/post
shipment export finance as specified in the enclosed statement in Form
LMM-IV. As provided in the said Agreement we enclose bills of
exchange/promissory notes specified in the schedule hereto, executed in
our favour and endorsed this day by us in your favour in respect of the
finances sanctioned to our constituent namely

We certify that the bills of exchange/promissory notes specified in
the schedule hereto have arisen out of bonafide finances provided by us

to our said constituent by way of pre-shipment/post-shipment finance of locally manufactured goods and that the signatures on the said bills/notes are the genuine signatures of the parties thereto and that where a bill or note is signed or endorsed by a person purporting to act under an authority, such person is duly authorised so to do and to the best of our knowledge and belief each such party is financially sound, solvent and credit worthy.

We certify that to the best of our knowledge and belief the finance provided by us to the exporters as specified in the schedule hereto have been used by the exporters to finance the export of locally manufactured machinery from Pakistan at the pre-shipment/post-shipment stage.

Yours faithfully,

Signature:

Designation:

APPENDIX 'A'
FORM LMM III

FORM OF SCHEDULED REFERRED TO ON REVERS

Sr. No.	Date	Name of the drawer maker	Amount
---------	------	--------------------------	--------

Total Rs.

Signature:

Place:

Date:

FORM LMM IV

STATEMENT SHOWING THE PARTICULARS OF FINANCE ACCOUNT NO. AGAINST WHICH REFINANCE IS REQUIRED UNDER THE SCHEME FOR FINANCING EXPORT OF LOCALLY MANUFACTURED MACHINERY

1. Name of the Exporter to whom finance provided.
2. Business address.

3. **Description of Machinery:-**
 - (a) to be exported.
 - (b) exported.
 - (c) Name and address of the Manufacturer.
4. **Period for which finance is sanctioned with date.**
5. **Amount of finance sanctioned with date.**
6. **Rate of profit expected.**
7. **Mode and time of repayment.**
8. **Amount disbursed with date.**
9. **Details of Security.**
10. **Name and address of the importer in foreign country with nationality.**
11. **Destination of shipment.**
12. **Letter of Credit number (in case of Firm Order please enclose a copy of the same).**
13. **Whether guarantee of the Government/Central Bank of the importer's country obtained, if not, whether LCGS Cover obtained (for Post-shipment advance only).**

Certified that the contents of this statement are true to the best of our knowledge and belief and that the finances given to the exporter have been/shall be used to finance export of locally manufactured machinery from Pakistan.

For and on behalf of

Authorised Signature:

Designation:

1
1985

Please refer to our BCD Circular No. 42 dated the 26th December, 1984 on the above noted subject. We invite your attention to BCD Circular No.24 dated the 24th November, 1980 whereby forms of under-taking as per annexure 'A' and 'B' have been circulated. The above referred undertaking forms are needed to be revised in the context of interest free banking. The revised forms enclosed with this circular shall be made use of effective from the 1st January, 1985.

Elimination of 'Riba'
from the Banking
System—Export
Finance Scheme.

ANNEXURE 'A'

UNDERTAKING UNDER PART I

The Manager,

.....(Branch),

.....(Bank),

Dear Sir,

We do hereby certify and confirm that a finance of Rs.....has been allowed to us by you under Part I of the Export Finance Scheme of the State Bank of Pakistan on the basis of the following non-interest based mode, it being understood that return/profit to be derived by the bank shall not exceed 2½% when converted into annual percentage terms:-

Mode of Financing.....

We further confirm and undertake that the aforesaid finance of Rs..... has been obtained by us against the following Contract/LC/Firm Order and the same shall be utilised by us exclusively to finance exports covered by the said Contract/LC/Firm Order:-

Sr. No.	Contract/LC/Firm Order No. and Date	Amount (U. S. \$)	Shipment Date	Commodity to be exported
---------	-------------------------------------	-------------------	---------------	--------------------------

We do hereby further undertake to submit to you the following documents for negotiation against the above Contract/LC/Firm Order against

which you have allowed to us the above finance under Export Finance Scheme:-

- (a) Copy of Bill of Lading.
- (b) 'E' Form.
- (c) Copy of Invoice.

We hereby confirm and agree that in the event of our failure of effect the shipment on or before the due date and/or to submit the above documents to you within 180 days from the date of the finance, you have our irrevocable authority to recover from us and debit our account with fine at the rate as prescribed by the State Bank from time to time on the amount of the finance availed of less the amount repaid as a result of part shipments, if any, from the date of the original finance. We hereby further confirm that any letter of credit which we may subsequently receive in respect of any initial finance allowed by you against a contract or firm order shall be presented to you for earmarking your lien there-against. We certify and confirm that we have not obtained any finance against the above Contract/LC/Firm Order from any other bank.

We do hereby further confirm and undertake that the documents in respect of the aforesaid Contract/LC/Firm Order will be realised/negotiated by us through your branch and proceeds there of will be appropriated immediately on realisation/negotiation towards the aforesaid finance allowed by you to us. We further confirm and undertake that if the finance is repaid by us earlier, we shall continue to be liable to submit to you the relative proof of shipment of the goods for which the finance has been made to us.

Signature Verified.

Authorised Signature of
the Exporter.

Bank's Authorised Signature.

ANNEXURE 'B'

UNDERTAKING UNDER PART II

The Manager,

.....(Branch),

.....(Bank),

Dear Sir,

We do hereby certify and confirm that a finance of Rs.....has been allowed to us by you under Part II of the Export Finance Scheme of

the State Bank of Pakistan on the basis of the following non-interest based mode, it being understood that return/profit to be derived by the bank shall not exceed 2½% when converted into annual percentage terms:-

Mode of Financing.....

We further confirm that the above finance of Rs..... is in the nature of revolving limit and will be utilised by us solely for export purposes.

We hereby further declare and confirm that we have not and will not in future obtain any export finance from any bank other than yourselves on the basis of export receipts covered by the relative Form 'EE'.

We further undertake that we shall realise export receipts from the exports of eligible commodities excluding any exports for which finance has been obtained under Part I of the Export Finance Scheme during each four months of a minimum amount equal to the finance obtained by us during the relative for months period.

We further undertake that in the event of shortfall in exports for which we have availed of the above finance or in the event of our failure to submit to you form 'EE' duly verified by the bank concerned within 15 days of the close of the relevant monitoring period, we will be liable to pay fine at the rate as prescribed by the State Bank from time to time and hereby irrevocably authorise you to debit the same to our account with you.

Signature Verified.

Authorised Signature of
the Exporter.

Bank's Authorised Signature.



We enclose a copy each of the Banking and Financial Services (Amendment of Laws) Ordinance, 1984 (LVII of 1984) and the Banking Tribunal Ordinance, 1984 (LVIII of 1984) promulgated by the President of Pakistan for your information and compliance.

**The Banking and
Financial Services
(Amendment of Laws)
Ordinance, 1984 (LVII
of 1984) and the Banking
Tribunals Ordinance,
1984 (LVIII of 1984).**

ORDINANCE LVII OF 1984

AN ORDINANCE

to amend certain laws

WHEREAS it is expedient to amend certain laws for the purposes hereinafter appearing;

AND WHEREAS the President is satisfied that circumstances exist which render it necessary to take immediate action

NOW, THEREFORE, in pursuance of the Proclamation of the fifth day of July, 1977, and in exercise of all powers enabling him in that behalf, the President is pleased to make and promulgate the following Ordinance:-

1. Short title and commencement:-

(1) This Ordinance may be called the Banking and Financial Services (Amendment of Laws) Ordinance, 1984.

(2) It shall come into force at once.

2. Amendment of certain laws:-

The Acts and Ordinances specified in the Schedule are hereby amended to the extent and in the manner specified in the fourth column thereof.

3. Laws amended to over-ride other laws:-

The Acts and Ordinances specified in the Schedule, as amended by this Ordinance, shall have effect notwithstanding anything contained in any other law for the time being in force.

4. Removal of difficulties:-

If any difficulty arises in giving effect to any provision of this Ordinance, the Federal Government may, by notification in the official Gazette, make such provision as it thinks fit for removing such difficulty.

Sd/-
Mr. (Justice Irshad Hasan Khan)
Secretary Law

Sd/-
General M. Zia-ul-Haq.
President 31.12.1984

THE SCHEDULE

(See Section 2)

S1. No.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4
1.	XVI of 1908	The Registration Act, 1908.	In section 78, for the full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:-

S1. No. of the law.	No. and year	Short title of law	Amendment made
1	2	3	4

“Provided that the Federal Government may, by notification in the official Gazette, exempt from payment of fees, either in whole or in part, any instrument executed by or in favour of a banking company in the normal course of its banking business.

Explanation.- For the purpose of this section, “banking company” shall have the same meaning as in the Banking Tribunals Ordinance, 1984.”

2.	IX of 1932	The Partnership Act, 1932	After section 6, the following new section shall be inserted namely:
----	------------	---------------------------	--

“6A. **Act not to apply to certain relationships.**- Nothing contained in this Act shall apply to a relationship created by any agreement between a banking company and a person or group of persons providing for sharing of profit and losses arising from or relating to the provision by the banking company of finance to such person or group of persons.

Explanation.- For the purposes of this section, “banking company” and “finance” shall have the same meaning as in the Banking Tribunals Ordinance, 1984”.

3.	LVII of 1962	The Banking Companies Ordinance, 1962	1. In section 5,- (a) for clause (ee) the following shall be substituted, namely:- “(ee) “debtor” includes a
----	--------------	---------------------------------------	--

S1.	No. and year No. of the law.	Short title of law	Amendment made
1	2	3	4

person to whom, or a banking company or financial institution to which, finance as defined in the Banking Tribunals Ordinance, 1984, has been provided;” and

(b) for clause (gg) the following shall be substituted, namely:-

“(gg) “loans, advances, and credit” includes “finance” as define in the Banking Tribunals Ordinance, 1984;”.

2. In section 7, in sub-section(1),—

(a) in clause (a),—

(i) after the word “scrips”, the commas and words”, participation term certificates, term finance certificates, musharika certificates, modaraba certificates and such other instruments as may be approved by the State Bank” shall be inserted;

(ii) after the word “securities” occurring for the second time, the commas and words”, participation term certificates, term finance certificates, musharika certificates, modaraba certificates and such other instruments as may be approved by the State Bank” shall be inserted; and

S1. No. of the law.	No. and year	Short title of law	Amendment made
1	2	3	4

(iii) after the word "securities" occurring for the third time, the commas and words "participation term certificates, term finance certificates, musharika certificates modaraba certificates and such other instruments as may be approved by the State Bank" shall be inserted;

(b) after clause (a) amended as aforesaid, the following new clause shall be inserted, namely:-

"(aa) the providing of finance as defined in the Banking Tribunals Ordinance, 1984;" and

(c) for clause (ee) the following shall be substituted, namely:-

"(ee) purchase or acquisition in the normal course of its banking business of any property, including commodities, patents, designs, trade-marks and copyrights, with or without buy-back arrangements by the seller, or for sale in the form of hire-purchase or on deferred payment basis with mark-up or for leasing or licensing or

S1.	No. and year No. of the law.	Short title of law	Amendment made
1	2	3	4

for rent-sharing or for any other mode of financing;”.

3. In section 10, the words and commas “hold any immovable property howsoever acquired, except such as is required for its own use,” shall be substituted by the words and commas”, except as may be permitted by the State Bank from time to time, or as is required by it for its own use, hold any immovable property howsoever acquired”.

4. In section 23, in sub-section (1),-

(a) in clause (d), the word “or” at the end shall be omitted; and

(b) after clause (d) amended as aforesaid, the following new clause shall be inserted, namely:-

“(dd) the conduct of any form of business permitted by section 7; or”.

5. After section 93, the following new sections shall be inserted, namely:-

“93A. Exemption of Officers etc., from liability.-

A banking company and its officers and employees shall be exempted from criminal

S1.	No. and year No. of the law.	Short title of law	Amendment made
1	2	3	4

or civil liability of every description provided for in any law in respect of any property, movable or immovable, owned by the banking company, exclusively or jointly with another person or persons so long as the property remains in the custody, power and control of such person or persons on account of licence, lease, hire-purchase, forward sale, rent-sharing agreement or in any other arrangement within the purview of clauses (ee) and (gg) of section 5.

**93B. Exemptin from require-
ment of licence.-**

Any requirement of a licence or permit to import or export any commodity or article or its purchase or sale shall not apply to a banking company under-taking such transaction in the normal course of its banking business.

Explanation.- In this section, a transaction undertaken by a banking company shall be deemed to be in the normal course of its banking business, only if it is based on an agreement for sale or purchase,

S1.	No. and year No. of the law.	Short title of law	Amendment made
1	2	3	4

lease, or hire-purchase of the said commodity or article by the banking company with its customer to whom finance is provided by it and who is in possession of a valid licence or has otherwise complied with the requirements of law governing the import or export or sale or purchase of such commodity or article.

93C. Exchange of information.-

(1) Banking companies may exchange on confidential basis amongst themselves, either directly or through the Pakistan Banking Council, information about their respective clients.

(2) No suit or other legal proceeding shall lie against the Pakistan Banking Council or any banking company or any officer of the Pakistan Banking Council or banking company for anything which is in good faith done in pursuance of this section or for any damage caused or likely to be caused by anything done or intended to be done as aforesaid.

Sl. No.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4
			<p>93D. Continuance of charge and priority.-</p> <p>Where a charge over any property has been or is created by any person in favour of a banking company to secure any interest-based facility extended by the banking company to such person and such facility is at any time converted into or substituted by any facility not based on interest, such charge shall continue to remain valid and shall maintain its priority in favour of the banking company against all charges created by such person in favour of any other person subsequent to the original date of registration of such charge.</p> <p>Explanation.- For the purposes of sections 93A, 93B, 93C and 93D, "banking company" shall have the same meaning as in the Banking Tribunals Ordinance, 1984".</p>
4.	XV of 1963	The Wealth-tax Act, 1963.	In section 45, in clause (a), after the word "Company", the words, commas and figure "as defined in the Banking Tribunals Ordinance, 1984, shall be added".
5.	IX of 1977	The Establish-	1. In section 2, for clause (1) the

S1. No. of the law.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4
		ment of the Federal Bank for Cooperatives and Regulation of Cooperative Banking Act, 1977.	<p>following shall be substituted, namely:-</p> <p>“(1) ‘loans advances and credit’ includes finance as defined in the Banking Tribunals Ordinance, 1984, and all cognate expressions shall be construed accordingly”</p> <p>2. In section 17, in sub-section (2),-</p> <p>(a) after clause (iii) the following new clauses shall be inserted, namely:-</p> <p>“(iiiia) obtain or raise funds on the basis of participation in profit and loss, mark-up and mark-down in price, hire-purchase, lease, rent-sharing, licensing, charge or fee of any description participation term certificates, mod-araba certificates and such other instruments as may be approved by the State Bank of Pakistan, purchase or sale of any property, including commodities, patents, desings, trade mark and copy-right, with or without buy-back arrangements with the seller or on condition of payment of its</p>

S1. No. and year No. of the law.	Short title of law	Amendment made
1	2	3

price in one or more instalments at a stated future date or dates or an other mode not based on interest;”.

(b) in clause (viii), for the words “being debentures” the following shall be substituted, namely:-
“participation term certificates, term finance certificates, musharika certificates, modaraba certificates and such other instruments as may be approved by the State Bank;”;

(c) for clause (x) the following shall be substituted, namely:-

“(x) purchase or otherwise acquire in the normal course of its banking business any movable or immovable property, residential or commercial, including commodities, patents, designs, trade marks and copyrights, with or without buy-back arrangements by the seller, or for outright sale or sale in the form of hire-purchase or on deferred payment basis with mark-up or for leasing or licensing or for rent-sharing or for any other mode of financing other than one based on interest and, until so disposed of, deal with; and maintain, the same;”;

Sl. No.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4

(d) in clause (xiii), after the words and comma "movable or immovable," twice occurring, the following words and commas shall be inserted, namely:-

"commercial or residential, including commodities, patents, designs, trade marks and copy-rights,".

3. For section 19 the following shall be substituted, namely:-

"19 Power to borrow or obtain finance.-

(1) The Bank may, for the purpose of its business, borrow or obtain finance from all or any of the persons and in the manner mentioned in clause (ii) or clause (iiia) of sub-section (2) of section 17 and raise funds by issue and sale of bonds, debentures, modaraba certificates, participation term certificates, musharika certificates, term finance certificates and such other instruments as may be approved.

Provided that the aggregate of the sums due on such bonds, debentures, modaraba certificates, participation term certificates, musharika certificates, term finance certificates and such other instruments as aforesaid issued and outstanding and the contingent

Sl. No.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4

liabilities of the Bank in respect of guarantees shall not, at any time, exceed ten times the aggregate of the amount of the paid-up share capital and reserves of the Bank.

(2) The bonds, debentures, modaraba certificates, participation term certificates, musharika certificates, term finance certificates and such other instruments as aforesaid may be guaranteed by the Federal Government as to repayment of the principal and return, if any, having regard to the terms thereof”.

4. In section 28, in sub-section (2), after the word “deposits”, the following commas and words shall be inserted, namely:-

“Charges or mark-up to be applied on advances or the maximum or minimum profit-sharing ratios to be derived therefrom, and return to be given on deposits”.

5. In section 40,-

(a) in the marginal heading, for the words “bonds and debentures” the words “certain instrument” shall be substituted;

(b) in clause (1),-

(i) for the words “bond or debenture” occurring in

S1. No.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4

the first line the words and commas "bond, debenture, participation term certificate, term finance certificate, musharika certificate, modaraba certificate or such other instrument as may be approved by the State Bank" shall be inserted; and

(ii) for the words "bonds or debentures" occurring in the last line the word "instruments" shall be substituted; and

(c) in clause (2), for the words "bond or debenture" the words "such instrument" shall be substituted.

6. In section 43,-

(a) in sub-section (1),-

(i) in clause (c) after the word and comma "destroys," the word and comma "removes", shall be inserted;

(ii) for the words "three years" the words "five years" shall be substituted and after the word "fine" at the end, the commas and words", and shall be ordered by the Court trying him to refund or deliver up, within the time to be fixed by the Court, the amount of loan,

S1. No.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4

advance, credit or financial accommodation so used or permitted to be used or the property or the value of the property so destroyed, removed or reduced in value or transferred, as the case may be, the amount of finance to be paid or repaid in terms of the arrangement” shall be added; and

- (b) in sub-section (8), for the full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:-

“Provided that-

- (1) in the case of default in complying with the requirement of section 29 relating to liabilities assumed on the basis of participation in profit and loss, the penalty shall be as determined by the Bank from time to time; and
- (2) in the case of default in complying with the requirement of sub-section (3) of section 42, the penalty shall be as determined by the Bank from time to time”.

7. After section 43, amended as

Sl. No.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4

aforsaid, the following new section shall be inserted, namely:-

“43A- Application of fines.-A court imposing any fine under this Act may direct that the whole or any part thereof shall be applied in or towards-

- (a) payment of costs of the proceedings; and
- (b) payment to the Bank or a Provincial Cooperative Bank of compensation for any loss caused by the offence, including loss of income.”.

8. After section 47, the following new section shall be inserted, namely:-

“47A. Provisions of certain sections to override other provisions.-

The provisions of sections 26,27, 28 and 30 shall have effect notwithstanding anything contained in any other provision of this Act or in any contract, agreement, award, memorandum or articles of association or any other instrument.”.

9. After section 51, the following new sections shall be inserted, namely:-

“51A. Removal of difficul-

Sl. No.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4

ties.- If any difficulty arises in giving effect to any of the provisions of this Act, the Federal Government may, by notification in the official Gazette make such order as it thinks fit for the purpose of removing the difficulty.

“51B. Exemption from certain civil and criminal liabilities.- The Bank, a Provincial Cooperative Bank and the officers and employees of the Bank and the Provincial Corprerative Bank shall be exempt from criminal and civil liability of every description provided for in any law in respect of any property, movable or immovable, owned by the Bank or the Provincial Cooperative Bank, exclusively or jointly with another or others, so long as the property remains in the custody, power and control of another person or persons on account of licence, lease, hire-purchase, forward sale, rent-sharing or any other arrangement within the meaning of loans, advances and credit.”.

6. XXXI of 1979 The Income Tax Ordinance, 1979. 1. In section 23, sub-section (1), in clause (xviii), for the colon at the end a semi-colon

Sl. No. of the law.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4

shall be substituted and thereafter the following new clause shall be added, namely:-

“(xix) any transfer to a participatory reserve created by a company under section 120 of the Companies Ordinance, 1984(XLVII of 1984), in accordance with an agreement relating to participatory redeemable capital entered into between the company and a banking company as defined in the Banking Tribunals Ordinance, 1984:

Provided that, out of the amount so transferred in any income year, not more than five per cent of the value of participatory redeemable capital shall qualify for deduction under this sub-section.

Provided further that no deduction shall be allowed if the amount of the tax-exempted accumulation in the participatory reserve exceeds ten percent of the amount of participatory redeemable capital:”.

2. In section 25, in clause (c), for the comma at the end a semicolon shall be substituted and thereafter the following new

S1. No. and year No. of the law.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4

clause shall be inserted,
namely:-

“(d) where any amount accumulated in the participatory reserve of a company which has been allowed as a deduction under clause (xix) of sub-section (1) of section 23 is applied by the company towards any purpose other than payment of share of profit on the participatory redeemable capital or towards any purpose not allowable for deduction or exemption under this Ordinance, the amount so applied shall be added to the income of the company in the income year during which it is so applied.”.

- | | | | |
|----|------------------|-----------------------------------|---|
| 7. | XLVII of
1984 | The Companies
Ordinance, 1984. | <p>1. In section 2, in sub-section (i),-</p> <p>(i) clause (10) shall be omitted;</p> <p>(ii) in clause (12), for the words “participation term certificates” the words “term finance certificates” shall be substituted;</p> <p>(iii) after clause (15), the following new clause shall be inserted, namely:-</p> <p>“(15A) financial institution” means a financial institution set up and controlled by the Federal Government</p> |
|----|------------------|-----------------------------------|---|

S1. No. of the law.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4

or a Provincial Government, whether directly or through a company or corporation set up or controlled by such Government, and includes such other institutions or companies as the Federal Government may, by notification in the official Gazette, specify for the purpose;”;

(iv) for clause (25), the following shall be substituted, namely:-

“(25) “participatory redeemable capital means such redeemable capital as is entitled to participate in the profit and loss of a company;”;

(v) after clause (30), the following new clause shall be inserted, namely:-

“(30A) “redeemable capital” includes finance obtained on the basis of Participation term certificate (PTC), musharika certificate, term finance certificate (TFC), or any other security or obligation not based on interest, other than an ordinary share of a company, representing an

S1.	No. and year No. of the law.	Short title of law	Amendment made
1	2	3	4

instrument or a certificate of specified denomination, called the face value or nominal value, evidencing investment of the holder in the capital of the company on terms and conditions of the agreement for the issue of such instrument or certificate or such other certificate or instrument as the Federal Government may, by notification in the official Gazette, specify for the purpose;”;

(vi) for clause (34) the following shall be substituted, namely:-

“(34) “security” means any share, scrip, debenture, participation term certificate, modaraba certificate, musharika certificate, term finance certificate, bond, pre-organization certificate or such other instrument as the Federal Government may, by notification in the official Gazette, specify for the purpose;”;

(vii) in clause (39), for the semicolon at the end a full stop shall be substituted; and

S1. No. and year No. of the law.	No. of the law.	Short title of law	Amendment made
1	2	3	4
			(viii) clause (40) shall be omitted.
			2. Section 19 shall be renumbered as sub-section (1) of that section and after sub-section (1), renumbered as aforesaid, the following new sub-section shall be added, namely:-
			“(2) Notwithstanding anything contained in this Ordinance or in any other law for the time being in force or the memorandum and articles, the memorandum and articles of a company shall be deemed to include, and always to have included, the power to enter into any arrangement for obtaining loans, advances or credit, as defined in the Banking Companies Ordinance, 1962(LVII of 1962), and to issue other securities not based on interest for raising resources from a scheduled bank or a financial institution.”.
			3. In section 62, after sub-section (4), the following new sub-section shall be added, namely:-
			“(5) A notice, circular, advertisement or other documents soliciting bids, offers, proposals or tenders for sale of shares or other securities acquired in the

S1. No. of the law.	No. and year	Short title of law	Amendment made
1	2	3	4

course of normal business or for negotiating sale thereof or expressing an intention to disinvest such shares or other securities issued by a scheduled bank or a financial institution shall not be deemed to be a prospectus or an offer for sale to the public for the purposes of sections 61 and 62.”.

4. In section 73, after sub-section (4), the following new sub-section shall be added, namely:-

“(5) This section shall apply, **mutatis mutandis** to shares which are allotted or issued or deemed to have been issued to a scheduled bank or a financial institution in pursuance of any obligation of a company to issue shares to such scheduled bank or financial institution:

Provided that where default is made by a company in filing a return of allotment in respect of the shares referred to in this sub-section, the scheduled bank or the financial institution to whom shares have been allotted or issued or deemed to have been issued may file a return of allotment

S1. No. of the law.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4

in respect of such shares with the registrar together with such documents as may be specified by the authority in this behalf, and such return of allotment shall be deemed to have been filed by the company itself and the scheduled bank the financial institution shall be entitled to recover from the company the amount of any fee properly paid by it to the registrar in respect of the return.

5. For section 87 the following shall be substituted, namely:-

“87. **Issue of shares in lieu of outstanding balance of any loans, etc.-** Not with standing anything contained in section 86 or the memorandum and articles, a company may issue ordinary shares or grant option to convert into ordinary shares the outstanding balance of any loans, advances or credit, as defined in the Banking Companies Ordinance, 1962 (LVII of 1962), or other non-interest bearing securities and obligations outstanding or having a term of not less than three years in the manner provided in any contract with any scheduled

S1.	No. and year No. of the law.	Short title of law	Amendment made
1	2	3	4

bank or a financial institution to the extent of twenty per cent of such balance:

Provided that such shares shall not be issued or option to convert the outstanding balance exercised unless in any two of the preceding three years after expiry of two years from the date of commencement of commercial production, the return on such non-interest bearing securities, obligations, loans, advances or credit has fallen below the minimum rate of return laid down by the State Bank of Pakistan for the said years."

6. In Section 92,-
after sub-section (3), the following new sub-section shall be inserted, namely:-

"(3A) Notwithstanding anything contained in this Ordinance or any other law for the time being in force or the memorandum and articles, where the authorised capital of a company is fully subscribed, or the unsubscribed capital is insufficient, the same shall be deemed to have been

S1. No. and year No. of the law.	Short title of law	Amendment made
1	2	3

increased to the extent necessary for issue of shares to a scheduled bank or financial institution in pursuance of any obligation of the company to issue shares to such scheduled bank or financial institution.”

7. In section 94,- in sub-section (1),-

(a) after the words “authorised capital”, the words, brackets, figures and letter “or such capital is increased under sub-section (3A) of Section 92” shall be inserted; and

(b) for the full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:

“Provided that where default is made by a company in filing a notice of increase in the authorised capital under sub-section (3A) of section 92, the scheduled bank or the financial institution to whom shares have been issued may file notice of such increase with the registrar and such notice shall be deemed to have been filed by the company itself and the scheduled bank or financial institution shall be entitled to recover from

S1. No. of the law.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4

the company the amount of any fee properly paid by it to the registrar in respect of such increase.”

8. For section 120 the following shall be substituted, namely:-

“120. Issue of securities and redeemable capital not based on interest.-

- (1) Notwith-standing anything contained in this Ordinance or any other law or the memorandum or articles or any agreement, resolution or other document, a company may, upon terms and conditions contained in an agreement in writing, issue to one or more scheduled banks, financial institutions or such other persons as are specified for the purpose by the Federal Government by notification in the official Gazette, either severally, jointly or through their syndicate, any instrument in the nature of redeemable capital in any or several forms in consideration of any funds, moneys or accommodations received or to be received by the company, whether in cash or in specie or against any promise, guarantee, undertaking or indemnity issued to or in favour of or for the benefit of the company.

- (2) In particular and without prejudice to the generality

S1.	No. and year No. of the law.	Short title of law	Amendment made
1	2	3	4
			<p>of the foregoing provisions, the agreement referred to in sub-section (1) for redeemable capital may provide for, adopt or include, in addition to others, all or any of the following matters, namely:-</p> <p>(a) mode and basis of repayment by the company of the amount invested in redeemable capital within a certain period of time;</p> <p>(b) arrangement for sharing of profit and loss;</p> <p>(c) creation of a special reserve called the "participation reserve" by the company in the manner provided in the agreement for the issue of participatory redeemable capital in which all providers of such capital shall participate for interim and final adjustment on the maturity date in accordance with the terms and conditions of such agreements; and</p> <p>(d) in case of net loss on participatory redeemable capital on the date of maturity, the right of holders to convert the outstanding balance of such capital or part thereof as provided in the agreement into ordi-</p>

S1. No.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4

nary shares of the company at the break-up price calculated in the prescribed manner.

(3) The terms and conditions for the issue of instruments or certificates of redeemable capital and the rights of their holders shall not be challenged or questioned by the company or any of its shareholders as repugnant to any provision of this Ordinance or any other law or the memorandum or articles or any resolution of the general meeting or directors of the company or any other document.

(4) The provisions of this Ordinance or the Capital Issues (Continuance of Control) Act, 1947 (XXIX) of 1947, relating to the creation, issue, increase or decrease of the capital shall not apply to the redeemable capital”.

9. In section 121, in sub-section (1), in clause (i), for the words “participation term certificates” the words “any instrument in the nature of redeemable capital” shall be substituted.

10. In section 196, in sub-section (2), in clause (c), for the words “participation term certificate” the words “any instrument in the nature of redeemable capital” shall be substituted.

S1. No. and year No. of the law.	No. and year of the law.	Short title of law	Amendment made
1	2	3	4

11. In section 295, in sub-section (1),-

- (a) after the word and comma "Administrator," occurring for the second time, the words "within sixty days of the date of receipt of the representation, from a panel maintained by it on the recommendation of the State Bank of Pakistan" shall be inserted; and
- (b) for the full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:-

"Provided that the Authority may, if it considers it necessary so to do, for reasons to be recorded or on the application of the creditors on whose representation it proposes to appoint the Administrator, and after giving a notice to the State Bank of Pakistan, appoint a person whose name does not appear on the panel maintained for the purpose to be the Administrator."

12. In the First Schedule, Table-F shall be omitted.

ORDINANCE LVIII OF 1984

AN ORDINANCE

to provide a machinery for recovery of finance provided by banking companies under a system of financing which is not based on interest.

WHEREAS it is expedient to provide a machinery for recovery of finance provided by banking companies under a system of financing which is not based on interest.

AND WHEREAS the President is satisfied that circumstances exist which render it necessary to take immediate action;

NOW, THEREFORE, in pursuance of the Proclamation of the fifth day of July, 1977, and in exercise of all powers enabling him in that behalf, the President is pleased to make and promulgate the following Ordinance:-

1. Short title, extent and commencement.-

(1) This Ordinance may be called the Banking Tribunals Ordinance, 1984.

(2) It extends to the whole of Pakistan.

(3) It shall come into force at once.

2. Definitions.-

In this Ordinance, unless there is anything repugnant in the subject or context:-

(a) "banking company" means-

(i) a bank as defined in Banks (Nationalization) Act, 1974 (XIX of 1974);

(ii) a company incorporated outside Pakistan and transacting the business of banking in Pakistan;

and (iii) a company specified in the Schedule;

(b) 'banking Tribunal' means a tribunal established under section 4,

(c) 'customer' means a person who has obtained finance from a banking company or is the real beneficiary of such finance, and includes a surety and an indemnifier;

(d) 'commencing day' means the day on which this Ordinance comes into force;

(e) 'finance' includes an accommodation or facility under a system which is not based on interest but provided on the basis of participation in profit and loss, mark-up or mark-down in price, hire purchase, lease, rent-sharing, licensing, charge or fee of any kind, purchase and sale of any

property, including commodities, patents, designs, trade marks and copyrights, bills of exchange, promissory notes or other instruments with or without buy-back arrangement by a seller, participation term certificate, musharika certificate, modaraba certificate, term finance certificate or any other mode other than an accommodation or facility based on interest and also includes guarantees, indemnities and any other obligation, whether fund based or non-fund based, and any accommodation or facility the real beneficiary whereof is a person other than the person to whom or in whose name it was provided; and

(f) 'rules' means rules made under this Ordinance.

3. Ordinance not to derogate from other laws.-

The provisions of this Ordinance shall be in addition to and, save as otherwise provided in this Ordinance, not in derogation of, any other law for the time being in force.

4. Establishment of Banking Tribunals.-

(1) The Federal Government may, by notification in the official Gazette, establish as many Banking Tribunals as it considers necessary, and, where it establishes more than one Banking Tribunal, shall specify in the notification the territorial limits within which each of them shall exercise jurisdiction under this Ordinance.

(2) A Banking Tribunal shall consist of a person who is, or has been, or is qualified for appointment as a Judge of High Court or a District Judge or an Additional District Judge, who shall be the Chairman, and two members, to be appointed by the Federal Government.

(3) To constitute a sitting of a Banking Tribunal, the presence of the Chairman and not less than one member shall be necessary.

(4) A decision of a Banking Tribunal shall be expressed in terms of the opinion of the majority of its members, including the Chairman, or, if the case has been decided by the Chairman and only one of the members and there is a difference of opinion between them, in terms of the opinion of the Chairman.

(5) A Banking Tribunal shall not, merely by reason of a change in its composition, or the absence of any member from any sitting, be bound to recall and rehear any witness who has given evidence, and may act on the evidence already recorded by or produced before it.

(6) A Banking Tribunal may hold its sittings at such places within its territorial jurisdiction as the Chairman may decide from time to time.

(7) No act or proceeding of a Banking Tribunal shall be invalid by

reason only of the existence of a vacancy in, or defect in the constitution of, the Banking Tribunal.

5. Powers of Banking Tribunals:-

(1) A Banking Tribunal shall-

(a) in the exercise of its civil jurisdiction, have in respect of a claim filed by a banking company against a customer in respect of, or arising out of, finance, provided by it, all the powers vested in a civil court under the Code of Civil Procedure, 1908 (Act V of 1908);

(b) in the exercise of its criminal jurisdiction, try the offences punishable under this Ordinance and shall, for this purpose, have the same powers as are vested in the Court of Session under the Code of Criminal Procedure, 1898 (Act V of 1898):

Provided that a Banking Tribunal shall not take cognizance of any offence punishable under this Ordinance except upon complaint in writing made by a person authorised in this behalf by the Banking company in respect of which the offence was committed; and

(c) exercise and perform such other powers and functions as are, or may be, conferred upon, or assigned to it, by or under this Ordinance.

(d) A Banking Tribunal shall, in all matters with respect to which procedure has not been provided for in this Ordinance, follow the procedure laid down in the Code of Civil Procedure, 1908 (Act V of 1908), and the Code of Criminal Procedure 1898 (Act V of 1898).

(2) All proceedings before a Banking Tribunal shall be deemed to be judicial proceedings within the meaning of sections 193 and 228 of the Pakistan Penal Code (Act XLV of 1860), and the Banking Tribunal shall be deemed to be a court for the purposes of sections 480 and 482 of the Code of Criminal Procedure, 1898 (Act V of 1898).

(3) No court other than a Banking Tribunal shall have or exercise any jurisdiction with respect to any matter to which the jurisdiction of a Banking Tribunal extends under this Ordinance, including a decision as to the existence or otherwise of finance and execution of a decree passed by a Banking Tribunal:

Provided that nothing in this sub-section shall be deemed to affect-

(a) the right of a banking company to seek any remedy before any court or otherwise that may be available under the law

by which the banking company may have been established or under that law as amended from time to time; or

- (b) the power or jurisdiction of the banking company or any court such as is referred to in clause (a);

or to require the transfer to a Banking Tribunal of any proceeding pending before the banking company or any such court immediately before the commencing day.

6. Procedure of Banking Tribunal:-

(1) Where a customer commits default in fulfilling any obligation to a banking company, the banking company may file against such customer with the Banking Tribunal a plaint which shall be verified on oath by the Branch Manager or an Officer of the rank of Assistant Vice President or Assistant Manager or such other officer as the Board of Directors of the Banking company may authorise in this behalf.

(2) On a plaint being filed with the Banking Tribunal in accordance with the provisions of sub-section (1), the Banking Tribunal shall issue notice requiring the defendant to show cause, within ten days of the service of such notice, as to why decree as prayed for in the plaint should not be passed against him.

(3) The notice under sub-section (2) shall be served on the defendant in accordance with the procedure for service of notice laid down in sub-section (3) of section 4 of the Banking Companies (Recovery of Loans) Ordinance, 1979 (XIX of 1979).

(4) Upon the defendant failing to file a reply within the time given in the show cause notice under sub-section (2) or upon rejection by the Banking Tribunal of the plea taken by him in the reply, the Banking Tribunal shall pass a decree in favour of the banking company as prayed for in the plaint.

(5) In the event of the Banking Tribunal passing a decree against the defendant failing to give/ a reply to the show cause notice within the period specified in sub-section (2), the Tribunal may, on the application of the defendant filed within thirty days of the passing of the decree, set aside the same and permit the defendant to file his reply under that sub-section provided it is satisfied that there was sufficient cause for the defendant not having filed the reply within the specified period.

(6) All suits filed in the Banking Tribunal shall be disposed of within ninety days of the filing of the plaint and in case proceedings continue beyond the said period, the defendant shall be asked to deposit in cash or to furnish a security, acceptable to the Tribunal, equal in value to the claim in suit, and, on failure of the defendant to make such deposit or fur-

nish such security, the Banking Tribunal shall pass decree in favour of the Banking Company as prayed for in the plaint;

Provided that, where the claim of the banking company is based on default of the defendant in payment of agreed instalments, the deposit or security shall be to the extent of the amount of instalments in default:

Provided further that the requirement of deposit in cash or furnishing of security may be dispensed with if in the opinion of the Banking Tribunal the delay is not attributable to the conduct of the defendant.

(7) Any amount deposited by the defendant with the Banking Tribunal under sub-section (6) may be withdrawn by the banking company upon an undertaking to refund the same to the Banking Tribunal if so ordered at any time.

(8) Where the claim filed before the Banking Tribunal is for the enforcement of a mortgage of immovable property, "decree" shall mean final decree for foreclosure, sale or redemption, as the case may be, as provided in Order XXXIV of the First Schedule to the Code of Civil Procedure, 1908 (V of 1908).

7. Provisions relating to certain offences:-

(1) Whoever intentionally destroys, or removes, or reduces the value of the property on the security of which finance was Provided to him, or, without the prior approval in writing of the banking company which provided finance, transfers such property or any part thereof otherwise than in accordance with the terms of approval shall, without prejudice to any other action which may be taken against him under this Ordinance or any other law for the time being in force, be punishable with imprisonment of either description for a term which may extend to five years, and shall also be liable to fine, and shall be ordered by the Banking Tribunal trying the offence to deliver up or refund, within a time to be fixed by the Banking Tribunal, the property or the value of the property so destroyed, removed or reduced in value or transferred as the case may be.

(2) All offences under this Ordinance shall be bailable, non-cognizable and compoundable.

(3) Where the person guilty of an offence under this Ordinance is a company or other body corporate, the chief executive by whatever name called, and every director, other than a non-executive director, manager, secretary and other officer thereof shall, unless he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence, also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

8. Application of fines:-

A Banking Tribunal imposing any fine under this Ordinance may direct that the whole or a part thereof shall be applied in or towards-

(a) payment of cost of all or any of the proceedings under this Ordinance; and

(b) payment to a banking company of compensation for any loss caused by the offence, including loss of income.

9. Appeal:-

(1) Any person aggrieved by any order of the Banking Tribunal passed under sub-section (4) or sub-section (5) of section 6 or a decree or sentence passed under this Ordinance may, within thirty days of such order, decree or sentence, prefer an appeal to the High Court:

Provided that no appeal filed by the defendant against a decree shall be entertained unless the defendant has deposited with the Banking Tribunal the amount claimed in the suit under sub-section (6) of section 6 or the decretal amount:

Provided further that, where the claim of the banking company is based on the default of the defendant in payment of agreed instalments the deposit shall be to the extent of the amount of instalments in default.

(2) An appeal under sub-section (1) shall be heard by a bench of not less than two Judges.

10. Finality of Orders.-

Subject to the provisions of appeal under Section 9, no court or other authority shall call, or permit to be called, in question any proceeding, order, judgement or decree of a Banking Tribunal or the legality or propriety of anything done or intended to be done by the Banking Tribunal under this Ordinance.

11. Execution of decree.-

The Banking Tribunal shall, on the written application of the decree-holder, forthwith order execution of the decree or order and where the decree or order pertains to money recover the amount covered by the decree or order, as the case may be, as arrears of land revenue or in such other manner as may be applied for by the decree-holder, in accordance with the provisions of the Code of Civil Procedure, 1908 (Act of 1908), or any other law for the time being in force:

Provided that, in the case of application by the decree-holder for

execution of the decree by arrest and detention of the judgement debtor in prison, the proviso to section 51 of the Code of Civil Procedure, 1908 (Act V of 1908), and Rules 37 and 40 of Order XXI of the First Schedule to the said Code shall not apply and the Banking Tribunal shall, on such application, after giving the judgement debtor opportunity of being heard, make an order for detention of the judgement-debtor in civil prison and shall, in that event, cause him to be arrested if he is not already under arrest.

(2) The Banking Tribunal shall not without the consent of the decree-holder allow the decretal amount to be paid in instalments.

(3) Notwithstanding anything contained in this Ordinance, where a banking company holds any property belonging to the judgement-debtor as security, it may sell the same without intervention of court either by public auction or private treaty to any person, and appropriate the proceeds thereof according to law towards total or partial satisfaction of the decree:

Provided that proper account of the proceeds shall be filed with the Banking Tribunal not later than thirty days from the date of such satisfaction:

Provided further that, where the banking company wishes to sell the property by private treaty, it shall, before concluding the sale, give to the judgement-debtor, by a notice, the option to purchase or redeem it, as the case may be, at the same price within such time as the banking company may specify in such notice.

(4) Where a decree passed by a Banking Tribunal remains unsatisfied beyond a period of thirty days from the day of the decree, the Banking Tribunal shall on application by the decree-holder impose a penalty on the judgement-debtor of such amount as it may deem appropriate and the amount of such penalty shall be recovered from the judgement-debtor as a fine under the Code of Criminal Procedure, 1898 (Act V of 1898), and the recovery so made shall be made over to the banking company as liquidated damages for failure of the judgement-debtor to satisfy the decree.

(5) Any penalty imposed by a Banking Tribunal on a judgement-debtor under sub-section (4) shall not be a bar to imposition of any further penalty at a later date where the failure to pay the decretal amount continues.

12. Limitation Act, 1908 (Act IX of 1908), not to apply.-

The provisions of the Limitation Act, 1908 (Act IX of 1908), shall not apply to any suit, application or other proceedings filed by a banking company under this Ordinance.

13. Power to amend Schedule.-

The Federal Government may, by notification in the official Gazette, modify the Schedule so as to add any entry thereto or omit any entry therefrom.

14. Powers to make rules.-

The Federal Government may, by notification in the official Gazette, make rules for carrying out the purposes of this Ordinance.

15. Indemnity.-

No suit, prosecution or other legal proceedings shall lie against the Federal Government, a Banking Tribunal or a banking company or any other person for anything which is in good faith done or intended to be done under this Ordinance or any rule or order made thereunder.

16. Removal of difficulties.-

If any difficulty arises in giving effect to any of the provisions of this Ordinance, the Federal Government may, by notification in the official Gazette, make such provision as it thinks fit for removing that difficulty.

Sd/-
GENERAL M. ZIA-UL-
HAQ
President,
31-12-1984.

Sd/-
Mr. (Justice Irshad Hasan Khan)
Secretary Law

SCHEDULE
(See Sections 2(a) and 13)

1. Bankers Equity Limited.
2. House Building Finance Corporation.
3. Investment Corporation of Pakistan.
4. National Development Finance Corporation.
5. National Investment Trust.
6. Pakistan Industrial Credit & Investment Corporation.
7. Pak-Libya Holding Co. Limited.
8. Pak-Kuwait Investment Co. Limited.
9. Saudi-Pak Investment Co. Limited.
10. Small Business Finance Corporation.

3
1985

Please refer to BCD Circulars No.9 dated the 4th August, 1979 and No.13 dated the 20th June, 1984.

**Classification of
Accounts in the Weekly
Statement of Position.**

The banking system is to shift over to non-interest modes of financing according to the programme already notified. One of these modes is hire-purchase. In the case of hire-purchase transactions while the account of the client would be debited by the amount of the cost and the rental for the total period of payment, the contra credit in respect of the amount exceeding the cost may be afforded to an account, say, "Income received in advance-hire-purchase". When instalments fall due, the proportionate amount of rental may be debited to the said account by contra credit to the income account of the bank. The outstanding in the account under reference may be reported as "Other Liabilities" in the bank's Weekly Statement of Position being submitted to us under Section 36(3) of the State Bank of Pakistan Act, 1956. This would, through the mechanism of "Other Items", neutralise the effect of debit of the advance rental to the client's hire-purchase account on the bank's outstanding credit computed for the purpose of credit ceiling. Also, the account will not form part of Demand and Time Liabilities for the purpose of cash reserve and liquidity requirements under Section 36(1) of the State Bank of Pakistan Act, 1956 and Section 29 of the Banking Companies Ordinance, 1962 respectively.

4
1985

It has been decided that in the case of exports to Iraq on deferred payment basis of the following commodities, the State Bank would consider requests for post-shipment refinance from the banks on case by case basis:-

**Export Finance
Scheme—Exports to
Iraq on Deferred
Payment Basis.**

- (i) Tents and Canvas.
- (ii) Readymade garments.
- (iii) Textile made ups.
- (iv) Carpets and rugs.
- (v) Leather manufactures.
- (vi) Surgical goods & medical instruments.
- (vii) Machinery (electrical/engineering).
- (viii) Chemical and pharmaceutical products, etc.

As for pre-shipment finance, the normal facility under the Export Finance Scheme would be available to the exporters. For post-shipment refinance, banks may approach the State Bank of Pakistan (Banking Control Department), Central Directorate, Karachi, giving details as in the enclosed proforma. The broad terms and conditions of the facility shall be as under:-

- (i) The deferred payment arrangement shall provide for payment by the importer within a maximum period of two years from the date of shipment.

- (ii) The payment of principal and interest shall have to be guaranteed by a bank of international repute or by the Central Bank/ Government of the importing country.
- (iii) Export credit Guarantee Scheme cover shall also have to be obtained by the exporter from the Pakistan Insurance Corporation.
- (iv) The importer shall pay interest at LIBOR (London inter-bank offered rate) in case guarantee from a bank of international repute is furnished; otherwise the rate would be ½% above the LIBOR as prevailing on the date of execution of the Contract. State Bank of Pakistan will provide refinance facility to the extent of 100% of the finance provided by banks and for a period not exceeding two years, at 3% below the rate of interest applicable to the transaction as stated above. Banks will not recover any interest from the exporters in Pakistan for the post-shipment period for which deferred payment facility is given to importers.
- (v) The exporter will draw two sets of Bills of Exchange relating to each transaction, in accordance with the terms of the contract, on the foreign buyer—one for sale price of the goods exported and the other for the amount of interest payable by the importer in terms of para (iv) above.
- (vi) The exports shall be denominated in Pak Rupee and in case they are not so denominated, the guarantee referred to at (ii) above shall also include guarantee of the exchange rate in terms of Pakistan Rupee.

A certified copy of the contract between the buyer and the seller specifying the commodity, quantity, destination, mode of shipment, total value, mode of payment etc. shall be forwarded by the bank with the application for refinance. The State Bank would, however, not insist on fulfilment of the conditions laid down in terms (ii) & (iii) of para 2 above but would let the bank in Pakistan determine the security requirement to its own satisfaction.

After approval has been given by the State Bank, the bank concerned may provide post-shipment finance to its client on shipment of the goods and then approach the concerned office of the State Bank of Pakistan to obtain refinance. For this purpose, the bank shall execute/produce all documents required to be executed/produced under the Export Finance Scheme.

The export proceeds realised against the bill for the sale price of the goods will be passed on to the State Bank by the bank concerned within three working days of such realisation. Similarly, on realisation of the interest amount from the importer against the second bill, the same will be passed on to the State Bank by the bank within 3 working days after retaining a margin of 3% being its share in the amount of interest.

*ANNEXURE TO BCD CIRCULAR NO.4
DATED 17th JANUARY, 1985*

**FORM OF APPLICATION FOR REFINANCE IN CASE OF EXPORT TO
IRAQ ON DEFERRED PAYMENT BASIS**

235

Name of the bank	Name & address of exporter	name and address of the importer	Shipping schedule	Payment schedule	Commodity	Quantity	Value in Pak. Rupee
1	2	3	4	5	6	7	8
Name and address of the bank/Govt./ Central Bank guaranteeing repayment			Name of the SBP office from which refinance will be obtained				
9			10				

AUTHORISED SIGNATURE OF THE BANK

Deposit Rates.

5
1985

In continuation of our BCD Circular No.36 dated the 1st December, 1984 on the subject noted above it has been decided to allow Bankers Equity Limited, to raise funds at call from commercial scheduled banks with immediate effect.

The money so provided to the Bankers Equity Limited should be reported as foot-note to the weekly statement of position.

**Scheme for Financing
Locally Manufactured
Machinery.**

6
1985

Please refer to BCD Circular No.24 dated the 19th November, 1984 on the captioned subject advising that while applying for refinance under the Scheme, the banks/approved development finance institutions, in addition to the documents/information already prescribed, shall also furnish the name and address of manufacturer of the machinery exported/to be exported.

It has now been decided that henceforth applications for refinance should also be accompanied by a certificate from the manufacturer of the machinery giving the following information:-

- (i) Full description of the machinery sold by him, including quantity of the various items.
- (ii) Name and address of the party to whom the machinery has been sold.
- (iii) Date(s) of sale of the machinery.
- (iv) Price at which the machinery has been sold.

**Elimination of 'Riba'
from the Banking
System—Determination
of Rates of Profit on
Various Types of PLS
Liabilities of the Banks
and DFIs.**

7
1985

Please refer to our BCD Circular No.34 dated the 26th November, 1984 on the above noted subject.

It is clarified that recoveries of interest based loans, written off/provided for, will not be treated as non-interest income for the purpose of calculation of profit to be declared for PLS depositors. The amount of such recoveries may be included in item (i) pertaining to income from loans and advances under the main item I relating to interest based income in Statement 'B' referred to in Para 1 of the above circular. Similarly recoveries of non-interest based finance provided for or written off may be included in item (v) pertaining to income from other non-interest sources under Part-II relating to non-interest income in Statement 'B' *ibid.*

8
1985

Banks and Development Finance Institutions make loans and advances to their employees for various purposes such as purchase of transport for personal use and building/purchase of residential houses. The terms and conditions, including rates of interest, applicable to such loans and advances are laid down in the rules framed by the banks/DFIs for the purpose.

Elimination of 'Riba' from the Banking System—Provision of Finance by Banks and DFIs to their Employees for Various Purposes under Rules Framed by them.

In terms of item (iii) of para 1 of BCD Circular No.13 dated the 20th June, 1984 and State Bank's letters to individual DFIs all finances provided by a banking company/DFI as from the 1st April, 1985 to all entities, including individuals, shall be only in any one of the non-interest modes indicated in annexure I to that circular. This also applies to finances provided by a banking company to its own employees. However the minimum rates of return prescribed under BCD Circulars Nos.37 and 38 dated the 10th December, 1984 will not apply in case of financing provided by a bank/DFI to its employees.

9
1985

Please refer to BCD Circular No.40 dated the 10th December, 1984 in terms of which the banks were advised that as from the 1st January, 1985, the system of levying of penal interest for defaults by the exporters/suppliers/banks in fulfilling their obligations under the Export Finance Scheme would be replaced by a system of fines and that the new system would apply to export finance/refinance provided on and after the 1st January, 1985. The maximum rates of the fines were also advised in the above circular.

Elimination of 'Riba' from the Banking System—Export Finance Scheme.

It has since been decided that until further instructions, fines shall be actually recovered at the following scales. Fines for defaults by exporters/suppliers will be recovered by the banks and passed on to the State Bank as usual:-

- (i) If an exporter who had obtained finance under Part-I of the Scheme fails to ship the goods by the due date, he will be subjected to a fine at the rate of Rs.110 per Rs.1,000/-, or part thereof, of the finance.
- (ii) If, in a case of the type mentioned in (i) above, the exporter subsequently ships the goods, he will be liable to pay fine only for the period of the delay in the shipment at the rate of Paisa 60 per days for Rs.1,000/- or part thereof, of the finance. In other words, on his making an application in this behalf, the fine already recovered from him in terms of (i) above, less fine for the period of the delay, will be refunded to him.
- (iii) In case an exporter who had obtained finance under Part-II of the Scheme, fails to match his borrowings by his export performance, he will be subjected to a fine of paisa 60 per Rs.1,000/-

or part thereof, of the shortfall in the total daily products of exports undertaken by him.

- (iv) If an exporter who had obtained finance for export of goods for sale/display in an international exhibition/fair, fails to repatriate the export proceeds in respect of goods sold at the exhibition/fair within 30 days of the close of the exhibition/fair or within the permissible period of availment of the finance, whichever is less, he will be subjected to a fine at the rate mentioned in (i) above on the amount of the finance. If he subsequently repatriates the proceeds, on his making an application in this behalf, the fine already recovered from him, less fine for the period of the delay at the rate mentioned in (ii) above, will be refunded to him.
- (v) If a supplier who had obtained finance for making local supplies against international tenders, fails to supply the goods by the due date, he will be subjected to a fine at the rate mentioned in (i) above on the amount of the finance. If he subsequently supplies the goods, on his making an application in this behalf, the fine already recovered from him, less fine for the period of the delay at the rate mentioned in (ii) above, will be refunded to him.
- (vi) If a bank fails to deposit with the State Bank, towards repayment of the respective refinance loan, the amount of a repayment made to it by/on account of the exporter/supplier within 3 days of receipt of the amount by it, it shall be subjected to a fine at the rate mentioned in (ii) above on the amount involved till the amount is deposited with the State Bank.
- (vii) If the amount of refinance obtained by a bank from the State Bank under Part-II of the Scheme at any time exceeds the amount of export finance provided by it to an exporter, it shall be subjected to a fine at the rate mentioned in (ii) above on the excess refinance for so long as the excess continues.
- (viii) If an exporter/a supplier/a bank defaults in fulfilling any other obligation under the Scheme, he/it shall be subjected to a fine at the scale mentioned in (ii) above on the amount involved for the relevant period.

Elimination of 'Riba' from the Banking System—Determination of Rates of Profit on Various Types of PLS Liabilities of the Banks and DFIs—Certificate from the External Auditors about Correctness of Information Provided to the State Bank of Pakistan.

10
1985

In terms of BCD Circular no.34 dated the 26th November, 1984, banks and DFIs are required to submit to the State Bank information in the proformae sent therewith in regard to rates of profit on their PLS deposits which they proposed to declare for the half year ended 30th June and the half year ended 31st December each year.

Banks and DFIs are directed to also submit to the State Bank, within five months of the close of their accounting year, a certificate from their external auditors in the enclosed form about the correctness of the infor-

mation supplied to the State Bank in terms of the above BCD Circular for the two half years of the accounting year. The first such certificate in the case of banks/DFIs whose accounting year ends on the 30th June should be for the half year ending 30-6-1985 and in the case of banks/DFI whose accounting year ends on the 31st December, for the half years ending 30-6-1985 and 31-12-1985.

The above instructions are being issued under the Banking Companies Ordinance, 1962.

**RATES OF PROFIT ON PLS DEPOSITS DECLARED
FOR THE HALF YEAR ENDED.....AND
THE HALF YEAR ENDED.....**

Certified that we have checked the relevant records of(NAME OF THE BANK) and are satisfied that the information supplied by them to the State Bank of Pakistan, a set of which, duly attested by us, is enclosed, in respect of their proposals for declaring rates of profit on various types of their PLS deposits for the half year ended.....and the half year ended..... is correct.

PLACE: SIGNATURE.....
DATE: NAMES OF THE EXTERNAL
AUDITORS OF THE BANK.....



In supersession of BCD Circular No.4 dated the 17th January, 1985 it has been decided that in the case of exports to Iraq on deferred payment basis of the following commodities, the State Bank would consider requests for post-shipment refinance from the banks on case by case basis:-

**Export Finance
Scheme—Exports to
Iraq on Deferred
Payment Basis.**

1. Cotton manufactures.
2. Textile made-ups and Synthetic Textiles.
3. Readymade Garments.
4. Made-up Canvas Goods
5. Leather Manufactures
6. Carpets and Rugs.
7. Sports Goods and Leisure Equipment.
8. Surgical Goods/Medical Instruments.
9. Machinery and Transport Equipment including Engineering and Electrical Goods.
10. Chemical and Pharmaceutical products.
11. Handicrafts.
12. Cutlery and Knives.

13. Papers, Paper Board and Other Paper Products.
14. Ceramics-Table and Sanitary Ware.
15. Fibreglass Manufactures
16. PVC Manufactures.
17. Reinforced Bars.

As for pre-shipment finance, the normal facility under the Export Finance Scheme would be available to the exporters. For post-shipment refinance, banks may approach the State Bank of Pakistan (Banking Control Department), Central Directorate, Karachi, giving details as in the enclosed proforma. The broad terms and conditions of the facility shall be as under:-

- (i) The deferred payment arrangement shall provide for payment by the importer within a maximum period of two years from the date of shipment.
- (ii) The payment shall have to be guaranteed by a bank of international repute or by the Central Bank/Government of the importing country.
- (iii) Export credit Guarantee Scheme cover shall also have to be obtained by the exporter from the Pakistan Insurance Corporation.
- (iv) Finance under this arrangement will be provided to the exporters by their respective banks for a period not exceeding two years on the basis of mark-up in price. The annual rate of return to be derived by the bank from such finance shall be 7%. State Bank of Pakistan will provide refinance facility to the extent of 100% of the finance provided by banks to the exporters on the basis of the sharing of the mark-up for a period not exceeding two years. The share of the State Bank in the mark-up will be 60%. The amount recoverable from the exporters in Pakistan will include the element of mark-up.
- (v) The exporter will draw the Bill of Exchange for the sale price of the goods in accordance with the terms of the contract with the foreign buyer.
- (vi) The exports shall be denominated in Pak Rupee and in case they are not so denominated, the guarantee referred to at (ii) above shall also include guarantee of the exchange rate in terms of Pakistan Rupee.

The State Bank would, however, not insist on fulfilment of the conditions laid down in items (ii) & (iii) above but would let the bank in Pakistan determine the security requirement to its own satisfaction.

A certified copy of the contract between the buyer and the seller specifying the commodity, quantity, destination, mode of shipment, total value, mode of payment etc. shall be forwarded by the bank with the application for refinance. After approval has been given by the State Bank, the bank concerned may provide post-shipment finance to its client on shipment of the goods and then approach the concerned office of the State Bank of Pakistan to obtain refinance. For this purpose, the bank shall execute/produce all documents required to be executed/produced under the Export Finance Scheme.

The amount of finance, including the element of mark-up, will be paid by the exporter on the date the finance falls due or immediately on realisation of export proceeds, whichever is earlier. The bank concerned will pass on the amount to the State Bank within three working days from the date payment is received by it after retaining its share of the mark-up.

(on page 242)



Please refer to BCD Circular No.4 dated 26th January, 1982 and No.20 dated the 29th June, 1982 in terms of which proformae of undertaking to be furnished at the time of obtaining refinance, for locally produced goods supplied locally against international tenders, have been circulated. The above proformae have since been revised in the context of non-interest banking and may be made use of with immediate effect.

UNDERTAKING FOR OBTAINING CONCESSIONARY FINANCE UNDER THE EXPORT FINANCE SCHEME FOR LOCALLY PRODUCED GOODS TO BE SUPPLIED LOCALLY AGAINST INTERNATIONAL TENDERS

The Manager,
 (Branch)
 (Bank)

Dear Sir,

We do hereby certify and confirm that a finance of Rs. has been provided to us by you under the Export Finance Scheme of the State Bank of Pakistan on the basis of the following non-interest based mode, it being understood that the return/profit to be derived by the bank shall not exceed 2½% when converted into annual percentage terms:-

Mode of financing

2. We further confirm and undertake that the aforesaid finance of Rs. has been obtained by us against the following Contract and the same shall be utilised by us exclusively to finance supplies covered by the said Contract:-

Sr.	Contract No. and date	Amount (US\$)	Scheduled Date of supply	Goods to be Supplied
_____	_____	_____	_____	_____

ANNEXURE TO BCD CIRCULAR NO.11
DATED 20th FEBRUARY, 1985

**FORM OF APPLICATION FOR REFINANCE IN CASE OF EXPORT TO
IRAQ ON DEFERRED PAYMENT BASIS**

Name of the bank	Name & address of exporter	name and address of the importer	Shipping schedule	Payment schedule	Commodity	Quantity	Value in Pak. Rupee
1	2	3	4	5	6	7	8
Name and address of the bank/Govt./ Central Bank guaranteeing repayment			Name of the SBP office from which refinance will be obtained				
9			10				

AUTHORISED SIGNATURE OF THE BANK

3. We do hereby further undertake to submit to you the following documents under the above Contract against which you have provided to us the above finance under Export Finance Scheme:

- (a) Commercial invoice showing the quantity and the value of goods supplied.
- (b) Inspection Report/Note by authorised representative of executing agency.
- (c) A certificate of the bank concerned to the effect that the lending agency has disbursed the value of supplies referred to at (a) and (b) above in foreign currency alongwith the bank's proceeds realisation certificate.

We hereby confirm and agree that in the event of our failure to supply the goods on or before the due date and/or to submit the above documents to you within 180 days from the date of the finance, you have our irrevocable authority to charge us and debit our account with fine at the rate as prescribed by the State Bank from time to time on the amount of the finance availed of less the amount repaid as a result of part supplies, if any, from the date of the original finance. We certify and confirm that we have not obtained against the above Contract any finance from any other bank.

4. We do hereby further confirm and undertake that the documents in respect of the aforesaid contract will be realised by us through your branch and proceeds thereof will be appropriated immediately on realisation towards the aforesaid finance provided by you to us. We further confirm and undertake that if the finance is repaid by us earlier, we shall continue to be liable to submit to you the relative proof of supply of the goods for which the finance has been provided to us.

Signature verified

Authorised signature of
the SUPPLIER

Bank's authorised signature

Undertaking for obtaining concessionary refinance under the Export Finance Scheme/the Scheme for Financing Locally Manufactured Machinery by Banks from State Bank of Pakistan for local supplies of Locally produced goods against international tenders

Place

Date

The Chief Manager,
State Bank of Pakistan,

.....

Dear Sir,

We (name of the bank) hereby
certify that we have provided finance of Rs.

(Rupees only) to M/s.
on on the basis of (non-interest mode of finance)
....., it being understood that return/profit to be derived
by us shall not exceed% when converted into annual percentage
terms, under the Export Finance Scheme/Scheme for Financing of Locally
Manufactured Machinery* for local supplies of locally produced
goods against international tender on submission of the following documents
as prescribed vide BCD Circular No.4 dated the 26th January, 1982
and other requisite documents under the Export Finance Scheme/the
Scheme for Financing of Locally Manufactured Machinery*.

(i) A certificate from the executing agency awarding the contract,
confirming that in the particular case it was obligatory to float an international
tender, alongwith a press clipping, in original, from the news
papers establishing floatation of international tender.

(ii) A copy each of the relative contract between the executing
agency making purchases and the supplier, as well as the relative loan
agreement between the international financing agency and the executing
agency.

(iii) The supplier's schedule of deliveries indicating the dates of
deliveries and the quantity and value of goods to be delivered against the
contract alongwith the programme of manufactured/production with
quantities and cost.

(iv) Schedule of financial requirements of the supplier with reference
to the relative contract, indicating the amount required at various intervals
in line with the schedule of deliveries, so as to ensure that in case of
finance extended under the Export Finance Scheme, the finance is liquidated
within 180 days of its drawal from the bank and in the case of finance
obtained under the Scheme for Financing Locally Manufactured Machinery,
it is liquidated as soon as payment for the supplies is made by the
executing agency.

(v) Indication of the amount already obtained by the supplier by way
of advance from the executing agency or on account of payments against
deliveries, if any, already made together with a certificate of the executing
agency in support thereof.

2. Essential particulars of the contract etc. referred to above are given
below:-

- (i) Name of executing agency:
- (ii) Name of supplier:
- (iii) Name of the international
financing agency:

(iv) Particulars as per Press Clipping:

- (a) Name and date of news paper:
- (b) Contract No:
- (c) Particulars and quantity of goods:

(v) Particulars as per contract between the executing agency and the supplier.

- (a) Contract No:
- (b) Date of execution:
- (c) Amount of contract:
- (d) Particulars & quantity of goods to be supplied:
- (e) Last date for supply of goods:

(vi) Particulars as per loan agreement between the international financing agency and the executing agency.

- (a) Date of execution:
- (b) Date till which valid:
- (c) Amount (in foreign currency):
- (d) Particulars & quantity of goods covered:

3. We submit herewith the above mentioned documents duly attested by us alongwith the requisite documents under the Export Finance Scheme/the Scheme for Financing Locally Manufactured Machinery*. The aforesaid documents have been duly scrutinized by us and we certify that the same are in order and in accordance with the instructions contained in BCD Circular No.4 dated 26-1-1982 and that on the basis of the same, M/s., the supplier(s), are entitled to the export finance that we have extended to them as stated in paragraph 1 above. We further certify that we have satisfied ourselves that the aforesaid export finance is not in excess of that justified by the supplier's schedule of deliveries, his schedule of financial requirements, the terms of the contract between the executing agency and the supplier and the terms of the loan agreement between the international financing agency and the executing agency.

4. We request you to grant us a refinance loan of Rs. without interest or service charge immediately on the basis of the documents mentioned above and on the faith of our certificate contained in paragraph 3 above. We undertake that in case all or any of the said documents, including the certificates referred to herebefore, are found to be invlaid, deficient, or defective in any way or untruthful in any way by you at any stage, we shall rectify the same within ten days of your pointing out the same to us, failing which you will be at liberty to recover from us, by debiting our account(s) now held or held hereafter with you, without any notice to us, the outstanding amount of the refinance and the amount of fine at a rate as prescribed by State Bank of Pakistan from time to time. Similarly if you find at any stage that the refinance allowed to us is in

excess of that justified by the relevant documents, you will be at liberty to recover from us, by debit to our account(s) now held or held hereafter with you without any notice to us, the amount of excess refinance together with the fine thereon at the prescribed rate. Your decision in this behalf will be final and binding on us and we shall not question the same on any ground whatsoever. Further, in each of the contingencies you shall have the right to set off the said amount of refinance or excess amount, as the case may be, from any moneys belonging to us but received by you or under your custody or control.

Yours faithfully,

Authorised Signature of the Bank.

Encls: As above.

*Score out whichever is not applicable.

Selective Credit Control.

13
1985

In partial modification of BCD Circular No.24 dated the 28th October, 1981, it has been decided that letters of credit for import of cars for disabled persons authorised by the Chief Controller of Imports and Exports under the procedure laid down by the Government of Pakistan for the purpose will henceforth be exempt from compulsory minimum margin requirement.

**Scheme for Financing
Locally Manufactured
Machinery—Financing
of Local Supplies of
Locally Manufactured
Machinery Against
International Tenders.**

14
1985

Please refer to para 2 of BCD Circular No.18 dated the 13th June, 1982 which, inter-alia, states that for the purpose of financing local supplies against international tenders under the captioned scheme at the pre-shipment stage, the term "locally manufactured machinery" should be interpreted in a broad sense and should include, besides complete plants and capital goods, engineering goods such as water pumps, tube-wells, oil expellers, refining equipment etc. as also consumer durables.

In spite of the above definition, we are receiving queries whether certain items of capital goods qualify for concessionary finance under the aforesaid Scheme for the purpose mentioned above. It is clarified that all items of capital goods manufactured by the engineering industry in Pakistan, irrespective of whether the items are large or small, besides other locally produced items mentioned in para 1 above, qualify for concessionary finance under the Scheme for the aforesaid purpose.

15
1985

Please refer to BCD Circular No.21 dated the 30th June, 1982 requiring the banks to furnish the following information as a foot-note to the Weekly Statement of Position being submitted to us under Section 36(3) of the State Bank of Pakistan Act, 1956:-

“Outstanding amount of advances extended on the basis of:

- (a) PLS to selected customers in trade and industry.
- (b) Leasing to selected industrial customers.
- (c) Hire-purchase to selected customers in trade and industry.”

It has now been decided to replace the above items by the following in conformity with the instructions contained in BCD Circular No.13 dated the 20th June, 1984:-

“Outstanding amount of finances provided on the basis of:

- (a) Financing by lending.
- (b) Trade-related modes of financing.
- (c) Investment type modes of financing.”

These instructions will be effective as from the week ending 16th May, 1985.

Attention is also invited to BCD Circular No.15 dated the 15th June, 1983 in terms of which banks are furnishing to us in the proforma enclosed therewith, the position of ‘Assets acquired on bases other than interest’, as annexure to the Consolidated Weekly and Quarterly Statement of Position. It has now been decided that the information may be obtained in the proforma enclosed with this circular on quarterly basis showing the position as on the last working day of each quarter. The annexure to the Weekly Statement of Position may therefore, be discontinued from the week ending 16th May, 1985. The enclosed proforma will form part of Quarterly Statement of Position from the quarter ending 30th June, 1985 and onwards.

Annexure to Quarterly Statement of Position

**STATEMENT SHOWING THE POSITION OF OUTSTANDING
FINANCES PROVIDED ON NON-INTEREST
BASIS AS ON**

Mode of Financing	Amount Outstanding (Rs. in million)	Included in Item No. Consolidated Position
(A) Financing by landing		
(i) Loans not carrying any interest but provided on service charge.		
(ii) Qard-e-Hasna.		
	Total:-	

(B) Trade-related modes of financing

- (i) Purchase of goods under purchase/sale transactions on mark-up.
- (ii) Purchase of trade bills.
- (iii) Purchase of moveable/immovable property under purchase/sale transactions on mark-up.
- (iv) Leasing
- (v) Hire-purchase.
- (vi) Financing for development of property on development charges.
- (vii) Finance provided under any other trade related mode (not specified above).

Total:- _____

(C) Investment type modes of financing

- (i) Musharika or profit & loss sharing.
- (ii) Equity participation and purchase of shares.
- (iii) Purchase of Participation Term Certificates, Musharika Certificates, Term Finance Certificates, Pre-organisation Certificate and Modaraba Certificates.
- (iv) Rent-sharing.
- (v) Finance provided under any other investment type mode (not specified above).

Total:- _____

Signature of two Authorised
Persons with Name, Designation and
Telephone Number.

**Elimination of 'Riba'
from the Banking
System—Export
Finance Scheme.**

16
1985

Please refer to BCD Circular No.42 dated the 26th December, 1984 on the above noted subject.

The forms 'EE' and 'EF' circulated with the above referred circular have since been modified. The modified forms 'EE' and 'EF' are enclosed which may be made use of with immediate effect.

(on pages 249, 250, 251)

**Elimination of 'Riba'
from the Banking
System—Export
Finance Scheme.**

17
1985

Please refer to BCD Circular No.1 dated the 1st January, 1985 on the above noted subject.

Annexure 'B' circulated with the above referred circular has since been modified. A copy of the modified annexure 'B' is enclosed which may be made use of with immediate effect.

**PARTICULARS OF EXPORT RECEIPTS IN RESPECT OF ELIGIBLE COMMODITIES UNDER PART-II OF
THE EXPORT FINANCE SCHEME FOR THE YEAR**

Full Name and Address of the Exporter
Export Registration Number
Name and Address of the Bank

249

Sr. No.	Export Form No.	Commodity	Late of Shipment	Date of negotia- tion by the bank	Amount received by the exporter	PROCEEDS REALISED OR TO BE REALISED		Date of real- isation in case export proceeds already realised	Monthly return and the name of office of State Bank to which realisation repor- ted or will be re- ported by the bank	Remark
						Amount in foreign exchange	Amount in Pak Rupees			
1	2	3	4	5	6	7	8	9	10	11

I/We hereby solemnly affirm that the above statement does not
include any exports which do not qualify for export finance under the
Export Finance Scheme.

Certified that the above entries have been verified and found correct. Financing
limit of Rs. allowed.

Signature of the exporter

(Signature)

Name and Designation of Authorised Officer of the Bank

(To be verified and authenticated by Exchange Control Department).

**PARTICULARS OF EXPORT RECEIPTS IN RESPECT OF ELIGIBLE COMMODITIES UNDER PART-II OF
THE EXPORT FINANCE SCHEME FOR THE MONITORING PERIOD**

Full Name and Address of the Exporter

Export Registration Number

Name and Address of the Bank

Sr. No.	Export Form No.	Commodity	Date of Shipment	Date of negotiation by the bank	Amount received by the exporter	PROCEEDS REALISED OR TO BE REALISED	Date of realisation in case export proceeds already realised	Monthly return and the name of office of State Bank to which realisation reported or will be reported by the bank	Remarks	
1	2	3	4	5	6	7 Amount in foreign exchange	8 Amount in Pak Rupees	9	10	11

250

- I/We hereby solemnly affirm that:-
- (i) the above statement does not include:
 - (a) any export of commodities which do not qualify for export finance under the Export Finance Scheme.
 - (b) any export against which I/We obtained export finance from any bank under Part-I of the Export Finance Scheme;
 - (ii) the exports on usance basis reported in the above statement are against irrevocable letter(s) of credit which is/are eligible for negotiation without reserve and the usance bills in respect thereof have not been negotiated with a scheduled bank in Pakistan.

Signature of the Exporter

(Countersigned Signature)

(Name and Designation of the Authorised Officer of the bank)
(To be verified and authenticated by Exchange Control Deptt:)

SUPPLEMENT TO FORM EF

LIST OF EXPORTS, ENTRIES IN RESPECT OF WHICH IN THE STATEMENT IN 'EF' FORM FOR THE MONITORING PERIOD ENDED WERE MARKED BY THE EXCHANGE CONTROL DEPARTMENT FOR POST-FACTO VERIFICATION OF REALISATION OF EXPORT PROCEEDS, SINCE REALISED

Full Name and Address of the Exporter

Export Registration Number

Name and Address of the Bank

251

Sr. No. in the 'EF' Form	Export Form No.	Amount of export proceeds proceeds that were marked by ECD for post-facto verification		Amount of export proceeds since realised		Date of realisation	Monthly return and the name of the office of the State Bank to which realisation reported Return for Name of SBP the month of Office	Remarks
		In Foreign Exchange	In Pak Rupees	In Foreign Exchange	In Pak Rupees			

Signature of the Authorised Officer
of the Bank with name and designation

(To be verified and authenticated by Exchange Control Department)

UNDERTAKING UNDER PART II

The Manager,
..... (Branch),
..... (Bank),

Dear Sir,

We do hereby certify and confirm that a finance of Rs. has been allowed to us by you under Part II of Export Finance Scheme of the State Bank of Pakistan on the basis of the following non-interest based mode, it being understood that return/profit to be derived by the bank shall not exceed 2½% when converted into annual percentage terms Mode of Financing

We further confirm that the above finance of Rs. is in the nature of revolving limit and will be utilised by us solely for export purposes.

We hereby further declare and confirm that we have not and will not in future obtain any export finance from any bank other than yourselves on the basis of export receipts covered by the relative Form 'EE'.

We further undertake that we shall realise export receipts from the exports of eligible commodities, excluding any exports for which finance has been obtained under Part-I of the Export Finance Scheme, during each 12 months, of a minimum amount equal to at least thrice the amount of the finance obtained by us during the relative 12 months period.

We further undertake that in the event of shortfall in exports for which we have availed of the above finance or in the event of our failure to submit to you from 'EF' duly verified by the bank concerned within 15 days of the close of the relevant monitoring period, we will be liable to pay fine at the rate as prescribed by the State Bank from time to time and hereby irrevocably authorise you to debit the same to our account with you.

Signature verified
Bank's authorised signature.

Authorised Signature of the
Exporter

Selective Credit Control.



Please refer to BCD Circular No.24 dated the 28th October, 1981 on the above-noted subject.

In terms of item A-IV of the above circular, clean advances or

advances secured by guarantees are permissible upto a maximum amount of Rs.25000/- to any one party for a maximum period of two years, subject to the conditions stipulated therein. Advances for exports are, however, exempt from the said limit in terms of item A-V ibid. It has been decided to also exempt from the aforesaid limit rupee finances to Pakistani firms and companies functioning in Pakistan against guarantees received from banks functioning abroad.

19
1985

Please refer to BCD Circular No.27 dated the 24th December, 1980. In partial modification of the instructions contained therein it has been decided that for defaults in maintenance of statutory cash reserve and liquid assets occurring on and after the 1st July, 1985, penalty will be imposed by the State Bank as indicated below:-

Elimination of 'Riba' from the Banking System—Penalty for Defaults in Maintenance of Cash Reserved and Liquid Assets by the Banks.

A. CASH RESERVE:

In terms of Section 36(1) of the State Bank of Pakistan Act, 1956, every scheduled bank is required to maintain with the State Bank a balance the amount of which shall not at the close of business on any day be less than five per cent of the total demand and time liabilities of such bank in Pakistan. This requirement applies to interest—based demand and time liabilities of the scheduled banks as also their PLS liabilities. The State Bank will continue to watch maintenance of the cash reserve on a combined basis for the two types of the liabilities and impose penalty for defaults as indicated below:-

- (i) If at the close of business on any day before the day fixed for the next return, the balance held at the Bank by any scheduled bank is below the fixed minimum, penalty at the rate of Rs.35 per Rs.100,000, or part thereof, per day on the amount by which the balance with the Bank falls short of the fixed minimum; and
- (ii) If on the day on which the next return is due, such balance is still below the fixed minimum as disclosed by this return, penalty at the rate of Rs.45 per Rs.100,000, or part thereof, in respect of that day and each subsequent day on which the balance held at the Bank at the close of business on the day is below the fixed minimum.

B. LIQUID ASSETS:

In terms of Section 29(1) of the Banking Companies Ordinance, 1962, every banking company is required to maintain in Pakistan in cash, gold or unencumbered approved securities valued at a price not exceeding the current market price an amount which shall not at the close of business on any day

be less than thirty-five per cent of the total of its demand and time liabilities in Pakistan. This requirement applies to both PLS and interest-based time and demand liabilities of the banking companies.

As in the case of cash reserve, the State Bank will continue to watch maintenance of liquid assets on a combined basis for the two types of the liabilities and impose penalty for defaults as indicated below:-

Penalty at the rate of Rs.45 per Rs.100,000, or part thereof, per day;

- (a) if no amount is maintained, on the minimum amount required to be maintained, and
- (b) if any amount below such minimum is maintained, on the amount by which the amount maintained falls short of the required minimum.

Export Finance Scheme.



Please refer to the captioned Scheme circulated with BCD Circular No.29 dated the 11th October, 1977 as amended from time to time.

It has now been decided as under:-

(i) The facility of concessionary finance under Part I of the Scheme would henceforth be provided for a maximum period of 150 days instead of 180 days as heretofore. The relaxation allowed to exporters of carpets and rugs as mentioned in para (i) of BCD Circular No.22 dated the 22nd October, 1984 read with BCD Circular No.35 dated the 28th November, 1984 relating to Part I of the Scheme shall stand withdrawn.

(ii) Entitlement for export finance limit under Part II of the Scheme during a financial year shall be upto 5/12th of the exporter's performance during the previous financial year. The exporter will be required to realise during a monitoring period export receipts from eligible commodities, excluding receipts from exports for which finance is obtained under Part I of the Scheme during the period, equal to 2.4 times the daily average finance obtained by him during the monitoring period. If there is any shortfall in the export receipts, fine as prescribed from time to time shall be recovered from him. In order to make this clearer, illustrations are given in the annexure.

(iii) The annual rate of profit earned by a bank/approved development finance institution on finances provided under the Scheme shall not exceed 6%. Where refinance is obtained from the State Bank the share of profit of the Bank will be 50%. In the event of loss, the loss will first be met out of the Reserves and credit

balance in the Profit and Loss Account of the financial institutin concerned which have been created during the period of the financing and the balance, if any, shared by all the financiers in proportion to the respective finances provided by them.

The instructions at (i) and (iii) above shall apply to finances provided by banks on and after the 26th May, 1985. The instructions at (ii) above shall, however, apply with effect from the monitoring period commencing from 1st July, 1985.

Refinance against export finance provided by banks/approved DFIs. prior to the 26th May, 1985 at the previous prescribed annual rate of profit not exceeding 2½% will be provided free of any return.

The other provisions of the Scheme shall remain unchanged.

ANNEXURE

EXPORT PERFORMANCE FOR THE LAST YEAR RS.144,000/-

Limit sanctioned at 5/12th of the last year's export earnings under Part-II of the scheme: Rs.60,000/-

1st Example

Date	Debit Balance	Export proceeds realised during the monitoring period
2-7-1985	Rs. 60,000/-	Rs.105,600/-
6-8-1985	Rs. 40,000/-	
10-9-1985	Rs. 20,000/-	
8-10-1985	Nil	
10-10-1985	Rs. 30,000/-	
9-11-1985	Rs. 60,000/-	
29-11-1985	Rs. 40,000/-	
30-12-1985	Rs. 50,000/-	
26-2-1986	Rs. 40,000/-	
29-3-1986	Rs. 60,000/-	
24-4-1986	Rs. 30,000/-	
31-5-1986	Rs. 50,000/-	
29-6-1986	Nil	

(A) Total of daily products of borrowings = 15,660,000

(B) Products of export proceeds realised (105,600x150) = 15,840,000

Since 'B' is greater than 'A' the question of realisation of fine does not arise.

2nd Example:

Date	Debit Balance	Export proceeds realised during the monitoring period
2-7-1985	Rs. 60,000/-	Rs.108,000/-
10-8-1985	Rs. 50,000/-	
15-9-1985	Rs. 40,000/-	
20-10-1985	Rs. 30,000/-	
15-11-1985	Rs. 60,000/-	
28-12-1985	Rs. 20,000/-	
6-1-1986	Nil	
10-1-1986	Rs. 60,000/-	
11-2-1986	Rs. 50,000/-	
16-3-1986	Rs. 40,000/-	
25-4-1986	Rs. 60,000/-	
29-5-1986	Rs. 30,000/-	
29-6-1986	Rs. 50,000/-	

(A) Total of daily products of borrowings = 17,320,000

(B) Products of export proceeds realised (108,000x150) = 16,200,000

Short-fall ('A'-'B') = 1,120,000/-

Fine will be levied on the above short-fall i.e. 1,120,000/-.

N.B: If the number of days for which an exporter availed of credit during the above monitoring period exceeds 360 days the excess number of days will be divided by 2 and the resultant figure rounded off to the nearest whole number (treating half number as whole number) which may be added to the multiplier of 150 for working out the products of export proceeds.

**Export Finance
Scheme—Substitution of
Firm Order/Letter of
Credit.**

21
1985

Please refer to BCD Circular No.18 dated the 20th July, 1983 in terms of which the commercial banks were authorised to allow substitution of a firm export order/Letter of Credit by a new firm order/Letter of Credit without reference to the State Bank, in cases where an exporter failed to ship the goods against the original firm export order/Letter of Credit on the basis of which export finance was obtained by him under Part I of the Scheme. Substitution in such cases was permissible on fulfilment of the conditions laid down in the circular referred to above. One of the conditions was that the goods proposed to be substituted should be the same as in the original firm order/Letter of Credit. Slight variation of the type as illustrated in the circular was, however, permissible.

It has now been decided to liberalise the condition spelt in item (iv) of para 1 of the above circular and allow export of any eligible commodity for the purpose of substitution against concessionary finance already obtained by the exporter. In other words, if an exporter has obtained finance against a firm order/L.C. for the export of cloth and fails to ship the goods to the original buyer, he would be able to substitute export of a different eligible commodity say, finished leather to the same buyer or a different buyer.

The above relaxation would be applicable in those cases only where the period of finance availed of by the exporter is not more than 150 days.

As the maximum period for which concessionary export finance can be provided has been reduced from 180 days to 150 days vide BCD Circular No.20 dated the 25th May, 1985, the condition at (ii) of para 1 of BCD Circular No.18 dated the 20th July, 1983 read with BCD Circular No.25 dated 21-11-1984 would also stand amended to that extent. In other words, the substituted goods should be shipped within 150 days of availment of the finance.

Other terms and conditions of substitution remain unchanged.

22
1985

Please refer to the captioned Scheme circulated vide BCD Circular No.11 dated the 17th April, 1982 as amended from time to time.

**Scheme for Financing
Locally Manufactured
Machinery.**

The Scheme has since been further modified. The modified version of the Scheme is enclosed. The new policy embodied in the Scheme comes into effect from the 26th May, 1985.

It would be observed that certain changes have been made in the Part of the Scheme relating to export sales. The banks/development finance institutions are requested to take a note of these changes. The major changes that have been brought about are:-

- (i) Where exports are contracted to be made on deferred payment basis, a down payment of not less than 10% of the amount of the contract/L.C. has been made compulsory. The period of repayment of post-shipment finance has also been modified as under:-
 - (a) **In case of export of a complete plant (including a ship) of the value of US\$ 10 million or more.**
Repayment is to be made in not more than 20 equal half yearly instalments with a grace period not exceeding 2½ years.

- (b) **In other cases involving exports of more than US\$ 1 million.**
Repayment is to be made in equal half yearly instalments within a maximum of 10 years with no grace period.
- (c) In the case of contracts for smaller amounts, the period of repayment should not ordinarily exceed five years.
- (ii) While in the case of finance for pre-shipment stage, the maximum rate of profit will be 6% annual basis, in the case of finance for post-shipment stage, the rate of profit shall be not less than 7% per annum. The State Bank's share in the former case will be 50% and in the latter case 65% where refinance is obtained.
- (iii) In the case of pre-shipment refinance for a period not exceeding 360 days where the relevant contract/L.C. does not provide for deferred payment, prior approval of the Banking Control Department would no longer be necessary. A bank/ approved development finance institution can approach the concerned office of State Bank direct for obtaining refinance on production of the required documents/information.
- (iv) Except for cases covered under (iii), prior approval of each case from Banking Control Department, Central Directorate, Karachi would be necessary. As usual, in the case of sale on deferred payment basis of beyond 120 days, specific prior approval of Exchange Control Department of the State Bank would be required.

Refinance where provided by the State Bank against export finance provided by banks/DFIs prior to the 26th May, 1985 at the previous prescribed annual rate of profit not exceeding 2½% will be free of any return.

*Annexure to BCD Circular
No. 22 dated 25th May, 1985*

SCHEME FOR FINANCING LOCALLY MANUFACTURED MACHINERY

A. Local Sales:

1. The viability of the project of buyers of locally manufactured machinery has to be thoroughly assessed. This should be done by such development finance institutions (DFIs) as are approved by the State Bank for

the purpose. At present the following DFIs are approved for the purpose:-

- (i) Pakistan Industrial Credit & Investment Corporation.
- (ii) Industrial Development Bank of Pakistan.
- (iii) National Development Finance Corporation.
- (iv) Bankers Equity Limited.
- (v) Pak-Libya Holding Company Limited.
- (vi) Pakistan Kuwait Investment Company Ltd.,
- (vii) Investment Corporation of Pakistan.

As and when any other DFI is approved by the State Bank, the fact will be notified to banks/DFIs.

2. On being satisfied about the viability of a project, an approved DFI may provide financial assistance to the local purchaser at a concessional rate of return for financing the purchase of locally manufactured machinery. Refinance under the Scheme may be obtained from the State Bank in respect of finance provided by the DFI to the purchaser against delivery of such machinery. However, where the manufacturer of the machinery requires the purchaser to make some down payment at the time of the agreement, finance may be provided for such down payment also and refinance obtained from the State Bank.

3. In case where purchase of complete plants is involved which an approved DFI is not in a position to finance singly, it may associate other DFIs or scheduled commercial banks to meet the large requirement of funds. In such cases, refinance from the State Bank would be admissible to all members of the Consortium on the condition that the Consortium is led by one of the approved DFIs.

4. The refinancing of local sales under the Scheme will be made as follows:-

- (i) State Bank may sanction a refinance limit to an approved DFI on the basis of its estimated requirements.
- (ii) The DFI may receive refinance under the above limit upto 100% of the finance which it provides for purchase of the locally manufactured machinery.
- (iii) Scheduled commercial banks which associate themselves with any of the approved DFIs to form a Consortium to facilitate purchase of complete plants may also receive refinance from the State Bank upto 100% of the finance which they provide for the purpose.
- (iv) The financial institutions concerned may grant finance for periods considered appropriate by them. The period of refinance will be related to the terms of the finance sanctioned, subject to a maximum of twelve and a half years.
- (v) The finance shall be provided to the purchaser only on the

basis of a non-interest mode of financing considered appropriate by the financial institution.

- (vi) The maximum rate of profit to be earned by the financial institutions on such finance shall not exceed 7½% on annual basis. The State Bank will provide refinance to the concerned financial institution on profit and loss sharing basis. The share of the State Bank in the profit (before tax) will be 75%. In the event of loss, the loss will first be met out of the Reserves and credit balance in the Profit and Loss Account of the financial institution concerned which have been created during the period of the financing and the balance, if any, shared by all the financiers in proportion to the respective finances provided by them.
- (vii) The financial institutions concerned shall execute necessary documents and agreements as may be prescribed by the State Bank.
- (viii) A DFI shall not take more than two months to examine the feasibility of any project where finance is required for purchase of locally manufactured machinery.

B. EXPORT SALES:

To promote export sales of locally manufactured machinery which term should be interpreted in a broad sense and would include, besides complete plants, ships, and capital goods (large as well as small items), engineering goods such as water pumps, tubewells, oil expellers, refining equipment, etc. as also consumer durables the State Bank may provide concessionary refinance against finance provided by approved financial institutions to exporters of such machinery at pre-shipment and/or post-shipment stage(s). The approved financial institutions are the scheduled commercial banks and such DFIs as are approved by the State Bank for the purpose. At present the DFIs approved for the purpose are National Development Finance Corporation and Bankers Equity Ltd. If and when any other DFI is approved, the fact will be notified to banks/DFIs.

An exporter who has entered into a contract with a foreign buyer for the export of locally manufactured machinery would be eligible to avail of finance from an approved financial institution on the basis described in the following paragraphs:-

I. PRE-SHIPMENT FINANCE

- (a) Where no deferred payment is involved and pre-shipment finance is required for a period not exceeding 360 days.

An exporter will be eligible to avail of pre-shipment finance under the Scheme from an approved financial institution upto the amount of the contract/L.C. less down payment, if any, for a period not exceeding 360

* Where payment is to be received after more than 120 days from shipment.

days on submission of the following:-

- (i) The original contract/L.C.
- (ii) Amendments, if any, made in the contract/L.C.
- (iii) Charge documents and security as considered appropriate by the approved financial institution.

Where an approved financial institution has provided pre-shipment finance to the exporter in terms of para 3 above, it may obtain pre-shipment refinance from the concerned office of the State Bank for a period not exceeding 360 days to the extent of 100% of the finance provided by it on execution/production of the following documents:-

- (i) Certified photostat copy of the relevant contract/L.C.
- (ii) Certified photostat copy of the amendments, if any, made in the contract/L.C.
- (iii) Agreement in Form LMM 1 (copy enclosed)
- (iv) Application in Form LMM 2 (copy enclosed)
- (v) Statement showing particulars of the finance in Form LMM 3 (copy enclosed)
- (vi) D.P. Note in Form LMM-6 (Copy enclosed)

(b) Where no deferred payment is involved and pre-shipment finance is needed for a period exceeding 360 days.

Where pre-shipment finance is needed for a period exceeding 360 days, the approved financial institution concerned should obtain prior clearance of the Banking Control Department of the State Bank for provision of finance for the period exceeding 360 days. Requests in this behalf should be addressed to the Director, Banking Control Department, State Bank of Pakistan Central Directorate, Karachi, supported by certified photostate copies of the following documents/information:-

- (i) The relevant contract/L.C.
- (ii) Amendments, if any, made in the contract/L.C.
- (iii) The exporter's letter indicating the period for which pre-shipment finance is required and explaining reasons therefor.
- (iv) Name of the Office of State Bank where refinance is proposed to be availed of.

After obtaining clearance of the Banking Control Department in cases covered under para 5 above, the institution concerned would be eligible to obtain pre-shipment refinance from the concerned office of the State Bank to the extent of 100% of the finance provided by it for the period authorised by the Banking Control Department on execution/production of the documents laid down in para 4 above.

(c) Where deferred payment is involved.

After obtaining permission of the Exchange Control Department of the State Bank for shipment on deferred payment basis, an exporter will be eligible to avail of pre-shipment finance under the Scheme from an

approved financial institution upto the amount of the contract, less down payment received thereunder, on submission of the following:-

- (i) The documents etc. mentioned at para 3 above.
- (ii) Exchange Proceeds Realization Certificate evidencing receipt of down payment provided for in the contract/L.C.
- (iii) Approval letter of the Exchange Control Department of the State Bank for export of the goods on deferred payment basis.

An approved financial institution desiring to obtain refinance from the State Bank against finance provided by it in cases covered under para 7 above should first seek clearance of the Banking Control Department of the State Bank. Requests in this behalf should be addressed to the Director, Banking Control Department, State Bank of Pakistan, Central Directorate, Karachi, supported by photostat copies of the documents/information mentioned at para 7 above except documents mentioned in (iii) of para 3.

After obtaining clearance of the Banking Control Department, the institution concerned may approach the respective office of the State Bank for obtaining refinance to the extent of 100% of the finance provided by it for the period authorised by the Banking Control Department on execution/production of the following documents:-

- (i) The documents mentioned in para 4 above.
- (ii) Certified photostat copy of the Exchange Proceeds Realization Certificate evidencing receipt of down payment provided for in the contract/L.C.
- (iii) Certified photostat copy of the approval letter of the Exchange Control Department of the State Bank for export of the goods on deferred payment basis.

(d) Financing of supplies of Locally Manufactured Machinery* against International Tenders.

A supplier of locally manufactured machinery against an international tender would be eligible to avail of finance permissible for export sales at pre-shipment stage under the Scheme from an approved financial institution upto the amount of the contract less advance payment, if any, for a reasonable period, depending on the terms and conditions of the contract between the Executing Agency and the suppliers on submission of the following documents/information:-

- (i) A certificate from the executing agency awarding the contract, confirming that in the particular case it was obligatory to float an international tender, alongwith a press clipping in original establishing floatation of international tender.
- (ii) A copy each of the relative contract between the executing agency making purchases and the supplier as well as the relative loan agreement between the international financing

* Interpretation of "locally manufactured machinery" for the purpose of local supplies against international tenders would be the same as spell out in para I page 3 ante.

- agency and the executing agency, duly attested by the approved financial institution.
- (iii) The supplier's schedule of deliveries indicating the dates of deliveries and the quantity and value of goods to be delivered against the contract alongwith the programme of manufacture/production with quantities and cost, duly attested by the approved financial institution.
 - (iv) Schedule of financial requirements of the supplier with reference to the relative contract, indicating the amount required at various intervals in line with his schedule of deliveries.
 - (v) The amount already obtained by the supplier by way of advance from the executing agency or on account of payments against deliveries, if any, already made, duly certified by the executing agency.
 - (vi) An undertaking from the supplier in the form LMM-4 (copy enclosed).
 - (vii) Charge documents and security as considered appropriate by the instituion.

Where an approved financial institution has provided finance to the supplier in terms of para 10 above, it may obtain refinance from the concerned office of the State Bank to the extent of 100% of the finance provided by it on execution/production of the following documents:-

- (i) Certified photostate copies of the documents mentioned at (i) to (vi) of para 10 above.
- (ii) Demand Promissory Note in Form LMM-6.

The State Bank will allow refinance within 24 hours of receipt of a request from an approved financial institution on the basis of undertaking from it in form LMM-5 (copy enclosed), provided all the documents mentioned in para 11 above have been produced and a preliminary check thereof shows that the same are prima facie in order. In case detailed scrutiny of the documents shows that the same contain any deficiencies or defects, the institution concerned will be advised of the same, by the State Bank and asked to remove the deficiencies/defects within ten days of the communication from the State Bank in this behalf. In case of the institution's failure to do the needful within the stipulated time, the State Bank will recall the refinance by debiting the outstanding amount to the account of the institution with the State Bank and also recover from it by debit to the said account, fine on the refinance at the rate laid down in (v) of para 21 below under advice to the institution. Similarly, in case detailed scrutiny shows that the refinance allowed was in excess of that justified by the relevant documents, the State Bank will immediately recover the amount of the excess refinance together with fine thereon at the aforesaid rate by debit to the account of the institution concerned under advice to it.

On the institutin rectifying the deficiencies/defects to the satisfaction of the State Bank, the refinance will be restored to it on execution of fresh documents and the fine already charged refunded. Similarly, in the case

of excess refinance recovered from the institution, on its producing satisfactory evidence to justify grant of the same, the amount involved will be re-allowed to it on execution of the necessary documents and the fine already charged refunded.

(e) Rate of Profit:

The rate of profit to be derived by an approved financial institution in all cases of pre-shipment finance shall be not more than 6% on annual basis. The share of the State Bank in the profit will be 50%.

II POST-SHIPMENT FINANCE:

According to the Exchange Control Regulations existing at present, the export receipts are generally required to be repatriated to Pakistan within a maximum period of 120 days from the date of shipment. Therefore, in all cases where a longer deferred payment period is involved, the exporter should first obtain approval of the Exchange Control Department of the State Bank. The Exchange Control Department would consider such requests provided the relevant export contract/L.C. fulfils the following requirements:-

- (i) In all cases, the foreign buyer should make a down payment of at least 10% of the value of the contract/L.C.
- (ii)
 - (a) In the case of export of a complete plant (including a ship) of the value of US\$10 million or more, the payment should be made in not more than 20 equal half-yearly instalments with a grace period not exceeding 2½ years commencing from the date of shipment of the goods.
 - (b) In other cases involving exports of more than US\$ one million, the payment should be made in equal half yearly instalments within a maximum period of ten years commencing from the date of shipment of the goods with no grace period.
 - (c) In the case of contracts for smaller amounts, the period of payment should not ordinarily exceed five years.
- (3) The deferred payment should bear guarantee of the Government or the Central Bank of the country concerned or the head office of an international bank of repute operating in that country. Alternatively, the Export Credit Guarantee Scheme managed by the Pakistan Insurance Corporation should guarantee payment. The State Bank would, however, not insist on fulfilment of this condition but would let the approved financial institution concerned satisfy itself in this behalf.

After obtaining permission of the Exchange Control Department to make export on deferred payment basis as mentioned in the preceding

paragraph, an exporter will be eligible to avail of finance under the Scheme from an approved financial institution upto the value of the shipment made under a contract/L.C. less down payment received thereunder, on production of the following documents:-

- (i) The documents mentioned in para 7 above.
- (ii) Shipping documents and other documents evidencing fulfilment of the terms and conditions of the relevant contract/L.C.

An approved financial institution desiring to obtain refinance from the State Bank against finance provided by it in cases covered by para 16 above should first seek approval of the Banking Control Department of the State Bank. Requests in this behalf should be addressed by the head office of the institution to the Director, Banking Control Department, State Bank of Pakistan, Central Directorate, Karachi, supported by certified photostat copies of the following documents/information:-

- (i) The relevant contract/L.C.
- (ii) The shipping documents, i.e. bill of lading, commercial invoice, packing lists etc.
- (iii) Approval letter of the Exchange Control Department for export of the goods on deferred payment basis.
- (iv) Documentary evidence showing that the terms and conditions of the contract/L.C. have been fulfilled, i.e. certificate of inspection, certificate of origin etc.
- (v) Exchange Proceeds Realisation Certificate evidencing receipt of down payment provided for in the contract/L.C.
- (vi) Name of the State Bank office where the facility is Proposed to be availed of.

The period for which grant of refinance would be considered by the Banking Control Department would depend on the terms of the contract/L.C., subject to the respective maximum periods with stipulation for payment in instalments laid down in (ii) of para 15 above.

After obtaining approval of the Banking Control Department, the institution may approach the concerned office of the State Bank for obtaining refinance to the extent of 100% of the finance provided by it for the period authorised by the Banking Control Department on execution/production of the following documents:-

- (i) Certified photostat copies of the documents mentioned at items (i) to (v) of para 17 above.
- (ii) Agreement as per Form LMM-1.
- (iii) Application as per Form LMM-2.
- (iv) Statement showing particulars of the finance as per Form LMM-3.
- (v) Demand Promissory Note as per Form LMM-6.

The rate of profit to be derived by an approved financial institution from finance provided by it for the post-shipment period shall be not less than 7% on annual basis. The share of the State Bank in the return shall be 65%. In the event of loss, the loss will first be met out of the Reserves and credit balance in the Profit and Loss Account of the financial institution concerned which have been created during the period of the financing and the balance, if any, shared by all the financiers in proportion to the respective finances provided by them.

III. FINES FOR DEFAULTS:

A default by an exporter/supplier/approved financial institution in fulfilling any of their obligations under the Scheme shall attract a fine to be imposed by the State Bank. The maximum scale of the fine in the case of defaults of the nature mentioned in (i) & (iii) of para 21 below shall be Rs. 125/- per Rs. 1,000/-, or part thereof, of the finance involved and in the case of those mentioned in (ii), (iv) & (v) of the aforesaid para, paisa 75 per day per Rs. 1,000/-, or part thereof, of the finance/amount involved.

Until further instructions, fines shall actually be recovered at the following scales. Fines for defaults by exporters/suppliers will be recovered by the approved financial institutions and passed on to the State Bank as usual:-

- (i) If an exporter who had obtained pre-shipment finance under the Scheme, fails to ship the locally manufactured machinery by the due date, he will be subjected to a fine at the rate of Rs. 110/- per Rs. 1,000/- or part thereof, of the finance.
- (ii) If in a case of the type mentioned in (i) above, the exporter subsequently ships the machinery, he will be liable to pay fine only for the period of the delay in the shipment at the rate of paisa 60 per day per Rs. 1,000/-, or part thereof, of the finance. In other words, on his making an application in this behalf, the fine already recovered from him in terms of (i) above, less fine for the period of the delay, will be refunded to him.
- (iii) If a supplier who had obtained finance for making local supplies of locally manufactured machinery against an international tender fails to make the supplies by the due date, he will be subjected to a fine at the rate mentioned in (i) above on the amount of the finance. If he subsequently makes the supplies, on his submitting an application in this behalf, the fine already recovered from him, less fine for the period of the delay at the rate mentioned in (ii) above, will be refunded to him.
- (iv) If an approved financial institution fails to deposit with the State Bank, towards repayment of the respective refinance, the amount of a repayment made to it by/on account of the exporter/supplier within 3 days of receipt of the amount by it, it shall be subjected to a fine at the rate mentioned in (ii) above

- on the amount involved till the amount is deposited.
- (v) If an exporter/supplier/approved financial institution defaults in fulfilling any other obligation under the Scheme, he/it will be subjected to a fine at the scale mentioned in (ii) above on the amount involved for the relevant period.

LMM-I

FORM OF THE AGREEMENT TO BE OBTAINED FROM THE PRINCIPAL OFFICE OF THE APPROVED FINANCIAL INSTITUTION (TO BE STAMPED AS AN AGREEMENT IN ACCORDANCE WITH THE LAW IN FORCE IN EACH PROVINCE)

..... (Agreement No.)
 (Place)
 (Date)

To

The State Bank of Pakistan

Dear Sirs,

In consideration of your agreeing at our request to make available to us refinance under Section of the State Bank of Pakistan Act, 1956 for financing export sales under the State Bank of Pakistan's Scheme for Financing Locally Manufactured Machinery (hereinafter referred to as the "Scheme") we agree as follows:-

1. We shall endorse and deliver to you such bills of exchange/demand/usance promissory notes as are acceptable to you and are drawn on and payable in Pakistan arising out of bonafide finances provided to exporters of locally manufactured machinery.
2. We shall give you a certificate in respect of each bill of exchange/promissory note endorsed and delivered to you, in terms of clause 1 above, to the effect that the same has arisen out of bonafide finances provided by us to the exporters of locally manufactured machinery by way of pre-shipment/post shipment export finance and it is understood by us that the aforesaid accommodation will be made and continued on the faith of the truth and correctness of such certificates.
3. We may from time to time obtain from you refinance available to us under the aforesaid Scheme, according to our needs against the cover of the bills of exchange/demand/usance promissory notes lodged with you as per clause 1 above.

4. We shall not deliver to you any bill of exchange/promissory notes in terms of this agreement unless we are satisfied that all parties liable thereon are financially sound, solvent and credit-worthy and that by virtue of such endorsement and delivery we certify the genuineness of signature as well as the authority of all persons thereon.

5. On each occasion we obtained refinance from you, we shall give you a certificate that the same is being taken by us against bonafide finances provided by us to exporters of locally manufactured machinery by way of pre-shipment/post shipment export finance, and it is understood that the said accommodation will be made and continued on the faith of the truth and correctness of such certificates.

6. The return to be derived by us from the exporters expressed in annual percentage terms and the share of the State Bank therein shall be as prescribed in Scheme obtaining on the date of this agreement.

7. Without prejudice to your right to take action under Clause 16 we undertake that the refinances taken by us on each occasion will be repaid by us within the maximum period as prescribed in the Scheme obtaining on the date of this agreement.

8. Without prejudice to your rights as creditors against us for the realisation of any bill of exchange/promissory note at maturity, we agree, if you so desire, to take at our expenses, all steps as may be necessary to realise the money from our debtors and forthwith pay the same to you.

9. We agree that the fact of your not taking steps to enforce payment of such bills of exchange/promissory notes or any of them against the signatory or signatories thereon shall in no way release us from our liability thereon and we further agree that it shall be unnecessary for you to give any notice of dishonour.

10. We agree that in default of repayment by us on any bill of exchange/promissory note or in case of occurring of any right to you or liability to us in terms of clauses 7,8 and 16 of these presents you have our authority to debit our account or accounts, current or otherwise, now held or which may be held hereafter with you for the amount due from us under any such Bill of Exchange/Promissory Notes or in terms of clause 7,8 and 16 of these presents.

11. We agree that the Demand Promissory Note (Notice of dishonour of which is hereby waived in terms of Section 98 of Negotiable Instrument Act), executed by us in your favour, this agreement and the bills of exchange/demand/usance/promissory notes delivered to you under clause 1 shall, notwithstanding in existence of a credit balance at any time or any partial payments or fluctuations of accounts of withdrawal of any part of the security/operates as continuing security for repayment of all

sums due or found due under this agreement and all costs, charges, or expenses which you may be entitled under the law to recover from us.

12. We agree that we shall from time to time, and at all times hereafter while these finances remain outstanding or continue and whenever required by you to do so, furnish, at our expense, to you such information/reports in such form as you may prescribe regarding the solvency of the parties on each such bill of exchange/promissory note and undertake to advise you promptly of any change in the position or any such party which can reasonably be considered to affect your security hereunder, you shall have the right of (i) inspection of our records and books (ii) take extracts therefrom and (iii) see or obtain full assistance and cooperation from us carrying out such inspection or taking extracts etc. Further you shall have the right at all times to ask us to execute or procure execution, at our expense, of such further documents notes, bonds agreements etc., as you may consider necessary on receipt of such reports from us or on inspection of our records and registers.

13. We agree to obtain an undertaking from each of the exporter to whom a finance is made by us under the said Scheme for export sale of locally manufactured machinery to the effect that while he repays in full the finances obtained by him he shall not, without our written permission, create in any manner any charge, lien and other encumbrances or interest in favour of any other party or agency on any of his properties-movable or immovable owned or held by him.

14. take to obtain a declaration from each of exporters to the effect that the finance obtained by him shall be utilized by him entirely for the export sales of locally manufactured machinery and not for any other purpose.

15. We also expressly agree that you shall have the sole right to vary, amend, alter or add to the terms and conditions of this agreement without reference to us and we agree to invariably comply with the same.

16. We expressly understand that you are entitled to cancel, recall or advance the date of repayment of this refinance at any time for any reason without any prior notice to us and that you are not obliged to make any refinance to us any time under the aforesaid scheme and that by lodging bills of exchange/demand/usuance promissory notes in terms of clause 1 above or by making finances on the faith of the provision of the scheme or continuance of the said Scheme, we have acquired no right or claim to demand refinance from you.

17. If the exporter fails to effect the shipment on or before the due date as mentioned in the Letter of Credit or the firm order, we undertake to recover from him within 15 days from the date of shipment, a fine at the

rate as may be prescribed by the State Bank from time to time. The fine so recovered shall be passed by us to the State Bank not later than two working days after the date of recovery.

Yours faithfully,

For and on behalf of

.....

.....

(Name of the approved financial institution)

(Signature)

(Designation)

FORM LMM-2

FORM OF APPLICATION TO BE SUBMITTED BY THE APPROVED FINANCIAL INSTITUTION TO THE STATE BANK OF PAKISTAN FOR OBTAINING REFINANCE AGAINST FINANCES PROVIDED TO THE EXPORTERS BY WAY OF PRESHIPMENT/ POST-SHIPMENT FINANCE UNDER THE SCHEME FOR FINANCING LOCALLY MANUFACTURED MACHINERY

Name of the approved financial institution

Address:

Date:

To

The State Bank of Pakistan
.....
.....

Dear Sirs,

In terms of the agreement executed by us with you on (date), we hereby apply to you for refinance to the extent of Rs. against finance given by us to the exporters by way of pre-shipment/Post-shipment finance as specified in the enclosed statement in Form LMM-3. As provided in the said Agreement we enclose bills of exchange/promissory notes specified in the schedule hereto, executed in our favour and endorsed this day by us in your favour in respect of the finances sanctioned to our constituent namely

We certify that the bills of exchange/promissory notes specified in

the schedule hereto have arisen out of bonafide finances provided by us to our said constituent by way of pre-shipment/post-shipment finance for the export of locally manufactured machinery and that the signatures on the said bills/notes are the genuine signatures of the parties thereto and that where a bill or note is signed or endorsed by a person purporting to act under an authority, such person is duly authorised so to do and to the best of our knowledge and belief each such party is financially sound, solvent and credit worthy.

We certify that to the best of our knowledge and belief the finance provided by us to the exporters as specified in the schedule hereto have been used by the exporters to finance the export of locally manufactured machinery from Pakistan at the preshipment/post-shipment stage.

Yours faithfully,

For and on the behalf of

.....
(Name of the approved financial institution)

Place
Date

Signature:
Designation

FORM OF SCHEDULE REFERRED TO ON REVERSE

Sr. No.	Date	Name of the drawer or maker	Amount

Total Rs.

For and on the behalf of

.....
(Name of the approved financial institution)

Signature:

Designation:

**STATEMENT SHOWING THE PARTICULARS OF
FINANCE AGAINST WHICH REFINANCE IS REQUIRED
UNDER THE SCHEME FOR FINANCING LOCALLY
MANUFACTURED MACHINERY**

1. Name and Address of the Exporter to whom finance provided.
2. Name and Address of the Foreign Buyer.
3. Particulars of Contract/L.C.
 - (a) Contract/L.C. Number & Date
 - (b) Value of Contract/L.C.
 - (c) Description of Machinery:
 - (i) to be exported
 - (ii) exported
 - (iii) Name and Address of the manufacturer of machinery.
 - (d) Destination of Shipment.
4. Particulars of finance provided
 - (a) Date on which provided.
 - (b) Amount provided.
 - (c) Period for which provided.
 - (d) Rate of return derived.
 - (e) When repayment due.
5. Particulars of Security against the finance.
6. Whether guarantee of the Government or Central Bank of the importer's country obtained, if not, whether ECGS Cover obtained (for Post-shipment advances only)

We certified that the contents of this statement are true to the best of our knowledge and belief.

For and on behalf of
(Name of approved finance institution).

Authorised Signature

Designation

**UNDERTAKING FOR OBTAINING CONCESSIONARY
FINANCE FOR LOCAL SUPPLIES AGAINST INTERNATIONAL
TENDER UNDER THE SCHEME FOR FINANCING LOCALLY
MANUFACTURED MACHINERY**

The Manager,
..... (Branch)
..... (Bank)

Dear Sir,

We do hereby certify and confirm that a finance of Rs. has been provided to us by you under the Scheme for Financing Locally Manufactured Machinery of the State Bank of Pakistan on the basis of the following non-interest based mode, it being understood that the return/profit to be derived by the bank shall not exceed % when converted into annual percentage terms:-

Mode of financing

2. We further confirm and undertake that the aforesaid finance of Rs. has been obtained by us against the following Contract and the same shall be utilised by us exclusively to finance supplies covered by the said Contract:-

Sr. No.	Contract No. and Date	Amount (US\$)	Scheduled Date of supply	Goods to be supplied
---------	-----------------------	---------------	--------------------------	----------------------

3. We do hereby further undertake to submit to you the following documents under the above Contract against which you have provided to us the above finance under the aforesaid scheme.

- (a) Commercial invoice showing the quantity and the value of goods supplied.
- (b) Inspection Report/Note by authorised representative of executing agency.
- (c) A certificate of the bank concerned to the effect that the lending agency has disbursed the value of supplies referred to at (a) and (b) above in foreign currency alongwith the bank's proceeds realisation certificate.

We hereby confirm and agree that in the event of our failure to supply the goods on or before the due date and/or to submit the above documents to you within days from the date of the finance, you have

our irrevocable authority to charge us and debit our account with fine at the rate as prescribed by the State Bank from time to time on the amount of the finance availed of less the amount repaid as a result or part supplies, if any, from the date of the original finance. We certify and confirm that we have not obtained against the above Contract any finance from any other approved financial institution as defined in the Scheme.

4. We do hereby further confirm and undertake that the documents in respects of the aofresaid Contract will be realised by us through your branch and proceeds thereof will be appropriated immediately on realisation towards the aofresaid finance provided by you to us. We further confirm and undertake that if the finance is repaid by us earlier, we shall continue to be liable to submit to you the relative proof of supply of the goods for which the finance has been provided to us.

SIGNATURE VERIFIED

Authorised signature of
the SUPPLIER

BANK'S AUTHORISED SIGNATURE

FORM LMM-5

**UNDERTAKING FOR OBTAINING CONCESSIONARY FINANCE
UNDER THE SCHEME FOR FINANCING LOCALLY
MANUFACTURED MACHINERY BY APPROVED FINANCIAL
INSTITUTION FROM STATE BANK OF PAKISTAN FOR
LOCAL SUPPLIES OF LOCALLY MANUFACTURED
MACHINERY AGAINST INTERNATIONAL TENDERS**

The Chief Manager,
State Bank of Pakistan,
.....

Place.....

Date

Dear Sir,

We hereby certify that
(Name of the approved financial institution)
we have provided finance of Rs. (Rupees.....
only) to M/s. on
on the basis of
(Non-interest mode of finance)

it being understood that return/profit to be derived by us and the share of the State Bank therein shall be as prescribed in the Scheme for Financing Locally Manufactured Machinery for local supplies of locally manufactured machinery against international tenders on the date of the undertaking, on submission of the following documents as prescribed under the Scheme:

(i) A certificate from the executing agency awarding the contract, confirming that in the particular case it was obligatory to float an interna-

tional tender, alongwith a press clipping, in original, from the news papers establishing floatation of international tender.

(ii) A copy each of the relative contract between the executing agency making purchases and the supplier, as well as the relative loan agreement between the international financing agency and the executing agency.

(iii) The supplier's schedule of deliveries indicating the dates of deliveries and the quantity and value of goods to be delivered against the contract alongwith the programme of manufacture/production with quantities and cost.

(iv) Schedule of financial requirements of the supplier with reference to the relative contract, indicating the amount required at various intervals in line with the schedule of deliveries, so as to ensure that it is liquidated as soon as payment for the supplies is made by the executing agency.

(v) The amount already obtained by the supplier by way of advance from the executing agency or on account of payments against deliveries, if any, already made duly certified by the executing agency.

2. Essential particulars of the contract etc. referred to above are given below:-

- (i) Name of executing agency.
- (ii) Name of supplier:
- (iii) Name of the international financing agency:
- (iv) Particulars as per Press Clipping
 - (a) Name and date of news paper:
 - (b) Contract No.:
 - (c) Particulars and quantity of goods
- (v) Particulars as per contract between the executing agency and the supplier.
 - (a) Contract No.
 - (b) Date of execution:
 - (c) Amount of contract:
 - (d) Particulars & quantity of goods to be supplied:
 - (e) Last date for supply of goods:
- (vi) Particulars as per loan agreement between the international financing agency and the executing agency.
 - (a) Date of execution

- (b) Date till which valid
- (c) Amount (in foreign currency)
- (d) Particulars & quantity of goods covered

3. We submit herewith the above mentioned documents duly attested by us alongwith the requisite documents under the Scheme for Financing Locally Manufactured Machinery. The aforesaid documents have been duly scrutinized by us and we certify that the same are in order and in accordance with the provisions of the Scheme and that on the basis of the same, M/s., the supplier(s), are entitled to the finance that we have extended to them as stated in paragraph 1 above. We further certify that we have satisfied ourselves that the aforesaid finance is not in excess of that justified by the supplier's schedule of deliveries, his schedule of financial requirements, the terms of the contract between the executing agency and the supplier and the terms of the loan agreement between the international financing agency and the executing agency.

We request you to grant us a refinance of Rs. immediately on the basis of the documents mentioned above and on the faith of our certificate contained in paragraph 3 above. We undertake that in case all or any of the said documents—including the certificates referred to heretofore—are found to be invalid, deficient, or defective in any way or untruthful in any way by you at any stage, we shall rectify the same within ten days of your pointing out the same to us, failing which you will be at liberty to recover from us, by debiting our account(s) now held or held hereafter with you, without any notice to us, the outstanding amount of the refinance and the amount of fine at a rate as prescribed by State Bank of Pakistan from time to time. Similarly if you find at any stage that the refinance allowed to us is in excess of that justified by the relevant documents, you will be at liberty to recover from us, by debit to our account(s) now held or held hereafter with you without any notice to us, the amount of excess refinance together with the fine thereon at the prescribed rate. Your decision in this behalf will be final and binding on us and we shall not question the same on any ground whatsoever. Further, in each of the contingencies you shall have the right to set off the said amount of refinance or excess amount, as the case may be, from any moneys belonging to us but received by you or under your custody or control.

Yours faithfully,

Encls: As above

Authorised signature of the approved
Financial institution

DEMAND PROMISSORY NOTE

Rs.

Place

Date

On demand we the promise
 (name of the approved financial institution)
 to pay to the State Bank of Pakistan or order the sum of Rs.
 (Rupees..... only) for value received
 plus their share in the return to be derived by us from the finance against
 which the aforesaid amount of refinance has been provided to us, as laid
 down in the Scheme for Financing Locally Manufactured Machinery
 obtaining on the date hereof.

For and on behalf of
 (Name of the approved financial institution)

Signature:

Designation:

23
 1985

Please refer to BCD Circular No.37 dated the 10th December, 1984.

**Elimination of 'Riba'
 from the Banking
 System—Rates of Profit
 in Case of Trade—
 Related Modes of
 Financing.**

With effect from 26th may, 1985 and until further instructions, the annual rates of profit earned by a bank/development finance institution in respect of trade-related modes of financing shall be within the ranges indicated below:-

	Range of Profit	
	Minimum	Maximum
(i) For exports under the Export Finance Scheme	No Minimum	6%
(ii) For Part-I (Local Sales) of the Scheme for Financing Locally Manufactured Machinery.	-do-	7½%
(iii) For Part-II (Export Sales) of the Scheme for Financing Locally Manufactured Machinery:		
(a) Pre-shipment stage.	-do-	6%
(b) Post-shipment stage.	7%	No Maximum
(iv) For other purposes for which specific instructions have not been issued separately.	10%	20%

As already indicated in the BCD Circular No.13 dated 20th June, 1984 there should be no mark-up on the marked-up price. Similarly, there should be no compounding of overdue profit/service charge in other cases also.

4. The above instructions are being issued under the Banking Companies Ordinance, 1962.

Elimination of 'Riba' from the Banking System—Rates of Profit in the Case of Investment Type Modes of Financing.

24
1985

Please refer to BCD Circular No.38 dated the 10th December, 1984.

With effect from 26th may, 1985 and until further instructions, the minimum annual rates of profit which a bank/development finance institution may keep in view while considering proposals for provision of finance and the maximum annual rate of profit that they may earn on the basis of investment modes of financing shall be as indicated below:-

	Range of Profit	
	Minimum	Maximum
	to be kept in view	
(i) For exports under the Export Finance Scheme	No Minimum	6%
(ii) For Part-I (Local Sales) of the Scheme for Financing Locally Manufactured Machinery.	-do-	7½%
(iii) For Part-II (Export Sales) of the Scheme for Financing Locally Manufactured Machinery:		
(a) Pre-shipment stage.	-do-	6%
(b) Post-shipment stage.	7%	No Maximum
(iv) For other purposes for which specific instructions have not been issued separately.	10%	No Maximum

In cases under (iv) above, the profit earned by a bank/development finance institution should not, actual profits of the client permitting, be less than the minimum profit indicated there-against. All such cases, where financing of Rs.10 million or more is provided by a bank/DFI in each case and actual profit is lower than the prescribed minimum, should be reported to the State Bank of Pakistan on a half yearly basis for the half years ended 30th June and 31st December every year in the proforma circulated vide BCD Circular No.38 of 10th December, 1984 which should reach the State Bank by the last working day of the month following the respective half year.

3. Should losses occur, these shall be shared by all the financiers in proportion to the respective finances provided by them. This applies to all the items listed in para 2 above.

4. The above instructions are being issued under the Banking Companies Ordinance, 1962.

25
1985 In supersession of BCD Circular No.1 dated the 12th January, 1977, it is advised that paragraph A(a) of BCD Circular No.7 dated the 31st May, 1972 may be substituted as follows:- **Credit Policy.**

A—Ceiling on Advances:

No banking company shall give loans and advances (including bills purchased & discounted) beyond the ceilings prescribed below:-

(a) Individuals:

“Individual” includes a Hindu un-divided family, a firm, an association or a body of individuals, whether incorporated or not, a company and every other juridical person except as specified in (b) & (c) below:

- (i) In case of banking companies incorporated in Pakistan, not more than 20% of the paid-up capital and general reserve of the banking company.
- (ii) In case of banking companies incorporated outside Pakistan, 20% of the capital maintained in Pakistan under Section 13(3) of Banking Companies Ordinance, 1962 or Rs. 12 million, whichever is the higher.

26
1985 Please refer to BCD Circular No.42 dated 26th December, 1984 on the above subject. Consequent upon modifications in the captioned Scheme with effect from 26th May, 1985 vide BCD Circular No.20 dated 25th May, 1985, clauses No.6,7 and 13 in Form ‘EA’ enclosed with the Circular dated 26th December, 1984 referred to above may be substituted by the following clauses respectively:- **Export Finance Scheme—‘Form EA’.**

(6) The profit to be earned by us on the finance provided to the exporters, expressed in annual percentage terms shall not exceed the rate prescribed under the Scheme, which profit shall be shared by us with you in the manner laid down in the Scheme.

(7) Without prejudice to your right to obtain repayment of the amount of refinance outstanding at any time on demand, we undertake that the refinances taken by us on each occasion will be repaid by us in the manner and within the maximum period prescribed under the Scheme. In case the exporter repays the finance earlier than the said period we shall be bound

to repay to you the amount of refinance so repaid by the exporter within a period of 3 working days of the date on which the exporter repays the finance.

(13) If the exporter provided with finance by us under the Export Finance Scheme fails to utilize the finance exclusively for financing exports or to effect the shipment within the period prescribed under the Scheme, we undertake to recover from him, within 15 days following the date of his failure to utilize the finance exclusively for financing export, a fine at the rate as may be prescribed by the State Bank from time to time. The fine so recovered will be passed by us to the State Bank not later than three working days after the date of recovery. If we fail to pass on the fine as aforesaid, you shall have the right to (1) adjust or set off the same against any amount due to us from you or (2) debit our account(s) now held or which may be held thereafter with you.

Revised from 'EA' duly amended as above may be executed and deposited with the respective office of the State Bank immediately.

Elimination of 'Riba' from the Banking System—Rate of Service Charge Recoverable on Finances Provided by Way of Lending other than "Qard-e-Hasna.

27
1985

Please refer to BCD Circular No.26 dated the 26th November, 1984 on the above noted subject.

It is clarified that the term "total assets" appearing in items 4 and 5 of the annexure to the above circular means all assets, including nominal assets, as per audited balance sheet of a banking company/DFI.

Elimination of 'Riba' from the Banking System—Determination of Rates of Profit on Various Types of PLS Liabilities of Banks and DFIs.

28
1985

Please refer to BCD Circular No.34 dated 26th November, 1984 on the above-noted subject.

It is clarified that the term "Reserves" appearing at item (ii) under the main item "III Equity" in the statement 'C' annexed to the above circular means free reserves. In other words, specific reserves or provisions like those for taxation, bad and doubtful debts etc. as also interest/return held in suspense account should not be included in item (ii) referred to above.

Elimination of 'Riba' from the Banking System.

29
1985

Attention of banks is drawn to para 1 (v) of BCD Circular No.13 dated 20th June, 1984, in terms of which as from 1st July, 1985 no banking company shall accept any interest bearing deposits.

It is clarified that as from 1st July, 1985 all savings accounts, regardless of the date of their opening shall be on the basis of participation in profit and loss of the banking company.

30
1985 Please refer to BCD Circular No.11 dated the 20th February, 1985 on the above noted subject.

Export Finance Scheme—Exports to Iraq on Deferred Payment Basis.

It has been decided to make the following modifications in the list of commodities given in para 1 of the circular referred to above:-

- (a) Item 12 of the list may be modified to read as “Kitchen utensils, hot pots, cutlery and knives”.
- (b) “Water-coolers” may be added to the list as item No.18.

The above changes would be effective from the date of issue of this circular.

31
1985 Following representations from exporters that foreign buyers are reluctant to enter into contracts with exporters in Pakistan for exports to Iraq on deferred payment basis because of the instructions contained in para 2(vi) read with para(ii) of BCD Circular No.11 of 20th February, 1985, the matter has been reconsidered and it has been decided to amend para 2(vi) of the above circular to read as under:

Export Finance Scheme—Exports to Iraq on Deferred Payment Basis.

“The exports shall be denominated in Pak Rupee or, at the option of the exporter, in any convertible currency, provided that in the latter case the exporter will carry the exchange risk and the arrangement made is to the satisfaction of the financing bank”.

Other instructions contained in the BCD Circular No.11 of 1985 will remain unchanged.

32
1985 Please refer to BCD Circular No.14 dated the 5th July, 1984.

Export Finance Scheme.

It is clarified that the following commodities are eligible for concessionary finance under the Export Finance Scheme:-

- (i) Pig Iron.
- (ii) Coke.
- (iii) Steel Billets & G.I. Sheets.
- (iv) Hot/Cold Rolled Sheets.
- (v) Other Steel Products.

33
1985 Please refer to BCD Circular No.31 dated the 16th July, 1985 on the above subject.

Export Finance Scheme—Exports to Iraq on Deferred Payment Basis.

It is advised that the date of BCD Circular No.11 mentioned in the 5th line of the above Circular may be read as 20th February, 1985 instead of 25th February, 1985.

34
1985 Please refer to item (iii) of para 2 of BCD Circular No.20 dated the 25th May, 1985.

Export Finance Scheme.

It has been decided that the State Bank will participate in the overall

profit and loss of a bank/approved DFI obtaining refinance from the State Bank under the Export Finance Scheme, subject to a maximum of 3% on annual basis. The bank/DFI will make provisional payment of the State Bank's share in its profit quarterly in the first week of each quarter at an annual rate of 3%, subject to adjustment when the annual accounts of the bank/DFI are prepared and audited. If on the basis of the annual audited accounts, the share of the State Bank in the profit work out to less than the amount which the bank/DFI has already paid to the State Bank on provisional basis, the State Bank will refund to it the excess amount involved. In the event of loss, the State Bank will share the loss in the proportion which the amount of refinance, expressed in daily products, bears to the finances (including the equity of the bank/DFI) provided to the bank/DFI by the various financiers expressed in daily products.

Item (iii) of para 2 of BCD Circular No.20 dated the 25th May, 1985 may accordingly be amended to read as under:-

“(iii) The annual rate of profit earned by a bank/approved DFI on finances provided under the Scheme shall not exceed 6%. Where refinance is obtained from the State Bank, the Bank will participate in the overall profit and loss of the bank/DFI concerned, subject to a maximum of 3% on annual basis. The bank/DFI will make provisional payment of the State Bank's share in its profit at an annual rate of 3% quarterly in the first week of each quarter, subject to adjustment when the annual accounts of the bank/DFI are prepared and audited. If on the basis of the annual audited accounts, the share of the State Bank in the profit works out to less than the amount the bank/DFI has already paid to the State Bank on provisional basis, the excess amount involved will be refunded to it by the State Bank. In case of loss, the State Bank will share the loss in the proportion which the amount of refinance, expressed in daily products, bears to the total finance (including the equity of the bank/DFI) provided to the bank/DFI by various financiers expressed in daily products”.

Attention is drawn to BCD Circular Letter No.9/127.00-85 dated 17-7-1985 in terms of which banks were advised that advances made by a bank to holders of Special National Fund bonds will not be included in outstanding credit for the purpose of credit ceiling upto 75% of the face value of the Bonds. It is clarified that the Special National Fund Bonds can be accepted by the banks as primary security and not merely as collateral.

**Export Finance
Scheme—Export to Iraq
on Deferred Payment
Basis.**

35
1985

Please refer to BCD Circular No.11 dated the 20th February, 1985 on the above noted subject.

It has been decided to extend the Scheme to exports of Ceramic

Tiles. Accordingly, item No.14 of para 1 of the Circular referred to above is amended to read as under:-

“14. Ceramics-Table and Sanitary Ware and Tiles”.

The above change would be effective from the date of issue of this Circular.

36
1985 Attention of banks and bank Auditors is drawn to BID Circular No.5 dated 19th December, 1972 in terms of which the Auditors are required to compile a separate special report based on the specific guide lines given in the above referred circular and submit the original copy to Director, Banking Inspection Department, State Bank of Pakistan, Central Directorate, Karachi, in sealed cover, endorsing a copy to the bank concerned before the publication of the annual accounts.

Audit of the Balance Sheet and Profit & Loss Account of Banks.

It has now been decided that Auditors will submit the original copy of the special report to Director, Banking Control Department, State Bank of Pakistan, Central Directorate, Karachi instead of Director, Banking Inspection Department. All other instructions contained in the above referred circular remain unchanged.

The banks are requested to please deliver a copy of this circular to their Auditors for compliance and request them to acknowledge its receipt direct to the undersigned.

37
1985 It is advised that advances made by banking companies to holders of Special National Fund Bonds will be exempt from the per borrower ceiling on advances prescribed in terms of BCD Circular No.25 dated 1st June, 1985 upto 75% of the face value of the bonds.

Credit Policy.

38
1985 Please refer to para 2 of BCD Circular No.20 dated 25th May, 1985:-

Export Finance Scheme—Relaxation for Exports of Carpets and Rugs.

It has since been decided that in the case of export finance availed of under Part-I of the Export Finance Scheme for exports of carpets and rugs, a total period of upto 210 days, (at pre-shipment and/or post-shipment stage) may be allowed to the exporters for repayment, provided shipments are made within 150 days from the drawal of export finance. These instructions shall apply to finances provided on and after the date of issue of this Circular.

Elimination of 'Riba' from the Banking System—Export Finance Scheme—Concessionary Finance Facility Against Goods Shipped for Display/Sale in International Fairs/Exhibitions.

39
1985 Please refer to BCD Circular No.21 dated the 5th September, 1983 extending post-shipment concessionary export finance facility to exporters under Part-I of the Export Finance Scheme against goods shipped for display/sale in international fairs/exhibitions.

Vide BCD Circular No.40 dated the 10th December, 1984 it was decided that as from 1st January, 1985, finance provided by a bank under the Export Finance Scheme would be on the basis of any of the non-interest modes of financing considered appropriate by the bank. Moreover, the maximum period of availability of concessionary finance facility under Part-I of the Scheme was reduced from 180 days to 150 days and the maximum annual rate of profit that can be earned by a bank on finance provided under the Scheme was raised to 6% in terms of BCD Circular No.20 dated the 25th May, 1985.

The changes enumerated in para 2 above have necessitated revision of the forms of undertaking and debit authority (annexures 'A' and 'B' respectively) circulated vide BCD Circular No.21 dated the 5th September, 1983 adverted to in para 1 above. These forms have accordingly been revised and henceforth the revised forms enclosed with this Circular shall be made use of in cases where facility under the Scheme is required against goods shipped for display/sale in international fairs/exhibitions.

*Annexure 'A' to BCD Circular No.39
dated 10-10-1985
(To be Stamped)*

**UNDERTAKING AGAINST POST-SHIPMENT EXPORT
FINANCE UNDER PART-I OF EXPORT FINANCE SCHEME
AGAINST GOODS SHIPPED FOR DISPLAY/SALE IN
INTERNATIONAL FAIR/EXHIBITION**

The Manager,
..... (Branch)
..... (Bank),

Dear Sir,

We do hereby certify and confirm that a post-shipment finance of Rs. has been allowed to us by you on under Part-I of the Export Finance Scheme of the State Bank of Pakistan.

We further confirm that the aforesaid finance has been obtained by us against the following export(s) made by us for display/sale in international fair/exhibition being held at from till

Sr. No.	No. & date of E.P.B's letter containing their recommendation for grant of the finance	Date & place of fair/exhibition and its duration	Amount in foreign currency	Shipment date	'E' form No.	Commodity exported

The Export Promotion Bureau's above mentioned letter in original is enclosed.

We hereby confirm and agree that in the event of our failure to adjust the finance by realisation of export proceeds of the above exports/re-import into Pakistan the goods that may remain unsold (of the value of shortfall in export proceeds) within 30 days of the closing date of the Fair/Exhibition or within 150 days of the drawal of finance whichever is earlier, you have our irrevocable authority to charge us and debit our account with you with fine as prescribed by the State Bank from time to time on the amount of finance availed of less amount repaid out of exports proceeds/on the value of the unsold goods not re-imported by us into Pakistan. We certify and confirm that we have not obtained any finance against the above export(s) from any other bank.

We do hereby further confirm and undertake that the proceeds in respect of the aforesaid export(s) will be realised through your branch and appropriated immediately on realisation towards the aforesaid finance allowed by you to us.

Signature verified.
Bank's authorised signature

Authorised signature of the
Exporter

*Annexure 'B' to BCD Circular No.39
dated 10-10-1985*

Name of the Bank
Branch
No. date

The Chief Manager,
State Bank of Pakistan,
..... ,

Dear Sir,

**EXPORT FINANCE SCHEME PART I—POST-SHIPMENT
FINANCE AGAINST GOODS SHIPPED FOR DISPLAY/SALE
IN INTERNATIONAL FAIR/EXHIBITION.**

We authorise you to debit our account with you with a sum of Rs. (Rupees) towards repayment of the refinance availed of by us from you under Part-I of the above noted scheme against the following export(s):-

Refinance No. & Date	name of Exporter	Commodity Exported	Value of Export	Date of Shipment	Export proceeds already realised if any	
					Date	Amount
1	2	3	4	5	6	

Shipping documents in support of reimport of goods of the value of short fall		Repayment made by the exporter		Fine if any, recovered from the Exporter	Office of State Bank to which realisation reported/will be reported	Monthly return in which realisation reported/will be reported to SBP.
Date	Amount	Date	Amount	Amount	Date of recovery	
7		8		9		11

As proof of repatriation of the export proceeds, we undertake to produce to you export proceeds realisation certificate(s), duly verified by Exchange Control Department within 40 days of the close of the month in the return relating to which the realisation is required to be reported. In case of the goods which have remained unsold (partly or wholly), we undertake to produce to you documentary evidence relating to re-import of the goods into Pakistan, e.g. Bill of Entry, within 60 days of the closing date of the fair/exhibition. In case we fail to do so, you shall have the right to recover from us, by debit to our account with you, fine as prescribed by State Bank from time to time on the amount of the refinance or proportionate amount thereof as the case may be.

Yours faithfully

(Authorised signature of the Bank)

Export Finance Scheme—Form 'ED'.

40
1985

Please refer to BCD Circular No.42 dated the 26th December, 1984 in terms of which form 'ED' was, inter alia, revised.

In this connection we enclose an amended proforma of the form 'ED' which may please be introduced with immediate effect. (on page 287)

Panel of Auditors.

41
1985

Please refer to BCD Circular No.7 dated the 25th July, 1979 with which a panel of auditors was last circulated in terms of Section 35(1) of the Banking Companies Ordinance, 1962 as amended by Banking Companies (Amendments) Act, 1972 (No.XXX of 1972). As there have been further additions and alterations in the names of auditors, we are enclosing a revised and upto-date panel of auditors which supersedes all previous panels.

**STATEMENT OF FINANCES/REPAYMENTS TO/FROM BORROWERS AND REFINANCE OBTAINED/REPAID
FROM/TO STATE BANK OF PAKISTAN UNDER THE EXPORT FINANCE SCHEME (PART-I)
FOR THE QUARTER ENDED**

Name of the Scheduled Bank

Address

Dated

1.	Serial No.
2.	SBP. Finance No.
3.	Name and address of exporter.
4.	Sr. No. of Relative from EC.
5.	Commodity Exported.
6.	Name of Consignee
7.	F.O./L.C.No.
8.	Date of shipment & 'E' Form No.
9.	Amount of Shipment
10.	Date of pre/postshipment finance to the customer
11.	Amount of finance to the customer
12.	Date & Amount of finance repaid by the customer
13.	Date of Refinance obtained from State Bank of Pakistan
14.	Amount of refinance
15.	Date & amount of refinance repaid by the bank
16.	Amount of fines if any charged from exporters
17.	Date & amount of fines surrendered to State Bank of Pakistan
18.	Remarks

Certified that the contents of this statement are correct
to the best of our knowledge and belief.
for and on behalf of

(Signature)

(Designation)

.....
(Name of the Scheduled Bank)

N.B. Exporters to be listed commodity-wise.

**PANEL OF AUDITORS MAINTAINED BY STATE BANK OF
PAKISTAN UNDER SECTION 35(1) OF BANKING
COMPANIES ORDINANCE, 1962**

HYDERABAD

1. Ahmed Ali Dhakan & Co.,
Chartered Accountants,
G.O.R. Colony, Bungalow No.56/A,
Hyderabad

KARACHI

1. Abdul Wahid & Co.,
Chartered Accountants,
206-Shams Chambers,
Shahrah-e-Liaquat,
Karachi..
2. A.F. Ferguson & Co.,
Chartered Accountants,
State Life Building 1-C,
Off: I.I. Chundrigar Road,
Karachi.
3. Ahmed B. Khan & Co.,
Chartered Accountants,
Sheikha House,
4-A, M.A. Jinnah Road,
Karachi.
4. A.J. Kazi & Co.,
Chartered Accountants,
301, Qamar House,
M.A. Jinnah Road,
Karachi.
5. Akber G. Merchant & Co.,
Chartered Accountants,
3rd Floor, Union Bank Building Annexe,
Stock Exchange Road,
Opp: Mereweather Tower,
I.I. Chundrigar Road,
Karachi.
6. A.M. Gangat & Co.,
Chartered Accountants,
Opp: Light House Cinema,
M.A. Jinnah Road,
Karachi.

7. A.M. Laliwala & Co.,
Chartered Accountants,
Alliance Building,
3rd Floor, Mulji Street,
Mereweather Tower,
karachi.
8. Amirbhai & Co.,
Chartered Accountants,
Al-Yusuf Chamber,
5th Floor, Room No.21, 22
Shahrah-e-Liaquat, New Challi,
Karachi.
9. A.R. Diwan & Co.,
Chartered Accountants,
30-A, Naz Chambers,
1st Floor, Shakra-e-Liaquat,
Karachi.
10. Abdul Rehman & Co.,
Chartered Accountants,
Room No.15, 4th Floor,
Press Centre,
Shahrah-e-Kamal Atatürk,
Karachi.
11. A.B. Bhura & Co.,
Chartered Accountants,
38, Mian Chambers,
Shahrah-e-Liaquat,
Opp: Sindh Madressa,
Karachi.
12. A.D. Akha Wala & Co.,
Chartered Accountants,
204, 2nd Floor, Uni Tower,
I.I. Chundrigar Road,
Karachi.
13. Ahmed Aslam & Co.,
Chartered Accountants,
143, Wazir Mansion,
Nicol Road,
P.O. Box 5993,
Karachi.

14. Ahmed Mushir & Co.,
Chartered Accountants,
18, Baghopati Chambers,
Altaf Hussain Road,
New Challi,
Karachi.
15. Mufti & Co.,
Chartered Accountants,
46, Farid Chambers, 4th Floor,
Abdullah Haroon Road,
Karachi.
16. Amjad Ali & Co.,
Chartered Accountants,
10, Rahman Court,
Grieg Street,
Plaza Quarters,
Karachi-3.
17. A. Razzaq & Co.,
Chartered Accountants,
115-Uni Plaza,
I.I. Chundrigar Road,
Karachi-2.
18. A.R. Khan & Co.,
Chartered Accountants,
Mohani Building,
Shahrah-e-Liaquat,
Karachi-2.
19. Bhaimia & Co.,
Chartered Accountants,
Oosman Chambers, Fourth Floor,
Abdullah Haroon Road, Saddar,
Karachi.
20. Daudally Lalani & Co,
Chartered Accountants,
Room No. 507, 5th floor,
Panorama Centre,
Raja Ghazanfar Ali Road,
Karachi.
21. Ebrahim & Co.,
Chartered Accountants,
Variawa Building,
2nd Floor,
I.I. Chundrigar Road,
Karachi.

22. F. Ahmad & Co.,
Chartered Accountants,
No.10/4, Bank House No.1,
Habib Square,
M.A. Jinnah Road,
Karachi-2.
23. Fakharuddin Yousuf Ali & Co.,
Chartered Accountants,
601, Muhammadi House,
I.I. Chundrigar Road,
Karachi.
24. Faruq Ali & Co.,
Chartered Accountants,
102/3, First Floor,
Insurance House No.2,
Habib Square,
M.A. Jinnah Road,
Karachi.
25. Feroze Sharif & Co.,
Chartered Accountants,
7-G, Block-6, P.E.C.H.S.,
Karachi.
26. Feroz Sons & Co.,
Chartered Accountants,
87, Motan's Building,
M.A. Jinnah Road,
Karachi.
27. Fida Ali Q. Adeeb & Co.,
Chartered Accountants,
10/A, Fidvi Chambers,
Opp: Luxmi Building,
Near Boulton Market,
M.A. Jinnah Road,
Karachi.
28. Ford, Rhodes, Robson, Morrow,
Chartered Accountants,
Finlay House, (First Floor),
I.I. Chundrigar Road,
P.O. Box No.4719,
Karachi.

29. F.R. Merchant & Co.,
Chartered Accountants,
601, Muhammadi House,
I.I. Chundrigar Road,
Karachi.
30. Gangat & Co.,
Chartered Accountants,
Oosman Chambers, Fourth Floor,
Abdullah Haroon Road, Saddar,
Karachi-3.
31. G.H. Syed & Co.,
Chartered Accountants,
1st Floor, 107/108,
Prince Centre,
Preedy Street,
Karachi.
32. Hameed Chaudhari & Co.,
Chartered Accountants,
5th Floor, Karachi Chambers,
Hasrat Mohani Road,
Karachi.
33. Haroon Karim & Co.,
Chartered Accountants,
35, Naz Chambers, New Chali,
Near Sind Madressa,
Shahrah-e-Liaquat,
Karachi.
34. Hyder Bhimji & Co.,
Chartered Accountants,
Standard Insurance House,
I.I. Chundrigar Road,
Karachi.
35. Hasan & Co.,
Chartered Accountants,
172/U/2, Nazir House,
Tariq Road, P.E.C.H.S.,
Karachi-29.
36. Hyder & Co.,
Chartered Accountants,
1/6, Al-yusuf Chambers,
Shahrah-e-Liaquat,
Karachi.

37. Ibrahim Shaikh & Co.,
Chartered Accountants,
259-260, Panorama Centre,
Fatima Jinnah Road,
Karachi.
38. Iqbal & Co.,
Chartered Accountants,
26, Shams Chambers,
Shahrah-e-Liaquat,
Near City Post Office,
Karachi-2.
39. Islamuddin Rehman & Co.,
Chartered Accountants,
D-132, Block-7,
Gulshan-e-Iqbal,
Karachi.
40. Ilyas Saleem & Co.,
Chartered Accountants,
310, Shams Chambers,
Shahrah-e-Liaquat,
Karachi-2.
41. Jamal Ahmad & Co.,
Chartered Accountants,
228-Al-Hayat,
M.A. Jinnah Road,
Karachi.
42. Jalis Ahmad & Co.,
Chartered Accountants,
50-Old Ralli Building, 2nd Floor,
Talpur Road,
Karachi.
43. Khairullah & Co.,
Chartered Accountants,
704, Muhammadi House,
7th Floor,
I.I. Chundrigar Road,
Karachi.
44. Khan H.R. & Co.,
Chartered Accountants,
328, Muhammadi House,
I.I. Chundrigar Road,
Karachi.

45. Kodvavi & Co.,
Chartered Accountants,
Baghopati Chambers,
Altaf Hussain Road,
New Challi,
Karachi.
46. Kanwar Furqan Ali & Co.,
Chartered Accountants,
38, Twin Star Chambers,
IIIrd Floor, Dunnolly Road,
Karachi-2.
47. Kapadia & Co.,
Chartered Accountants,
Jubilee Insurance House,
5th Floor,
I.I. Chundrigar Road,
Karachi.
48. M.H. Sabir & Co.,
Chartered Accountants,
SD, 18, Block 'A',
North Nazimabad,
Karachi.
49. Mahmood Akhtar & Co.,
Chartered Accountants,
911/12, Gulberg,
Federal 'B' Area,
Karachi.
50. Mahmood Zuberi & Co.,
Chartered Accountants,
142, Al-Amna Plaza,
Opp: Capri Cinema,
M.A. Jinnah Road,
Karachi.
51. M.B. Mana & Co.,
Chartered Accountants,
Standard Insurance House,
2nd Floor, P.O. Box No.4741,
I.I. Chundrigar Road,
Karachi.
52. Minoo N. Bamjee & Co.,
Chartered Accountants,
Variawa Building,
I.I. Chundrigar Road,
Karachi.

53. **Mohammad Ismail & Co.**
Chartered Accountants,
Beauty House,
1st Floor, Abdullah Haroon Road,
Karachi.
54. **Moosa & Co.**
Chartered Accountants,
No.23, New Memon Masjid Building,
1st Floor, Newnaham Road,
Karachi.
55. **Mir S. Ali Associates**
Chartered Accountants,
P.O. Box No.7587,
312, Burhani Chambers,
Adj. Shezan,
Abdullah Haroon Road,
Karachi.
56. **Muniff Ziauddin & Co.**
Chartered Accountants,
701, Mahboob Chambers,
Abdullah Haroon Road,
Karachi.
57. **Murad & Co.,**
Chartered Accountants,
State Life Building,
6-A-1st Floor,
Habib Square,
M.A. Jinnah Road,
Karachi-2.
58. **Mushtaq & Co.,**
Chartered Accountants,
Mohani Building,
Shahrah-e-Liaquat,
Karachi.
59. **M.Z. Ali & Co.,**
Chartered Accountants,
10-A, Writers Chambers,
P.O. Box No.6306,
Dunnolly Road,
Karachi.

60. M. Yousuf Adil & Co.,
Chartered Accountants,
21/4, Writers Chambers,
3rd Floor, Dunnolly Road,
Karachi.
61. Muhammad Farooq & Co.,
Chartered Accountants,
2nd Floor, Dada Chambers,
M.A. Jinnah Road,
Near M.W. Tower,
Karachi.
62. Munaf yusuf & Co.,
Chartered Accountants,
710, Karachi Stock exchange Building,
Stock Exchange Road,
Karachi.
63. Muzaffar Hasan Hydrie & Co.,
Chartered Accountants,
712-A, Mahboob Chambers,
Abdullah Haroon Road,
Karachi.
64. N.G. Hashmi & Co.,
Chartered Accountants,
10/4, Bank House No.1,
Habib Square,
M.A. Jinnah Road,
Karachi-2.
65. Nasim, Hussain, Abdul & Co.,
Chartered Accountants,
Shams Chambers,
Shahrah-e-Liaquat,
Karachi.
66. Naseem Akhtar & Co,
Chartered Accountants
348, Al-Noor Chambers,
Plaza Square, M.A. Jinnah Road.
Karachi.
67. Pir Mohammad & Co.,
Chartered Accountants,
305, Shams Chambers,
Shahrah-e-Liaquat,
Karachi-2.

68. Qavi & Co.,
Chartered Accountants,
33-Rahman Court,
Greig Street,
Plaza Square,
Karachi.

69. Rafique & Co.,
Chartered Accountants,
25-B, 4th Floor,
Textile Plaza,
M.A. Jinnah Road,
Karachi.

70. Rahim Iqbal Rafiq & Co.,
Chartered Accountants,
Room No.1, 4th Floor,
Bank Square No.2, Habib Square,
M.A. Jinnah Road,
Karachi-2.

71. Rauf Ayoob & Co.,
Chartered Accountants,
Room No.20,21,22, Sind Market,
2nd Floor, M.A. Jinnah Road,
Karachi.

72. R.G. Dossa Associates,
Chartered Accountants,
412, Panorama Centre,
Fatima Jinnah Road,
Karachi.

73. Rizwani & Co.,
Chartered Accountants,
126, Prince Centre,
Preedy Street, Saddar,
Karachi-3.

74. Rahman, Sarfraz & Co.,
Chartered Accountants,
115, Avenue Centre,
Strachen Road,
R.A. Lines,
P.O. Box No.1023,
Karachi-1.

75. **Rahim Jan & Co.,
Chartered Accountants,
Nelsons Chambers,
I.I. Chundrigar Road,
Karachi-1.**
76. **Rao & Company,
Chartered Accountants,
4, Karachi Chambers,
Hasrat Mohani Road,
Karachi.**
77. **Riaz Ahmad & Co.,
Chartered Accountants,
107-110, The Cotton Exchange Building,
I.I. Chundrigar Road,
Karachi.**
78. **Saghir Ahmad & Co.,
Chartered Accountants,
Room No.310, Shams Chambers,
Saharah-e-Liaquat,
Karachi-2.**
79. **Sajjad Safri & Co.,
Chartered Accountants,
37, Rawalpindiwala Building,
Nicol Road,
Karachi.**
80. **Sandhu & Co.,
Chartered Accountants,
State Life Building No.2-A,
Wallace Road,
Off: I.I. Chundrigar Road,
Karachi.**
81. **Sattar Adam & Co.,
Chartered Accountants,
307, Uni Plaza,
I.I. Chundrigar Road,
Karachi.**
82. **Shahani associates,
Chartered Accountants,
Sarnagati, Pakistan Chowk,
Karachi.**

83. Sheikh & Chaudhri,
Chartered accountants,
306-311, Al-Hayat Building,
Near Plaza Cinema,
M.A. Jinnah road,
Karachi.
84. Sher Muhammad Khan & Co.,
Chartered Accountants,
3rd Floor, Nadir House,
I.I. Chundrigar Road,
Karachi.
85. Sidat Hyder Aslam & Co.,
Chartered Accountants,
Al-Farid Centre,
Moulvi Tamizuddin Khan Road,
Karachi.
86. Siddiq Munaver & Co.,
Chartered Accountants,
34-A/4, Lalazar Drive,
Beach Hotel Road,
Karachi.
87. Sultan Ladiwala & Co.,
Chartered Accountants,
89, Motan Building,
M.A. Jinnah Raod,
Karachi.
88. Hashmi & Co.,
Chartered Accountants,
Room No.508, 5th Floor,
Panorama Centre, Raja Ghazanfar Ali Road,
Karachi.
89. Shahid Sami & Co.,
Chartered Accountants,
133, Hotel Metropole,
Club Road,
Karachi.
90. Shakir Sharif & Co.,
Chartered Accountants,
48, Aziz Chambers,
38, Twin Star Chambers,
Third Floor, Dunnolly Road,
Karachi-2.

91. S.H. Siddiqi & Co.,
Chartered Accountants,
115, 1st Floor, Avenue Centre,
Strachen Road,
R.A. Lines,
Karachi-1.
92. Taseer Hadi Khalid & Co.,
Chartered Accountants,
1-C, State Life Building,
I.I. Chundrigar Road,
Karachi-2.
93. Taher Moochhala & Co.,
Chartered Accountants,
222, International Auto Parts Market,
Marston Road,
Behind Rimpa Plaza,
Karachi-3.
94. Umar Siddiqui & Co.,
Chartered Accountants,
330, Muhammadi House,
I.I. Chundrigar Road,
Karachi.
95. Viqar Ahmed & Co.,
Chartered Accountants,
253, Panorama Centre,
2nd Floor, Fatima Jinnah Road,
Karachi.
96. W. Zaman & Co.,
Chartered Accountants,
108, First Floor, Insurance House No.2,
Habib Square,
M.A. Jinnah Road,
Karachi-2.
97. Yaqub Ali & Co.,
Chartered Accountants,
2/2, Al-Yousuf Chambers,
Shahrah-e-Liaquat,
New Challi,
Karachi.

98. Zahid Jamil & Co.,
Chartered Accountants,
Al-Yousuf Chambers,
Shahrah-e-Liaquat,
New Challi,
Karachi.
99. Zakaria Loya & Co.,
Chartered Accountants,
3/17, Al-Yousuf Chambers,
Shahrah-e-Liaquat,
New Challi,
Karachi.
100. Z. Lakhani & Co.,
Chartered Accountants,
70, Noor Chambers,
M. A. Jinnah Road,
Karachi.
101. Z.A. Shaikh & Co.,
Chartered Accountants,
260, Panorama Centre,
Fatima Jinnah Road,
Karachi.
102. Zahoor & Co.,
Chartered Accountants,
9, 1st Floor, Aziz Mansion,
PR 137/19, Marston Road,
Noman Street,
Opp: Telephone Accounts Office,
Plaza, Square,
Off. M.A. Jinnah Road,
Karachi.

LAHORE

1. A. Aziz Chaudhury Co.,
Chartered Accountants,
38-Shahrah-Quaid-e-Azam,
Lahore.
2. A.F. Ferguson & Co.,
Chartered Accountants,
505-509, Alfalah Building,
Shahrah-Quaid-e-Azam,
Lahore.

3. Aftab Nabi & Co.,
Chartered Accountants,
26, Al-Shajar,
Chowk Nila Gumbad,
Lahore.
4. Arman & Co.,
Chartered Accountants,
1st Floor, Mirzaco House,
47, Hall Road,
Lahore.
5. Ahmed Mushir & Co.,
Chartered Accountants,
16, Bank Square,
Lahore.
6. Akbar & Co.,
Chartered Accountants,
Amin Building,
65, Shahrah-e-Quaid-e-Azam,
Lahore.
7. Avais Siddiqi & Co.,
Chartered Accountants,
4th Floor, Nizam Chambers,
7, Shahrah-e-Fatima Jinnah,
Lahore.
8. Ayyub Monir & Co.,
Chartered Accountants,
147-Shadman 1,
Lahore.
9. Fakharuddin Yousufali & Co.,
Chartered Accountants,
Al-Karim Building,
P.O. Box 1036,
Shahrah-e-Quaid,
Lahore.
10. Fakhar Majid & Co.,
Chartered Accountants,
18, Maclagon Road,
Lahore.
11. Ford, Rhodes, Robson, Morrow,
Chartered Accountants,
319, Alfalah Building,
P.O. Box No.104,
Shahrah-e-Quaid-e-Azam,
Lahore.

12. **F.R. Merchant & Co.,**
Chartered Accountants,
65, Shahrah-e-Quaid-e-Azam,
Lahore.
13. **Hameed Chaudhri & Co.,**
Chartered Accountants,
3rd Floor, 7-Bank Square,
Lahore.
14. **Hassan, Rehman Co.,**
Chartered Accountant,
44, Warris Road,
Lahore.
15. **Hashmi & Co.,**
Chartered Accountants,
36, Shahrah-e-Quaid-e-Azam,
Lahore.
16. **Haroon-ur-Rashid & Co.,**
Chartered Accountants,
7-Alnoor, 43, Bank Square,
Lahore.
17. **Ijaz Ahmad & Co.,**
Chartered Accountants,
2nd Floor, Gardee Trust Building,
Napier Road,
Lahore.
18. **Amin Ijaz & Co.,**
Chartered Accountants,
Gardee Trust Building,
Napier Road,
Lahore.
19. **Kaleem & Co.,**
Chartered Accountants,
Hafeez Chamber, 3rd Floor,
35, Shahrah-e-Quaid-e-Azam,
Lahore.
20. **Kodvavi & Co.,**
Chartered Accountants,
Post Bom No.1373,
16-Bank Square,
Lahore.

21. Khawaja Tanawwur & Co.,
Chartered Accountants,
Sattar Mansion,
17-Link Mcleod Road,
Lahore.
22. M.A. Malik & Co.,
Chartered Accountants,
15, Roberts Road,
Nila Gumbad,
Lahore.
23. M. Anwar & Co.,
Chartered Accountants,
81-Shahrah-e-Quaid-e-Azam,
Lahore.
24. Mashaallah Khan & Co.,
Chartered Accountants,
309, Qadri Chambers,
5, Mcleod Road,
Lahore-6.
25. M. Hussain Chaudhry & Co.,
Chartered Accountants,
49, Shahrah-e-Quaid-e-Azam,
Lahore.
26. M. Saleem & Co.,
Chartered accountants,
36, Shahrah-e-Quaid-e-Azam,
Lahore.
27. Mohammad Nasim & Co.,
Chartered Accountants,
Al-Khush Building,
Bank Square,
Shahrah-e-Quaid-e-Azam,
Lahore.
28. Muniff Ziauddin & Co.,
Chartered Accountants,
Rafi Building,
Shahrah-e-Quaid-e-Azam,
Bank Square,
Lahore.

29. **Malik & Co.,**
Chartered Accountants,
Gardee Trust Building,
Thoroton Road,
Lahore.
30. **M.A. Tabussum & Co.,**
Chartered Accountants,
14-B, Agro Square, Shadman 1,
(Behind Habib Bank Limited),
Shadman Main Market,
Lahore.
31. **Nasim Hussain Abdul & Co.,**
Chartered Accountants,
Al-Khush Building, Bank Square
Shahrah-e-Quaid-e-Azam,
Lahore.
32. **Nazir Chaudhri & Co.,**
Chartered Accountants,
Gardee Trust Building,
Napier Road,
Lahore.
33. **Qadeer & Co.,**
Chartered Accountants,
7-Farid Kot Link Road,
Lahore.
34. **Qamar-ul-Islam & Co.,**
Chartered Accountants,
15-Shadman, Jail Road,
Lahore.
35. **Rahman, Sarfraz & Co.,**
Chartered Accountants,
Nawai Waqt Building,
(2nd Floor),
4-Shahrah-e-Fatima Jinnah,
P.O. Box 1683,
Lahore.
36. **Rahim A. Jan,**
Chartered Accountants,
12-H, Gulberg-III,
Lahore.

37. Riaz Ahmad & Co.,
Chartered Accountants,
30-Mall Mansion,
Shahrah-e-Quaid-e-Azam,
Lahore.
38. Rai & Co.,
Chartered Accountants,
Manzoor Market,
2nd Floor, 10, Ewing Road,
Nila Gumbad,
Lahore.
39. R.H. & Co.,
Chartered Accountants,
220 Manzoor Market,
Ewing Road,
Lahore.
40. Riaz & Co.,
Chartered Accountants,
98, Railway Road,
Opp: Islamia College,
Lahore.
41. S.A. Salam & Co.,
Chartered Accountants,
Salam Chambers,
22-Link Mcleod Road,
(Patiala Grounds),
P.O. Box No.354,
Lahore.
42. Shamim A. Syed & Co.,
Chartered Accountants,
Universal Insurance House,
2nd Floor, 63,
Shahrah-e-Quaid-e-Azam,
Lahore.
43. Sheikh & Chaudhri,
Chartered Accountants
26, Nicholson Road,
Lahore.
44. Sher Muhammad Khan & Co.,
Chartered Accountants,
10, Ahmed Mansion,
Shahrah-e-Quaid-e-Azam,
Lahore.

45. S.M. Masood & Co.,
Chartered Accountant,
5, Mall Mansion,
30, Shahrah-e-Quaid-e-Azam,
Lahore.
46. Suleman Chaudhry & Co.,
Chartered Accountants,
Akram Mansion,
Nila Gumbad,
Lahore.
47. Sarwar Awan & Co.,
Chartered Accountants,
Awan House, 23-Jail Road,
Lahore.
48. S. Zafar Shah & Co.,
Chartered Accountants,
Akram Mansion,
Nila Gumbad,
Lahore.
49. Tariq Ayub Anwar & Co.,
Chartered Accountants,
Nairobi Mansion,
31-Napier Road,
Lahore.
50. Talat Mahmood & Co.,
Chartered Accountants,
6-F, Gulberg-2,
Lahore.
51. Zahid Amin Wiqar & Co.,
Chartered Accountants,
Nizam Chambers,
4th Floor,
7-Shahrah-e-Fatima Jinnah,
Lahore.
52. Zahid Amin & Co.,
Chartered Accountants,
Nizam Chambers,
4th Floor,
Shahrah-e-Fatima Jinnah,
Lahore.

53. Z.A. Mehr & Co.,
Chartered Accountants,
Room No.301, 302, Qadri Chambers,
5, Mcleod Road,
Lahore.
54. Tufail Muhammad & Co.,
Chartered Accountants,
16, Bank Square,
P.O. Box No.1345,
Lahore.
55. Taseer Hadi Khalid & Co.,
Chartered Accountants,
2-A, Shadman Race Course Road,
Lahore.

MULTAN

1. R.H. & Co.,
Chartered Accountants,
Lateef Manzil,
Near Yadgar Jaudat Kamran,
Katchery Road,
Multan.
2. M.A. Hadi & Co.
Chartered Accountants,
1st Floor, Zubair Manzil,
Katchery Road,
Multan.

FAISALABAD

1. Zakaria Loya & Co.,
Chartered Accountants,
Muslim Commercial Bank Building,
Circular Road,
Faisalabad.
2. Zahid Jamil & Co.,
Chartered Accountants,
Muslim Commercial Bank Building,
Circular Road,
Faisalabad.

3. Habib Alam & Co.,
Chartered Accountants,
Kashmir Mansion
2nd Floor, P-145,
Circular Road,
Opp: Distt. Accounts Office,
Faisalabad.

PESHAWAR

1. Sajjad Ahmad & Co.,
Chartered Accountants,
Peer Bakhsh Building,
Peshawar.
2. Tariq Ayub Anwar & Co.,
Chartered Accountants,
1st Floor, Haroon Mansion,
Khyber Bazar,
Peshawar.

RAWALPINDI

1. Amir Alam Khan & Co.,
Chartered Accountants,
43-E/1, Bank Road,
Rawalpindi Cantt.
2. A.F. Ferguson & Co.,
Chartered Accountants,
1st Floor, State Life Building,
Shahrah-e-Shershah,
Rawalpindi.
3. Ford, Rhodes, Robson, Morrow,
Chartered Accountants,
45, Al-Abbas Market,
Adamjee Road,
Rawalpindi Cantt.
4. Jawaid Anwar & Co.,
Chartered Accountants,
43-N/15, Fateh Mansion,
Bank Road,
Rawalpindi.

5. M. Hussain Chaudhry & Co.,
Chartered Accountants,
Co-operative Insurance Building,
53-8, Haider Road,
Rawalpindi.
6. Muniff Ziauddin & Co.,
Chartered Accountants,
M/40-E, Bank Road,
Opp: Capital Cinema,
Rawalpindi.
7. Riaz Ahmad & Co.,
Chartered Accountants,
12, Rawalpindi Club,
New Building, The Mall,
Rawalpindi.
8. Taseer Hadi Khalid & Co.,
Chartered Accountants,
6th Floor, State Life Building,
Shahrah-e-Shershah,
Rawalpindi.
9. A.D. Mohammad & Co.,
Chartered Accountants,
Room No.33, Abbas Market,
Adamjee Road,
Rawalpindi.
10. Ilyas Saleem & Co.,
Chartered Accountants,
18-D, Vith Road,
Satellite Town,
Rawalpindi.
11. Khalid Majid & Co.,
Chartered Accountants,
Post Box No.597,
National Bank Building,
2nd Floor, Bank Road,
Rawalpindi.

Credit Operations.



Please refer to BCD Circular No.22 dated the 14th September, 1983 on the subject cited above.

It is advised that restrictions imposed vide BCD Circular No.3 dated the 13th February, 1975, will also not apply to the guarantees issued by banks in favour of National Development Leasing Corporation.

1
1986

It has been brought to our notice that while calculating PLS return on Savings Bank Accounts at the end of a half year, banks do not give benefit of the return declared for the preceding half year with effect from the commencing day of the subsequent half year. The matter has been considered in the State Bank and it has been decided that in the case of the aforesaid accounts banks should give benefit of the return declared for a half year with effect from the first day of the succeeding half year when calculating return for the aforesaid succeeding half year. For example return declared for the half year ended 30th June, 1985 should be deemed to have been credited to the respective Savings Bank Accounts on 1st July, 1985, irrespective of the date on which it was actually credited, for the purpose of calculating return for the half year ended 31st December, 1985. Similarly, the return declared for the half year ended 31st December, 1985 should be deemed to have been credited to the respective Savings Bank Accounts on 1st January, 1986 for the purpose of calculating return for the half year ended 30th June, 1986.

Elimination of 'Riba' from the Banking System Payment of Profit on PLS/Savings Bank Accounts.

Please acknowledge receipt and ensure compliance of the above instructions.

2
1986

Please refer to BCD Circular No.34 dated the 26th November, 1984 on the captioned subject.

Elimination of 'Riba' from the Banking System—Determination of Rates of Profit on Various Types of PLS Liabilities of the Banks and DFIs.

A question has been raised how the rates of profit are to be determined in cases where some of the remunerable liabilities are to be allowed rate of return subject to a stipulated maximum. One such case is that of export refinance obtained by the banks from the Bank. There may also be other cases where banks obtain finances from financial institutions other than the State Bank on Profit and loss sharing basis subject to a maximum rate of profit. It has been decided that in all such cases the following procedure will be followed by the banks/DFIs while calculating rates of profit on various types of PLS liabilities:-

- (i) In the first instance, the rates of return payable on refinances/finances of the nature mentioned above may be calculated according to the normal formula as laid down in BCD Circular No.34 dated the 26th November, 1984. If the rates of return so calculated on the refinances/finances under reference exceed the maximum stipulated rates of return the excess amount will be distributed proportionately on the amounts of return payable on the remaining items.

- (ii) In case the rates of return payable on the refinances/finances under reference work out to be less than the maximum rates of profit thereon prescribed/already agreed upon, then no recalculation of the rates of return need be made.

Export Finance Scheme.

3
1986

Please refer to BCD Circular No.14 dated 5-7-1984 and the list of commodities not eligible for concessionary export finance annexed therewith.

It has been decided that henceforth precious/semiprecious stones and pearls shall be eligible for concessionary finance under the Scheme. Accordingly, item No.15 viz. "Pearls and Precious Stones" of the list supplied with BCD Circular No.14 dated the 5th July, 1984 may be deleted.

Elimination of 'Riba' from the Banking System—Export Finance Scheme.

4
1986

Please refer to BCD Circular No.40 dated the 10th December, 1984 read with BCD Circular No.9 dated the 12th February, 1985 in terms of which the new system of fines detailed in the former circular would apply to finance/refinance provided under the Export Finance Scheme on and after 1-1-1985.

It is clarified that the new system of fines shall apply to finances provided on and after 1-1-1985 under Part-I of the Scheme. As regards Part-II of the Scheme, the new system shall apply to finances provided during the monitoring period 1985-86 and thereafter.

Selective Credit Control.

5
1986

In partial modification of BCD Circular No.24 dated the 28th October, 1981 it has been decided to withdraw the minimum margin requirement on letters of credit for import of Sugar with immediate effect.

Payment of Profit on PLS Deposits.

6
1986

It has been brought to our notice that one of the banks recently declined to pay the amount of profit on a PLS deposit for the half year ended 31-12-1985 on the ground that the State Bank had not till then cleared the bank's proposals in regard to rates of return on its PLS deposits for the aforesaid half year.

It may be clarified in this connection that while the rates of return proposed to be declared by a bank/DFI on its PLS deposits for a half year require prior clearance of the State Bank, the State Bank would have no objection if a bank/DFI makes provisional payment of profit for the half year to its PLS depositors, subject to adjustment when the rates of return are cleared by the State Bank.

7
1986

Please refer to BCD Circular No.7 dated 30th January, 1983 on the above noted subject.

Issue of Guarantees by Banks.

In terms of para-2 of the above circular banks can issue guarantees on behalf of their constituents backed by any tangible security. It has been decided to exempt from the aforesaid requirement guarantees issued to Pakistani firms and companies functioning in Pakistan against guarantees received from banks functioning abroad.

8
1986

Please refer to BCD Circular No.38 dated the 22nd August, 1985.

Export Finance Scheme—Relaxation for Exports of Carpets and Rugs.

It is advised that the relaxation allowed in the case of exports of carpets and rugs vide the second para of the above BCD Circular is also subject to the condition that shipments are made during the financial year 1985-86. The aforesaid para may accordingly be amended to read as under:-

“It has since been decided that in the case of export finance availed of under Part I of the Export Finance Scheme for exports of carpets and rugs, a total period of upto 210 days (at pre-shipment stage and/or post-shipment stage) may be allowed for repayment, provided shipments are made during the financial year 1985-86 within a period of 150 days after the drawal of the export finance advance. These instructions shall apply to finances provided on and after the date of issue of this Circular.”

9
1986

Your attention is invited to our BCD Circular No.41 dated 17th December, 1985 with which a panel of auditors was circulated in terms of Section 35 (1) of the Banking Companies Ordinance, 1962 as amended by Banking Companies (Amendments) Act 1972 (No. XXX of 1972). It has since been decided to include the name of the undernoted firm in the aforesaid panel:-

Panel of Auditors.

KARACHI

M/s. Parvez Sufi & Co.,
Chartered Accountants,
36, Writers Chambers, 4th Floor,
Dunolly Road,
Karachi.

10
1986

Please refer to BCD Circular No. 24 dated the 28th October, 1981 on the above-noted subject.

Selective Credit Control.

In terms of item A-IV of the above circular, clean advances or advances secured by guarantees are permissible upto a maximum amount of Rs.25,000/- to any one party for a maximum period of two years, sub-

ject to the conditions stipulated therein. In the case of agricultural loans against sureties made under the Scheme For Agricultural Loans By Commercial Banks circulated vide ACD Circular No. 5/72 dated the 27th November, 1972 as amended from time to time, loans against guarantees/sureties can now be granted upto a maximum amount of Rs.40,000/- subject to the conditions A-IV (i) and (ii) of the circular referred to in para 1 above.

Export Finance Scheme—Exports to Iraq on Deferred Payment Basis.

11
1986

Attention of banks is drawn to BCD Circular No.11 dated 20th February, 1985.

The last sentence of para 2 may be substituted as under:-

“The banks may not insist on (i) the payment being guaranteed by a bank of international repute or by the Central Bank/Government of the importing country and (ii) obtaining Export Credit Guarantee Scheme cover from the Pakistan Insurance Corporation. The banks shall, however, continue to determine their security requirements to their satisfaction to protect their interests”.

Selective Credit Control.

12
1986

The banks are hereby directed as under:-

- (i) Banks shall not, with immediate effect, allow advances against sugar. Sugar Mills, however, can be allowed advances against indigenous sugar and not imported sugar, subject to credit controls already in force.
- (ii) All advances against sugar, imported and indigenous, outstanding on the date of this Circular shall be got fully adjusted latest by 8th May, 1986. Advances to Sugar Mills against indigenous sugar are exempt from this directive.

Compliance report as per Annexure should reach Banking Control Department, State Bank of Pakistan, Central Directorate, Karachi by 15th May, 1986. *(on pages 315, 316)*

Selective Credit Control.

13
1986

Please refer to BCD Circular No.12 dated the 19th April, 1986 on the above subject.

Format of the Annexure to the above Circular has been slightly modified. Revised version thereof is enclosed on which the requisite compliance report should be prepared.

COMPLIANCE REPORT

(Amount in thousand rupees quantity in tons)

Advances as on 19-4-1986

	Sugar Mills			Others		
Against Imported Sugar	Against Indigenous Sugar	Total	Against Imported Sugar	Against Indigenous Sugar	Total	

Advances as on 8-5-1986

Sugar Mills						Others					
Against Imported Sugar		Against Indigenous Sugar		Total		Against Imported Sugar		Against Indigenous Sugar		Total	
Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar

COMPLIANCE REPORT

(Amount in thousand rupees quantity in tons)

Advances as on 8-5-1986

Sugar Mills						Others					
Against Imported Sugar		Against Indigenous Sugar		Total		Against Imported Sugar		Against Indigenous Sugar		Total	
Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar

Advances as on 8-5-1986

Sugar Mills						Others					
Against Imported Sugar		Against Indigenous Sugar		Total		Against Imported Sugar		Against Indigenous Sugar		Total	
Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar	Amount of Advance	Quantity of Sugar

14
1986

Please refer to BCD Circular No.19 dated the 7th May, 1985 on the above subject.

Elimination of 'Riba' from the Banking System—Penalty for Defaults in Maintenance of Cash Reserve and Liquid Assets by the Banks.

Under item 'B' of the above circular, the words "Penalty at the rate of Rs.45/- per Rs.100,000 or part thereof, per day" may be replaced with the words "Penalty at a rate not exceeding Rs.45/- per Rs.100,000 or part thereof, per day". The amendment takes effect from the 7th May, 1985.

15
1986

As you are already aware, the norms of efficiency for the nationalised commercial banks were reviewed in meetings taken by the Finance Minister and new norms were adopted. We hope you have already taken steps to implement them. The new norms are listed below:-

All Nationalised Commercial Banks.

1. All cheques must be paid within 10 minutes. Efforts should be made to reduce this time gradually to 5 minutes.
2. Receipts for all types of deposits should be issued within 10 minutes. Fixed Deposit receipts, however, may be delivered in 15 minutes.
3. Bank-drafts and T.Ts be paid in 15 minutes.
4. Bank-drafts and T.Ts be issued in 20 minutes.
5. Cheque books must be issued within 15 minutes.
6. Local cheques for clearing must be credited to the customer's account by the next day.
7. Out-station cheques where the paying branch is situated in big cities must be collected within 48 hours. For delays compensation will be payable at savings rate after allowing for one day of grace. This norm shall be fully effective from 30-6-1986.
8. A system should be developed quickly for expeditious collection of other out-station cheques. After such a system is developed, compensation would be payable at savings rate for the period of delay in collection after allowing for one day of grace. This norm shall be effective from 30.6.1986.
9. Inward home remittances by T.T. from own branches or exchange companies managed by self must be paid or Pay Order/Demand Draft issued to the beneficiary within 3 days from the date of their receipt. For delays compensation will be paid at savings rate after allowing for one day of grace.

10. Home remittances by mail transfers should be discontinued except where the banks do not have their branches or exchange companies managed by them. Instead, the remittances should be made by T.T. and the extra cost claimed from the Government.
11. Statements of account should be sent on six-monthly basis or earlier if the account sheet is exhausted earlier. Where specific request is made, the statement should be sent on monthly basis against charge of Rs.12 per annum. The statement should be sent within one week of close of the relevant period.
12. Where the client wants to have the paid cheques back, the same may be returned to him, if he confirms the relevant statement of account, within one month of receipt of the confirmation.
13. Bank guarantees should be promptly honoured when invoked.
14. The banks should carefully review their systems and procedures so as to introduce utmost efficiency in counter services. Un-necessary steps in each service should be carefully curtailed. Action in this respect is to be completed by 30.6.1986.

2. This supersedes the instructions contained in BCD Circular letter No.BCD.144 to 148/199-02-76 dated the 30th January, 1976.

**EXPORT FINANCE SCHEME-EXPORT TO
IRAQ ON DEFERRED PAYMENT BASIS**

**Export Finance
Scheme—Export to Iraq
on Deferred Payment
Basis.**



Please refer to BCD Circular No.11 dated the 20th February, 1985 read with BCD Circular No.30 dated the 13th June, 1985 on the above noted subject.

It has been decided to include spectacle frames in the list of commodities given in para 1 of BCD Circular No.11 dated the 20th February, 1985. The list may accordingly be modified adding 'spectacle frames' as item No.19.

The above change would be effective from the date of issue of this Circular.

1
1987 As an additional measure to promote industrial development, the Finance Minister, in his Budget Speech for 1986-87 announced, inter alia, that banks' profit on financing purchase of imported machinery will not be more than 10%.

Financing of Imported Machinery.

Accordingly, Banks/DFIs may provide rupee finance for purchase of imported machinery at an annual rate of return not exceeding 10%. Other terms and conditions including the security requirements shall be determined by the bank/DFI concerned on the merits of each case.

It is clarified that machinery imported under foreign loans/credits, suppliers' credit and under PAYE Scheme does not require local financing and as such it is not covered by these instructions.

2
1987 In continuation of our BCD Circular No.5 dated the 24th January, 1985 on the subject noted above it has been decided to allow Regional Development Finance Corporation, Islamabad to raise funds at call from commercial scheduled banks with immediate effect.

Selective Credit Control.

The money so provided to the Regional Development Finance Corporation should be reported as foot-note to the weekly statement of position.

3
1987 In partial modification of para A.II sub-para 1(i) of BCD Circular No.24 dated the 28th October, 1981, it has been decided to allow advances against wheat to traders/growers subject to a minimum margin requirement of 35%.

4
1987 We enclose for your information and necessary action a copy of Amendment in sub-section (1) of Section 11 of the Banks (Nationalisation) Act, 1974 (XIX of 1974), published in the Gazette of Pakistan, Extraordinary, Part-III, dated the 29th May, 1986.

Amendment in the Banks (Nationalisation) Act., 1974.

**THE GAZETTE OF PAKISTAN
EXTRA-ORDINARY, PART-III,
NATIONAL ASSEMBLY SECRETARIAT
NOTIFICATION**

Islamabad, the 29th May, 1986.

This bill was introduced in the National Assembly on the 29th May, 1986:-

N.A. Bill No.1 of 1986. to give effect to the financial proposals of the Federal Government for the year beginning on the first day of July, 1986 and to amend certain laws.

WHEREAS it is expedient to make provisions to give effect to the financial proposals of the Federal Government for the year beginning on the first day of July, 1986, and to amend certain laws for the purposes here-in-after appearing;

It is hereby enacted as follows:-

1. Short title and extent:- (1) This Act may be called the Finance Act, 1986.
(2) It extends to the whole of Pakistan.
2. Amendment of Act-XIX of 1974-In the Banks (Nationalization) Act, 1974 (XIX of 1974) in Section 11, sub-section (1), for the words "not less than two and not more than four other members to" the words "as many other members as may" shall be substituted.

Sd/-
MIAN MUHAMMAD YASIN KHAN WATTOO
Minister-in-charge.

Ref: The Gazette of Pakistan, Extra, Part-III dated the 29th May, 1986 pages 535 to 729.

Selective Credit Control.



In exercise of the powers vested in it under the Banking Companies Ordinance, 1962, the State Bank of Pakistan is pleased to direct that the following credit restrictions will come into force with immediate effect in supersession of all previous instructions on the subject:-

A. ADVANCES.

I. ADVANCES TO MANUFACTURING AND

PROCESSING UNITS.	MINIMUM MARGIN
--------------------------	-----------------------

(1) Against raw materials and agricultural produce.

- | | |
|--|-----------|
| (i) Raw materials to manufacturing/processing units of capital goods, engineering goods, consumer durables, medicines, cotton yarn, cotton fabrics, jute goods, wollen yarn, cigarettes, fertilizers, pesticides, vegetable ghee and edible oil. | No margin |
| (ii) Raw cotton (both phutti and lint cotton) to ginnerers. | No margin |
| (iii) Paddy and Rice to modern rice mills viz; those rice mills which have fully automatic machinery and have a husking capacity of not less than five tons of paddy per hour. | No margin |
| (iv) Raw materials to Iron and Steel Industry as well as Ship-Breaking Industry. Ships (unserviceable) for scrapping would constitute raw material for the ship-breaking industry. | No margin |
| (v) Viscose Fibre to manufacturing units. | No margin |
| (vi) Raw materials to manufacturing/processing units of goods other than those mentioned above. | 25% |

(2) Against finished goods. 25%

II. ADVANCES TO TRADERS.

(1) Against raw materials and agricultural produce.

- | | |
|--|-----------|
| (i) Rice and paddy to entities other than authorised dealers, wheat flour, edible oils (refined, unrefined and hydrogenated) and cotton seeds. | Banned |
| (ii) Wheat to traders/growers. | 35% |
| (iii) Cotton Export Corporation and Rice Export Corporation of Pakistan. | No margin |
| (iv) Fertilizers and pesticides. | No margin |

- | | | |
|------------------------------------|--|------------|
| (v) | Rice and paddy to authorised dealers, @ cotton and tobacco. | 25% |
| (vi) | Other raw materials and agricultural produce. | 50% |
| (vii) | Sugar (sugar mills however can be allowed advances against indigenous sugar and not imported sugar subject to credit controls already in force). | Banned |
| (2) Against finished goods. | | 75% |

III. OTHER ADVANCES

- | | | |
|-----|---|--------|
| (1) | Shares not quoted on recognised stock exchanges. | (50% |
| (2) | Bank deposits and deposit certificates. | 25% |
| (3) | For financing goods on hire-purchase or instalment plans other than production machinery and commercial vehicles. | Banned |
| (4) | Against banned imports. | Banned |

IV. CLEAN ADVANCES AND ADVANCES SECURED BY GUARANTEES.

- (a) Clean advances or advances secured by guarantees shall be permissible upto a maximum amount of Rs.25,000/- to any one party for a maximum period of two years, provided that the borrower declares as under:-
- (i) that the advance whold not be utilised for frustrating the purpose of the credit restrictions in force; and
 - (ii) that the same party is not availing of such loan facilities from other banks so as to exceed the prescribed limit in the aggregate.
- (b) Agricultural loans against guarantees/sureties under the Scheme For Agricultural Loans by Commercial Banks circulated vide ACD Circular No.5/72 dated the 27th November, 1972 as amended from time to time, can be granted upto a maximum amount of Rs.40,000/- subject to the conditions A-IV (a) (i) & (ii) above.
- (c) Rupee finances to Pakistani firms and companies functioning in Pakistan against guarantees received from banks functioning abroad are exempt from the aforesaid limit of Rs.25,000/-.

V. ADVANCES FOR EXPORTS

The restrictions relating to grant of clean advances or minimum margin requirements shall not apply to:-

- (i) Advances granted to finance exports under irrevocable letters of credit or firm orders upto the amount for which credit is opened or firm order made;
- (ii) Packing credit for exports; and
- (iii) Pre-shipment credits granted for financing exports of goods covered by firm contracts made, or irrevocable letters of credit opened by foreign importers in favour of exporters in Pakistan, provided that the advances do not exceed the amount specified in the contract or the credit, as the case may be.

B. IMPORT LETTERS OF CREDIT:

1. For opening of letters of credit for import of the following items:

- | | | |
|--------|--|-----------|
| (i) | Industrial machinery*, agricultural machinery, components and spares of such machinery. | No margin |
| (ii) | All raw materials imported by manufacturers of electrical equipment, capital goods and engineering goods (including cycles and agricultural implements). | No margin |
| (iii) | Trucks/Bus Chassis and Jeeps in CKD condition. | No margin |
| (iv) | Construction and engineering equipment. | No margin |
| (v) | Medicines, drugs and medical and surgical equipment and appliances. | No margin |
| (vi) | Pharmaceutical raw materials, medicinal herbs and crude drugs. | No margin |
| (vii) | X-Ray Films. | No margin |
| (viii) | Artificial limbs and hearing aids and parts thereof. | No margin |
| (ix) | Raw materials by manufacturers of fertilisers and pesticides. | No margin |
| (x) | Fertilizers and pesticides. | No margin |

(xi)	Raw materials by vegetable ghee and edible oil industry.	No margin
(xii)	Crude Oil and Petroleum Products.	No margin
(xiii)	Newsprint.	No margin
(xiv)	Vegetable Seeds.	No margin
(xv)	Tea.	No margin
(xvi)	Books, magazines, journals and periodicals.	No margin
(xvii)	Second-hand clothing.	No margin
(xviii)	Raw Jute.	No margin
(xix)	Jute Bags.	No margin
(xx)	Cement.	No margin
(xxi)	Imports by T.C.P. **	No margin
(xxii)	Items under the Tied List.	No margin
(xxiii)	Imports under barter.	No margin
(xxiv)	Raw materials against import licences issued under Export Performance (RMR) Scheme.	No margin
(xxv)	Pulses.	No margin
(xxvi)	Raw materials imported by the Iron and steel industry as well as the Ship-Breaking Industry. Ships (unserviceable) for scrapping would constitute raw material for the ship-breaking industry.	No margin
(xxvii)	Motor Cycles/Motor Secoters/Auto-rickshaws-three wheelers in CKD condition, by those firms only who have been given sanction by the Ministry of Commerce for progressive manufacture under deletion programme.	No margin
(xxviii)	Industrial raw materials including Soyabean Meal (irrespective of wheather importers are industrial consumers or commercial concerns and whether the licences have been marked "Industrial" or "Commercial". Letter of credit to be opened only if the item is importable under the Import Policy and the importer produces an import licence).	No margin

(xxix) Onions.	No margin
(xxx) Potato.	No margin
(xxxii) All live animals except swine.	No margin
(xxxiii) Cars for disabled persons authorised by the C.C.I. & E. under the procedure laid down by the Government of Pakistan.	No margin
(xxxiv) Synthetic Yarn	No margin
(xxxv) Sugar	No margin
(xxxvi) Butter	25%
(xxxvii) Milk & cream, including baby food	25%
(xxxviii) Items other than those listed above	35%

@ Advances to authorised dealers against rice and paddy shall be given only against such stocks of paddy/rice which have been declared to the Food Deptt. for which they hold receipts from that Department.

* For the purpose of letter of credit margin the term "Industrial Machinery" may be interpreted in a broad sense to include all capital goods, as distinct from consumers durables.

** Imports by T.C.P. have been exempted from compulsory letter of credit margin requirement. However, domestic letters of credit opened in favour of T.C.P. in relation to import of any commodities through them will be subject to the same minimum margin requirements (based on the C & F value of the consignment and not the landed cost) as are prescribed for import letters of credit for the same commodities under general instructions issued from time to time, except in the following cases:-

- | | |
|--|--|
| (i) Domestic letters of credit in favour of T.C.P. for purchase of bleaching powder. | No margin |
| (ii) In case of RMR licence holders for domestic letters of credit in favour of T.C.P. (licence to be endorsed to the effect that "Imports are being made through T.C.P. Not available for opening of import letter of credit at nil margin"). | No margin to the extent of the value of of RMR licence |

6
1987

Please refer to BCD Circular No.34 dated the 26th November, 1984 in terms of which Banks and DFIs are required to give weightages, as prescribed therein, to PLS deposits, PLS borrowings and Equity while determining the rates of profit on their PLS Liabilities on half yearly basis.

Elimination of 'Riba' from the Banking System—Determination of Rates of Profit on Various Types of PLS Liabilities of the Banks and DFIs.

In order to provide flexibility, it has been decided that Banks/DFIs may exercise discretion upto a maximum of 15% in fixing weights in the manner indicated below:-

- (1) The weights to be used must be made public, 2 months before beginning of the half-year to which they relate;
- (2) The weights to be used should not differ from the prescribed weights of the State Bank (vide BCD Circular No.34 dated 26-11-1984) by more than 15%, either way; and

- (3) The weights announced should be used for all depositors of a given category uniformly.

The above discretion shall be available in the case of the PLS rates to be declared for the half-year ending 30th June, 1988 and subsequent half-year. The other instructions contained in BCD Circular No.34 dated 26-11-1984 and those subsequently issued from time to time on the subject remain unchanged.

**Amendment in the
Banking Companies
Ordinance, 1962 (LVII
of 1962).**

7
1987

We enclose for your information and necessary action a copy of Amendments in the Banking Companies Ordinance, 1962, regarding insertion of the new section 27A and new sub-section (ID) in section 83 of the Ordinance which have been enacted through Finance Act, 1987.

FINANCE ACT, 1987

AMENDMENT OF THE BANKING COMPANIES ORDINANCE 1962 (LVII of 1962)

- (1) After section 27, the following new section shall be inserted namely:-

“27A Restriction on advertising for deposits:-

No company, firm or person, not being a banking company or a corporation or authority established by the Federal Government or a company duly authorised in this behalf by the Controller of Capital Issues and Corporate Law Authority or the Registrar Cooperative Societies, shall invite deposits of money from the public through advertisement in the public media or by postal circulars, hand-bills, displays in public places or by any other means” .;

and

- (2) in section 83, after sub-section (IC), the following new sub-section shall be added:-

“(ID) If any company, firm or person contravenes the provisions of section 27A, the Chief executive of the company and its directors, every member of the firm and such person shall be punishable with simple imprisonment for a term which may extend to six months, or with fine which may extend to one hundred thousand rupees, or with both”.

**Export Finance
Scheme—Exports to
Iraq on Deferred
Payment Basis.**

8
1987

Please refer to BCD Circular No.11 dated the 20th February, 1985 on the captioned subject.

In view of the difficulties reported by the Pakistani exporters in the matter of realisation of export proceeds from their exports to Iraq on two years deferred payment basis it has been decided that the concessionary finance shall be henceforth admissible to the exporters for a maximum period of 3 years as calculated from the date of shipment. Accordingly para2(i) of BCD Circular No.11 dated the 20th February, 1985 may be amended to read as under:-

“The deferred payment arrangement shall provide for payment by the importer within a period of 3 years from the date of shipment.”

The facility shall be provided on the following basis:-

- (i) In cases where post-shipment finance facility was provided on 2 years basis and the advance has been recovered by the bank from exporter without export proceeds having been realised from the Iraqi importers the banks may re-instate the loan so recovered upto the date of expiry of 3 years as calculated from the date of shipment against execution of necessary documents. State Bank will provide refinance against such advances from the date of re-instatement of the loan upto the expiry of 3 years period as calculated from the date of shipment upon execution of usual documents by the banks.
- (ii) In the case of outstanding finances where the 2 years deferred payment period has not yet expired the banks may extend, on request, the date of recovery of finances upto a maximum period of 3 years from the date of shipment. State Bank on receipt of request from the bank to this effect will accordingly extend the repayment date of refinance.
- (iii) In the case of finances provided after the date of issue of this Circular, the facility shall be admissible to the exporters in accordance with the tenor of the letter of credit subject to the condition that the concessionary finance shall be provided for a maximum period of 3 years as calculated from the date of shipment. That is to say, where the letter of credit stipulates payment on or before the expiry of a period of less than 3 years, financing/refinancing shall also be reduced accordingly.
- (iv) In case of repatriation of export proceeds at a date earlier than the date of expiry of 3 years, the exporters shall cease to be eligible for the facility as from the date of repatriation of export proceeds and the banks shall be liable to adjust the refinance within 3 days of the date of repatriation of export proceeds failing which they shall render themselves liable to fine at the rate of 60 paise per thousand rupees per day on the amount of refinance involved.

It is clarified that where Iraqi buyers have paid or agreed to pay the Pakistani exporters interest/penal interest on the overdue amount for the overdue period, the Pakistani exporters shall not be entitled to the concessional financing under the Scheme against the overdue amount for the overdue period. The overdue period in this regard shall mean the period commencing from the date of payment as stipulated in the Letter of Credit upto the date of repatriation of the export proceeds. The exporter concerned shall have to produce a certificate from the importer's bank to the effect that no interest/penal interest has been paid or agreed to be paid to the exporter for the overdue period.

Other terms and conditions issued from time to time on the subject shall remain unchanged.

Export Finance Scheme.

9
1987

Please refer to BCD Circular No.14 dated 5-7-1984 and the list of commodities not eligible for concessionary export finance annexed therewith.

It has been decided that the commodity 'Crude Vegetable Material' against item No.6 of the above referred list may be amended to read as under:-

Item No.6	'Crude Vegetable Material' excluding 'Dried Red Roses'
-----------	---

Selective Credit Control.

10
1987

Please refer to item 1(i) of para A.II of BCD Circular No.5 dated the 5th July, 1987 in terms of which advances against rice & paddy to entities other than authorised dealers are banned.

In partial relaxation of the above, it has been decided to allow advances against rice to exporters of rice with immediate effect. Accordingly in the above Circular under the title "Advances to Traders" after item (iii) of para A.II(I), a new sub-para (iv) may be inserted to read as under:-

"Exporters of Rice registered with Superior Rice Dealers' Association, Punjab or Rice Millers' and Traders' Association, Sind against Basmati rice".

No margin

The existing sub-paras (iv), (v), (vi) and (vii) may please be renumbered as (v), (vi), (vii) and (viii) respectively.

1
1988

Please refer to BCD Circular No.7 dated the 30th January, 1983 in terms of which guarantees given by banks on behalf of their constituents are required to be backed by tangible securities.

Issue of Guarantees by Banks.

In partial relaxation of the above instructions it is advised that requests for issue of guarantees on behalf of domestic construction companies bidding for international tenders floated may be processed in the light of the following guidelines:-

- (i) While considering requests for guarantees the overriding consideration which must invariably weigh with the banks should be the financial viability of the contracted project.
- (ii) Subject to (i) above, 100% cover of tangible security for issue of Performance Bonds may be waived by the banks at their own discretion subject to a minimum compulsory tangible security cover equivalent to 20% of the amount of the Performance Bonds.
- (iii) Subject to (i) above, 100% cover of tangible security for issue of guarantees in respect of mobilisation advance may be waived by the banks at their own discretion subject to the following conditions:-
 - (a) Guarantees so issued should contain a clause that the mobilisation advance shall be released by the beneficiary through the guarantor bank only; and
 - (b) At the time of issuing such a guarantee the construction company should sign an agreement with the bank that releases out of mobilisation advance would be covered by them by tangible assets.

2
1988

In July, 1985, the ECC decided that an indicative target of 1.5 to 2 million spindles will be fixed for the remaining period of the 6th Plan.

The latest data available with the State Bank, indicate that during the current financial year, banks/DFIs have provided financial support for creation of additional spinning capacity equivalent to one million spindles. An estimated capacity of about 150,000 spindles was created in 85-86. Thus the total capacity installed in the last 2 years of the Plan (about 1.15 million) is well below the indicative target fixed by the ECC.

The Planning and Development Division of the Government of Pakistan had set up an Expert Working Group on Textile for the purpose of developing the Seventh Five-Year Plan. The projection made by Working Group for the year 1987-88 and the year 1992-93, the terminal year of the Seventh Plan places the demand for Cotton Yarn at 560 million kgs. and 887 million kgs. respectively.

The report of the Working Group and the progress made in creating new capacity in the spinning sector should be kept in view while appraising new projects. We are bringing this information to your notice as the banks and the DFIs have already considerable exposure to the Cotton textile sector.

**Defence Savings
Certificates—Ban on
Purchase.**

3
1988 We have been advised by the Government of Pakistan that Scheduled Banks, Cooperative Banks and Non-bank Development Financial Institutions are not permitted to invest their funds in Defence Savings Certificates. Suitable amendments to Rule 22 (sub-rules 5 and 6) of Defence Savings Certificate Rules, 1966 read with Finance Division's Notification No. S.R.O. (I)/88 of 20th March, 1988 are being issued by the Government.

Further, in order to prevent berami transactions, the Scheduled Banks and Cooperative banks are advised that for purchasing/selling Defence Savings Certificates, National Deposit Certificates and Khas Deposit Certificates on behalf of their clients, they should maintain a record of the full particulars of the purchaser including addresses, copies of National Identity Cards and in case of minors the particulars, addresses and copies of National Identity Cards of their guardians.

**Elimination of 'Riba'
from the Banking
System.**

4
1988 As you are aware, effective 1st July, 1985 'Riba' has been completely eliminated from domestic banking. Non interest modes of financing have also been identified in detail by the State Bank of Pakistan vide BCD Circular No. 13 of 1984. You are advised to please ensure that instructions governing elimination of 'Riba' from banking are strictly observed both in letter and spirit.

Export Finance Scheme.

5
1988 Please refer to BCD Circular No.29 dated the 11th October, 1977 forwarding therewith a copy of the Export Finance Scheme.

"The banks will submit a quarterly statement in Form ED to the office of the State Bank at which refinance is obtained so as to reach the concerned office by the 20th of the month succeeding the quarter to which it relates. Any failure in this regard will make the banks

liable to pay a fine of Rs.2000/- (Rupees two thousand) and an additional fine of Rs.100/-(Rupees one hundred) for every day of default upto the date of submission of the respective ED statement”.

6
1988

Please refer to BCD Circular No.15 dated the 24th April, 1986.

**Norms of Efficiency for
the Nationalised
Commercial Banks.**

The following additional norms of efficiency for nationalised commercial banks are prescribed in addition to those mentioned in the above referred circular for implementation with immediate effect.

1. All formal requests for working capital/cash credit/over draft etc. and L/Cs and guarantees facilities should be disposed of i.e. sanctioned/rejected/referred back for further information or sent to the competent authority, within 14 working days from the date of receipt.
2. The Senior bank executives competent to sanction the cases referred to them by their sub-ordinate officers should dispose of the cases referred to them within 7 working days from the date of receipt thereof.
3. All formal requests for fixed investment, bridge financing and under-writing should be disposed of within 120 days.

7
1988

Please refer to BCD Circular No. 7 dated the 30th January, 1983 in terms of which banks are required to obtain 100% tangible security for issue of guarantees. As a relaxation of the said requirement, the State Bank would have no objection to the banks issuing at their own discretion and by obtaining such security as they deem fit, bid bonds on behalf of domestic consultancy firms bidding for international contracts where the consultancy fees are to be received in foreign exchange.

**Issue of Guarantees by
Banks.**

8
1988

We enclose for your information and necessary action a copy each of the Banks (Nationalization) (Amendment) Ordinance, 1988 (X of 1988) and the Banking Companies (Amendment) Ordinance, 1988 (XI of 1988).

**Amendments in the
Banks (Nationalization)
Act, 1974 and the
Banking Companies
Ordinance, 1962.**

ORDINANCE NO. X OF 1988

AN ORDINANCE

further to amend the Banks (Nationalisation)
Act, 1974

WHEREAS it is expedient further to amend the Banks (Nationalisation) Act, 1974 (XIX of 1974), for the purpose hereinafter appearing;

AND WHEREAS the National Assembly is not in session and the President is satisfied that Circumstances exist which render it necessary to take immediate action;

NOW, THEREFORE, in exercise of the powers conferred by clause (1) of Article 89 of the Constitution of the Islamic Republic of Pakistan, the President is pleased to make and promulgate the following Ordinance:-

1. Short title and commencement:-(1) This Ordinance may be called the Banks (Nationalisation) (Amendment) Ordinance, 1988.

(2) This section shall come into force at once and the remaining provisions of this Ordinance shall come into force on such date as the Federal Government may, by notification in the official Gazette, appoint, and different dates may be so appointed for different provisions.

2. Amendment of section 3, Act XIX of 1974:- In the Banks (Nationalisation) Act, 1974 (XIX of 1974), hereinafter referred to as the said Act, in section 3,-

(1) after clause (1), the following new clause shall be inserted, namely:-

“(1A) “Board” means Board of Directors constituted under this Act;” and

(2) for clause (4) the following shall be substituted, namely:-

“(4) “Executive Committee” means the Executive Committee of a Board constituted under this Act;”.

3. Amendment of section 5, Act XIX of 1974:- in the said Act, in section 5, after sub-section (5), the following new sub-section shall be added namely:-

“(6) The Federal Government or a corporation owned or controlled by the Federal Government may, from time to time, sell all or any of its shares in the capital of a bank, other than the State Bank, to such persons, and on such terms and conditions, as it may determine:

Provided that the aggregate value of the shares sold shall not exceed forty per cent of the issued capital of the bank.”.

4. Amendment of section 9, Act XIX of 1974:- In the said Act, in section 9,-

(1) in sub-section (2), in clause (iv),

- (a) after the word "three", the words "full time" shall be inserted;
- (b) for the colon at the end a full stop shall be substituted; and
- (c) the proviso shall be omitted;

(2) for sub-section (4) the following shall be substituted, namely:-

"(4) The functions of the Council shall be-

- (i) laying down performance criteria and formulating performance targets for banks;
- (ii) monitoring progress made by banks on achieving performance targets, profitability and efficiency and advising the Boards for taking corrective action;
- (iii) periodic evaluation of the achievements of banks and submission of evaluation reports to the Borad, the State Bank and the Federal Government;
- (iv) requiring banks to formulate annual budgets, expenditure regulations and procedures relating to sanction of fund based non-fund based facilities with the approval of their Boards;
- (v) determining the areas of coordination of the banks;
- (vi) corrinating the planning and operations of banks and monitoring the cost of their operations;
- (vii) acting as arbitrator in the settlement of inter-bank disputes;
- (viii) appointing, in consultation with the banks, lead banks and apportioning share of advance among the banks in respect of consortium loans only, keeping in view the resource availability of each bank or as may be directed by the Federal Government;
- (ix) advising banks for removal of imbalances in banking facilities provided to customers both with regard to commodities as well as regions and monitoring progress made by banks to remove the same;
- (x) watching the progress of implementation of the rulings and recommendations and removal of objections made in the State Bank's Inspection Reports and remedial and corrective measures taken by the banks;
- (xi) developing management information systems and schemes for modernisation of banks including installation of computers, telefax and other modern technology;
- (xii) assisting the State Bank in establishing a Credit Information Bureau;
- (xiii) establishing a Research Department;
- (xiv) conducting such surveys, inquiries and appraisals as may be necessary for the purpose of this Act or as may be required by the Federal Government;
- (xv) making recommendations to the Federal Government for framing policy for recruitment of officers for banks and the Council on competitive basis;
- (xvi) devising policy for pre-service and in-service training of the

- personnel of the banks;
- (xvii) establishing a Central Training Institute for advanced specialised training of officers at management level;
- (xviii) devising policy for promotion, incentives and salary structure for officers;
- (xix) formulating schemes under section 15;
- (xx) carrying out inspection of the banks including their subsidiaries as may be necessary;

PROVIDED that inspection of branches or subsidiaries of a bank located in a foreign country shall be carried out in keeping with the laws of that country; and

- (xxi) exercising and performing such powers and functions of the Federal Government under this Act, and such other functions, as the Federal Government may, from time to time, assign to the Council.”; and

(3) after sub-section (4), substituted as aforesaid, the following new sub-section shall be inserted, namely:-

“(4A) When the Council advises the Board of a bank on any matter, the President of the bank shall promptly place such advice before the Board for consideration.”.

5. Amendment of section 11, Act XIX of 1974:- In the said Act, in section 11, (1) for sub-section (1) the following shall be substituted namely:-

“(1) There shall be a Board of Directors for every bank consisting of a President and not more than seven directors who shall be appointed from amongst the following, namely:-

- | | |
|---|---------|
| (i) Executives of banks | ... two |
| (ii) Chief Executives of development financial institutions | ... One |
| (iii) Members of the Pakistan Banking Council | ... One |
| (iv) eminent persons from the private sector, being professionals in finance, banking or accountancy | ... One |
| (v) when any of the shares held by the Federal Government or a corporation owned or controlled by the Federal Government are disinvested, such number of directors, not exceeding two, as the Federal Government may direct | |

(2) after sub-section (1) substituted as aforesaid, the following new sub-section shall be inserted, namely:-

“(1A) The Board shall have an Executive Committee consisting of its President, three directors and such other senior executives of the

banks as the Board may, from time to time, decide; and the Executive Committee shall exercise such powers, and perform such functions, as may be delegated to it by the Board from time to time.”

- (3) in sub-section (2), the word “Executive” shall be omitted;
- (4) in sub-section (3), the word “Executive” shall be omitted;
- (5) for sub-section (4) the following shall be substituted, namely:-
“(4) In the exercise of their powers the President, the Board and the Executive Committee of a bank incorporated by or under any special law shall not be subject to restrictions which do not apply to the President or Board of Directors of a bank registered under the Companies Ordinance, 1984 (XLVII of 1984).”;
- (6) sub-sections (4A), (4B) and (4C) shall be omitted;
- (7) sub-sections (5), clause (i) shall be omitted;
- (8) sub-sections (5A) shall be omitted;
- (9) in sub-sections (6),-
 - (i) for the words “member of the Executive Board” the word “director” shall be substituted;
 - (ii) in clause (v),-
 - (a) for the words, figures, comma, brackets and letters “section 235 of the Companies Act, 1913 (VII of 1913)” the words, figures, comma, brackets and letters “section 412 of the Companies Ordinance, 1984 (XLVII of 1984),” shall be substituted; and
 - (b) for the colon at the end the semicolon and word “; or” shall be substituted;
 - (iii) after clause (v), amended as aforesaid, the following new clause shall be inserted, namely:-
“(vi) he is or has been convicted of any offence of tax evasion under any law for the time being in force.”;
- (10) for sub-section (7) the following shall be substituted, namely:-
“(7) The Chairman and members of the Council, and the President and directors of the Board of a bank, shall be appointed, nominated or elected, and hold office, as hereinafter provided:-
 - (a) the Chairman and members of the Council, and the President and the directors referred to in clauses (i) and (ii) of sub-section (1), shall be appointed by the Federal Government and shall hold office during the pleasure of the Federal Government, on such terms and conditions as it may determine;
 - (b) the director referred to in clause (iii) of sub-section (1) shall be nominated by the Chairman;

- (c) the director referred to in clause (iv) of sub-section (1) shall be appointed by the Federal Government and shall hold office for a period of three years, on such terms and conditions as it may determine; and
 - (d) the directors referred to in clause (v) of sub-section (1) shall be elected by the private shareholders of the Bank and shall hold office for a period of three years, on such terms and conditions as the Board may determine.”;
- (11) in sub-section (7A), for the words “a member of an Executive Board” the words, commas, brackets and figures “a director, other than a director referred to in clause (iv) or clause (v) of sub-section (1)” shall be substituted;
- (12) in sub-section (8),-
- (i) the comma and words “,the members of the Board of Directors” shall be omitted;
 - (ii) for the words “members of an Executive Board” the words “directors and members of the Executive Committee of a bank” shall be substituted; and
 - (iii) after the word “Council”, occurring for the second time, the words “or a bank” shall be inserted; and
- (13) for sub-section (9) the following shall be substituted, namely:-
“(9) Except as provided in sub-section (3) of section 12, the Federal Government, the Council, the President, the Board or the Executive Committee shall not issue any directive or take any decision in contravention of the provisions of the State Bank of Pakistan Act, 1956 (XXXIII of 1956), or the Banking Companies Ordinance, 1962 (LVII of 1962).”.

6. Amendment of section 12, Act XIX of 1974:- In the said Act, in section 12,-

- (i) in sub-section (1), for the words “members of its board of management” the words “the President and directors of its Board” shall be substituted;
- (ii) in sub-section (2), for the words “members of the board of management” the words “the President and directors of the Board” shall be substituted; and
- (iii) after sub-section (2), amended as aforesaid, the following new sub-section shall be added, namely:-
“12(3) Notwithstanding anything contained in sub-section (1) and (2), the State Bank shall prepare, and submit to the Federal Government, a special report every year on cases of write off of loans, mark-up and other dues, or financial relief through rescheduling and restructuring of loans and subsidised loans provided by the nationalised commercial banks, in which established banking practices or authorised proce-

dures have been departed from with a view to causing wrongful loss to the bank or conferring wrongful gain on any constituent or such departure has caused wrongful loss to the bank or conferred wrongful gain on any constituent. If the matters raised in the report relate to public interest, the Federal Government may submit the report, or such part of it as relates to public interest, to Parliament or to the Standing Committee of a House of Parliament dealing with Finance.

7. **Amendment of section 18, Act XIX of 1974:-** In the said Act, in section 18, for the words "members of the Executive Board" the words and commas" or directors of the Board, or members of the Executive Committee, of a bank" shall be substituted.

8. **Amendment of section 21, Act XIX of 1974:-** In the said Act, for the word, figure and comma "Companies Act, 1913" the words, figures, comma and brackets "Companies Ordinance, 1984 (XLVII of 1984)" shall be substituted.

**The Banking Companies (Amendment) Ordinance, 1988
Ordinance No.XI of 1988.**

**AN
ORDINANCE**

further to amend the Banking Companies Ordinance, 1962.

WHEREAS it is expedient further to amend the Banking Companies Ordinance, 1962 (LVII of 1962), for the purposes hereinafter appearing.

AND WHEREAS the National Assembly is not in session and the President is satisfied that circumstances exist which render it necessary to take immediate action;

NOW, THEREFORE, in exercise of the powers conferred by clause (1) of Article 89 to the Constitution of the Islamic Republic of Pakistan, the President is pleased to make and promulgate the following Ordinance:-

1. **Short title and commencement.-** (1) This Ordinance may be called the Banking Companies (Amendment) Ordinance, 1988.

(2) It shall come into force at once.

2. **Amendment of Section 3A, Ordinance LVII of 1962.-** In the Banking Companies Ordinance, 1962 (LVII of 1962), hereinafter referred to as the said Ordinance, in section 3A, after the word and figure "section 25", the commas, figures and letters ",25A, 25AA," shall be inserted.

3. **Amendment of section 8, Ordinance LVII of 1962.-** In the said Ordinance, in section 8, in the second proviso, the words “wholly or partly owned or controlled by it or by the State Bank” shall be omitted.

4. **Insertion of section 25AA, Ordinance LVII of 1962.-** In the said Ordinance, after section 25A, the following new section shall be inserted namely:-

“25AA. Preparation of special reports:- The State Bank shall prepare, and submit to the Federal Government, a special report every year on cases of write off of loans, mark-up and other dues, or financial relief through rescheduling and restructuring of loans and subsidised loans provided by the banking companies, in which established banking practices or authorised procedures have been departed from with a view to causing wrongful loss to the bank or conferring wrongful gain on any constituent or such departure has caused wrongful loss to the bank or conferred wrongful gain on any constituent. If the matters raised in the report relate to public interest, the Federal Government may submit the report, or such part of it as relates to public interest, to Parliament or to the Standing Committee of a House of Parliament dealing with Finance”.

5. **Substitution of section 27A, Ordinance LVII of 1962.-** In the said Ordinance, for section 27A the following shall be substituted, namely:-

“27A. Prohibition of advertising for deposits and collection.- Notwithstanding anything contained in any other law for the time being in force, no company, firm or person, not being a banking company or a corporation or authority established by the Federal Government or a company duly authorised in this behalf by the Controller of Capital Issues or the Corporate Law Authority or the Registrar Cooperative Societies, shall solicit or invite deposits of money from the public through advertisements in the public media or by postal circulars, handbills, displays in public places or by any other means, or collect or receive any deposits or money in pursuance thereof.

Explanation.- For the purposes of this section, “deposits of money” shall be deemed to include money called, invited or collected for the purpose, or declared object, of investment or borrowing in any business carried on, or proposed to be carried on, by the company, firm or person by whom or on whose behalf, such money is called, invited, collected or received irrespective of the nature of the relationship, arrangement or terms offered or provided by such company, firm or person to the person making the investment, deposits of money or payment or of the basis or understanding on which the money is so called, invited collected or received”.

6. **Amendment of section 40, Ordinance LVII of 1962.**- In the said Ordinance, in section 40, in sub-section (4) after the word "banking company", wherever occurring, the words, figure and letter "or any company or firm or person referred to in section 27A" shall be inserted.

7. **Amendment of section 43A, Ordinance LVII of 1962.**- In the said Ordinance, in section 43A,-

(a) after the word "company", wherever occurring, the comma and word "firm" shall be inserted, and

(b) after the figure and comma "27A," the words, figure, letter and comma "or is receiving or has received deposits of money in contravention of section 27A," shall be inserted.

8. **Insertion of new section 43AA, Ordinance LVII of 1962.**- In the said Ordinance, after section 43A, the following new section shall be inserted, namely:-

"43AA. Special provisions.- (1) Where the State Bank has called for information under section 43A from a company, firm or person and it appears to the State Bank that, in the interest of the persons from whom the deposits of moneys were received, it is necessary that the moneys received and other assets of the company, firm or person, whether held in the name of that company, firm or person or of any other person, are protected and preserved, the State Bank may, without prejudice to any other action or proceedings which may be taken against such company, firm or person under any other provisions of this Ordinance or any other law for the time being in force, make an order in writing -

(a) appointing one or more persons as interim receiver or receivers authorising him or, as the case may be, each one of them to -

(i) enter and search any premises and seize books of accounts or other documents or records of such deposits of money; and

(ii) take in his custody, on behalf of the State Bank, all moneys, cash securities, title deeds, properties, whether movable or immovable, belonging to such company, firm or person, including those being held on behalf, or in the name, of any director, manager, officer, partner, employee, agent, beneficiary or transferee of such company, firm or person or their dependants;

(b) directing any bank, financial institution or person to freeze all moneys deposited with it or him on behalf of the company, firm or person or of any director, manager, officer partner or employee, agent beneficiary or transferee of such

- company, firm or person and deliver such moneys to the person appointed by it under clause (a);
- (c) authorising a person appointed under clause (a) to take all necessary steps and measures for identifying the assets and properties of the company, firm or person and for realisation, protection and preservation thereof;
 - (d) restraining any company, firm or person or any director, manager, officer, partner or employee or agent beneficiary or transferee of such company, firm or person or their dependants or any other person deriving or claiming title through any of them from alienating, transferring, selling, assigning, disposing of or parting with possession of any property, movable or immovable, or deriving any benefit, rent or income therefrom; and
 - (e) making such orders for realisation, protection and preservation of deposits of money and other assets and properties of the company, firm or or person as it may deem fit:

2. An order made under sub-section (1) shall, unless it is earlier withdrawn in pursuance of the proviso to sub-section (1) of section 43B, remain in force until possession of the moneys, cash securities, title deeds, properties, books of account, documents or records to which the order relates is taken over by the official liquidator or, as the case may be, the High Court, in pursuance of an order of the High Court under section 43 F;

Provided that any order made under sub-section (1) shall not prevent the High Court from determining the right of a person claiming to have acquired the property or asset from the company, firm or person, bona fide and for valuable and adequate consideration which such person shall be required to prove as paid from his own resources.

(3) An order made under sub-section (1) may be served on the Registrar of Joint Stock Companies or such other officer or authority or person as the State Bank may deem proper.

(4) If any person authorised under sub-section (1) requires assistance of the police or any other civil authority in the exercise of his powers or discharge of his functions thereunder, he may send a requisition to the officer in charge of a police station or to such authority who shall on such requisition render the assistance required."

9. **Amendment of section 43B, Ordinance LVII 1962.**- In the said Ordinance, in section 43B,-

(a) in sub-section (1),-

- (i) after the word "company", wherever occurring the comma and word ",firm" shall be inserted;
- (ii) after the figure and comma "27A," the words, figure, letter and comma "or is receiving or has received deposits of

money in contravention of section 27A,” shall be inserted; and

(iii) for the full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely,-

“Provided that, in a case in which the State Bank has made an order under sub-section (1) of section 43AA in respect of a company, firm or person, the State Bank shall make a declaration under this sub-section in respect of such company, firm or person within three months of the making of such order or within such further time, not exceeding three months in the aggregate, as the High Court may allow, or withdraw such order”.

(b) for sub-section (2) the following shall be substituted, namely:-

“(2) The State Bank shall publish, or cause to be published, a declaration made under sub-section (1) in two newspapers having wide circulation in the area in which the registered office of the company or firm, or the principal office of the person, to which or to whom the declaration relates is situated; and , upon such publication, the company, firm or such person or the chief executive, by whatever name called, or directors, managers, officers employees or agents of the company or partners, managers, officers employees or agents of the firm, or such person, or any other person referred to in sub-sections (1), (3) or (4) of section 43D or section 43E, shall not be heard to plead ignorance of the making of the declaration.”

10. Amendment of section 43C, Ordinance LVII of 1962.- In the said Ordinance, in section 43C,-

(a) in sub-section (1), after the word “company”, wherever occurring, the comma and word “,firm” shall be inserted; and

(b) in sub-section (2), after the word “company” occurring for the second time, the comma and word “,firm” shall be inserted.

11. Amendment of section 43D, Ordinance LVII of 1962.- In the said Ordinance, in section 43D,-

(a) in sub-section (1), after the word “company”, wherever occurring, the comma and word “,firm” shall be inserted;

(b) for sub-section (3) the following shall be substituted, namely:-

“(3) Untill such time as an official liquidator, official assignee, interim receiver, receiver or official receiver, as the case may be appointed by the Court on an application made under section 43F takes over the possession, custody or control of any books, documents, records and assets of a company, firm or person in respect of which or whom a declaration under sub-section (1) of section 43B has been made, including any actionable claims to which such company, firm or person is, or appears to be, entitled, the chief executive, by whatever name called, and a director, manager, officer, employee and agent of such company, or a partner, manager, officer, employee and agent of such firm or

- person, and every other person who may have in or under his possession, custody or control of such books, documents, records, assets or claims, shall preserve and aid in preserving, such books, documents, records, assets and claims and shall, without prejudice to any other liability that he may incur, be jointly and severally liable for any loss or damage”; and
- (c) in sub-section (4), after the word “company”, the comma and word “,firm” shall be inserted.

12. **Amendment of section 43E, Ordinance LVII of 1962.-** In the said Ordinance, for section 43E, the following shall be substituted, namely:-

“43E. Statement of assets and liabilities to be submitted to State Bank.- Within three days of the publication of a declaration under sub-section (1) of section 43B in respect of a company, firm or other person, or within such further time as the State Bank may, by order in writing, allow, the chief executive, by whatever name called, and every director, manager, officer, and agent of the firm or such person, and every other person having a claim or liability against or towards the company, firm or such person shall submit to the State Bank as statement showing the assets and liabilities of the company, firm or such person so far as may be known to him.”

13. **Amendment of section 83, Ordinance LVII of 1962.-** In the said Ordinance, in section 83,-

- (a) in sub-section (1C),-
- (i) for the word, figure and letter “section 43A” the words, figures and letters “section 27A or section 43A” shall be substituted; and
- (ii) after the figure and letter “43E”, the commas, words, figure and letters or obstructs or hinders any person in the exercise of his powers or hinders any person in the exercise of his powers or discharge of his functions under section 43AA,” shall be inserted; and
- (b) for sub-section (ID), the following shall be substituted, namely:-
- “(ID) If any company, firm or person contravenes the provisions of section 27A, the chief executive of the company and its directors, every partner of the firm and such person shall be guilty of an offence punishable with imprisonment of either description for a term which may extend to ten years and with fine the amount of which shall not be less than twice the amount of deposits received in contravention of the said section and forfeiture of whole or part of the property of such company, firm or person and the chief executive of the company and its directors, every partner of the firm and person.”**

14. **Amendment of section 84, Ordinance LVII of 1962.-** In the said Ordinance, in section 84, for sub-section (1) the following shall be substituted, namely:-

“(1) No court shall take cognizance of any offence punishable under sub-section (1), (1A), (1B), (1C) and (1D) of section 83 except on a complaint in writing made by an officer of the State Bank generally or specially authorised in writing in this behalf by the State Bank and no court other than the High Court shall try any such offence.”

15. **Amendment of section 90, Ordinance LVII of 1962.**- In the said Ordinance, in section 90,-

- (a) after the figure, letter and comma “25A,” the figure, letter and comma “27A,” shall be inserted; and
- (b) after the figure, letter and comma “43A,” the figure, letters and comma “43AA,” shall be inserted.

16. **Amendment of section 91A, Ordinance LVII of 1962.**- In the said Ordinance in section 91A,-

- (a) after the figure, letter and comma “26A,” the figure, letter and comma “27A,” shall be inserted; and
- (b) after the figure, letter and comma “43A,” the figure, letters and comma “43AA,” shall be inserted.

GHULAM ISHAQ KHAN
President

Justice NASIR ASLAM
KHAN
Secretary
Justice Division



Please refer to BCD Circular No. 14 dated the 8th June, 1981 on the captioned subject.

**Export Finance Scheme
Part-II.**

It has been decided to substitute para 2 of the circular referred to above with the following:-

“It may please be noted that submission of the duplicate copy of the form ‘EF’ duly verified by the Exchange Control Department, to the Chief Manager of the concerned office of the State Bank is the responsibility of the bank concerned. The banks in future shall accordingly submit the duplicate copy of form ‘EF’ duly verified by the Exchange Control Department, within 50 days of the close of the respective monitoring period, failing which they shall render

themselves liable to a fine of Rs.2,000/- for the default and further fine of Rs.100/- for every day during which the default continues. Further, if the required form 'EF' is not received on its due date it will be deemed that matching exports have not been made and the concerned office of the State Bank shall recover fine for non-shipment at the prescribed rate by debit to the account of the bank concerned. In case the bank subsequently produces duplicate copy of the 'EF' form duly verified by the Exchange Control Department, the Chief Manager's Office shall refund the fine charged on account of non-shipment to the extent due on the basis of the entries verified by the Exchange Control Department."

Issue of Guarantees by Banks.

10
1988

Please refer to BCD Circular No.7 dated the 30th January, 1983 in terms of which guarantees given by banks on behalf of their constituents are required to be backed by tangible securities.

In partial relaxation of the above instructions it is advised that the banks while issuing bank guarantees to the exporters of cotton in terms of F.E. Circular No.77 dated the 4th December, 1988 may settle the type and quantum of security with their customers.

1
1989

The banks are hereby directed as under:-

Selective Credit Control

(i) Banks shall not, with immediate effect, allow advances against Red Chillies.

(ii) All advances against Red Chillies outstanding on the date of this Circular shall be got fully adjusted latest by 7th February, 1989.

Compliance report should reach Banking Control Department, State Bank of Pakistan, Central Directorate, Karachi by 14th February, 1989 in the form appended.

COMPLIANCE REPORT

Amount of Advance	ADVANCES AS ON 23.1.1989		(Amount in Thousand Rs.)
	Stock of Chillies held Value	Quantity (Kg.)	

Amount of Advance	ADVANCES AS ON 7.2.1989	
	Stock of Chillies held Value	Quantity (Kg.)

2
1989

In partial modification of BCD Circular No.12 dated the 19th April, 1986 it has been decided that banks may allow advances to sugar Mills and other entities against indigeneous sugar, subject to credit controls enforced from time to time.

Selective Credit Control

Ban on advances against imported sugar shall, however, continue.

3
1989

Further to our BCD Circular No.9 dated 4th March, 1986, it has since been decided to include the name of the undernoted firm in the panel of auditors circulated vide BCD circular No.41 dated 17-12-1985 in terms of Section 35(1) of the Banking Companies Ordinance, 1962 as

Panel of Auditors

amended by Banking Companies (Amendments) Act, 1972 (No. XXX of 1972:

Name of firm: M/s. Gardezi & Co.
Chartered Accountants

Address: 1. Standard Insurance House
I.I. Chundrigar Road, Karachi.
2. Amin Building,
65, The Mall, Lahore.

Selective Credit Control



Please refer to BCD Circular No.5 dated the 5th July, 1987.

It has been decided to leave it free for the banks to determine the margin requirements against letters of credit established by them for import of computers/micro-computers.

Opening of Banks
Account of Government
Departments



It has been brought to our notice that at times accounts are opened with the Commercial Banks by the Government Officials on behalf of the Government in their personal names. This is irregular and violative of financial rules.

Banks are therefore, directed to ensure that any such account which is to be operated upon by an officer of the Federal/Provincial Government in his official capacity is opened only on production of a special resolution/authority of the concerned administrative department duly endorsed by the Finance Division/Department of the Government.

Export Finance
Scheme—Exports to
Iraq on Deferred
Payment Basis



Please refer to BCD Circular No.11 dated the 20th February, 1985 on the above noted subject.

It has been decided to make the following additions in the list of commodities eligible for export to Iraq on deferred payment basis:-

1. Wood manufactures. (Such as doors, ply, plywood partitions wall, panelling, False ceiling material).
2. Marble/Onyx/Granite Manufactures. (Such as polished tiles/slabs for flooring and walls in various sizes).

3. Building material/Furniture and fixture and fittings.

The above changes would be effective from the date of issue of this circular. Other terms and conditions of the scheme remain unchanged.



The Islamic Development Bank has instituted a Longer Term Trade Financing Scheme. The State Bank will act as the National Agency for the purpose of operating the Scheme in Pakistan on behalf of Islamic Development Bank. All potential exporters desiring to avail finances under the Scheme, shall submit their applications as also make other communications with the State Bank of Pakistan.

**Longer Term Trade
Financing Scheme of
Islamic Development
Bank**

2. Conditions of financing:

- (i) The facility under the Scheme shall be admissible at the post-shipment stage only.
- (ii) The finances shall be provided on the basis of Islamic modes of financing. Presently, financing under the Scheme is envisaged on the basis of Modarbah or instalment sale.
- (iii) Commodities to be financed under the Scheme must be of OIC Member Country's origin.
- (iv) The Scheme's financing shall normally be limited to 30% to 40% of the value of export Contract. In the case of Contracts of the value of less than 3 million Islamic Dinars (the unit of account of IDB the value of which is equivalent to one Special Drawing Right of the International Monetary Fund) the financing may be provided upto 80% of the value of the shipments made under the relevant Letter of Credit. The period upto which Scheme shall provide finances shall vary between 18 months & 60 months. Broadly the repayment period for the importers for various categories of commodities will be as under:-

Consumer Goods	Not exceeding 24 months
Raw Materials and Intermediary goods	Not exceeding 36 months
Capital goods	Not exceeding 60 months

The Islamic Development Bank will determine the maximum grace, financing and repayment period for various groups of commodities keeping in view the nature of each commodity, its unit value, overall amount of export operation and its immediate objective.

- (v) The maximum profit margin of Islamic Development Bank in the transactions under the Scheme is presently 8% of the purchase price payable by the importer calculated on annual basis.

3. Operational guidelines:

The following guidelines have been laid down for the exporters desiring to avail finances under the Scheme:

- (i) The buyer and seller shall be free to negotiate and settle the commercial terms of the transaction keeping in view the basic conditions of the Scheme. A preliminary agreement or the letter of intent shall only be signed which should inter alia expressly envisage the payment through confirmed irrevocable letter of credit in any of the convertible currency acceptable to the Scheme.
- (ii) Under the procedure of the Scheme the Pakistani exporter shall forward the preliminary agreement (or the Letter of Intent as the case may be) to the State Bank of Pakistan and apply for the export financing under the Scheme as per application form at Annexure-I.
- (iii) The State Bank will examine and evaluate the application received from local exporters with a view to ensure their conformity with the Procedures and Regulations of the Scheme.
- (iv) Where the State Bank is satisfied that the application for financing conforms with the given procedures and regulations and meets the objectives of the Scheme, it may process the application and forward it to the Islamic Development Bank alongwith its report and recommendations.
- (v) After the application is approved by the Governing Body of the Scheme, the State Bank will communicate the terms and conditions of the offer of the Scheme to the domestic exporter who shall then communicate the same to the foreign importer.
- (vi) The foreign importer shall communicate the acceptance of the offer to the Pakistani exporter with a copy to the State Bank and the Scheme.
- (vii) On the basis of the approval accorded by the Scheme, the State bank shall proceed on behalf of Islamic Development Bank to execute Purchase Contract (as per annexure-II) with the Pakistani exporter and a Resale Contract (as per annexure-III) with the foreign importer.

- (viii) The importer will instruct its bank (issuing bank) to establish an irrevocable letter of credit in favour of the exporter. The letter of credit must interalia indicate the amounts to be paid by the opening bank and by the Scheme respectively. Such a letter of credit will be subject to the Uniform Customs and Practice for Documentary Credits (current revision). The Scheme may, however, approve any other mode of payment suitable for the parties to the export transaction, in conformity with the international trade practice and as agreed among all the parties involved in the transaction.
- (ix) The importer shall arrange a repayment guarantee in favour of Islamic Development Bank, from a Bank acceptable to the Scheme. The guarantee shall be in the form prescribed at Annexure-IV.
- (x) The issuing bank may instruct the advising bank to confirm the letter of credit.
- (xi) The advising and confirming bank shall inform the Scheme about the opening of letter of credit and its confirmation by sending full text of letter of credit by tested telex.
- (xii) The Scheme will issue standing order to its correspondent bank to reimburse the advising and confirming bank upon receipt of a certificate of compliance from it that the terms and conditions of the letter of credit have been complied with.
- (xiii) The advising and confirming bank shall inform the exporter about its confirmation of letter of credit.
- (xiv) The exporter will ship the goods and present the shipping documents (as specified in the L/c) to the advising and confirming bank for payment.
- (xv) The advising and confirming bank shall thereupon contact the Scheme's correspondent bank for re-imburement.
- (xvi) The advising and confirming bank shall send the original copy of the shipping documents to the issuing bank.
- (xvii) The certified copy of the shipping documents shall be simultaneously sent by the advising and confirming bank to the State Bank.

4. Procedure for Application

Exporters desiring to avail finances in terms of the Scheme may address their applications to the Director, Banking Control Department,

State Bank of Pakistan, Central Directorate, Karachi, through their respective banks. Each Application must be duly signed by, at least, two authorised directors of the limited company, one of whom must be the chief executive of the company. All documents shall be duly authenticated by the bank concerned.

Where the domestic importers desire to avail the facility of financing under the Scheme, they may file an application with the State Bank, for the purpose. The State Bank in the capacity of National Agency would process the applications and forward their cases to the IDB in accordance with the Rules and Regulations of the Scheme. However, after the IDB has conveyed its agreement to finance, the procedures laid down for the concerned exporters shall have to be duly fulfilled.

It may be mentioned that the Scheme intends to restrict its financing for the promotion of export of non-traditional exports of the Member countries. As the Scheme would not have unlimited resources, it would not be possible for it to spread the benefit of the Scheme to reach a wide set of items and applications.

AMMEXIRE-I

**ISLAMIC DEVELOPMENT BANK
LONGER TERM TRADE FINANCING
APPLICATION FORM**

No:.....

Date

**To: Islamic Development Bank
Jeddah, Saudi Arabia.**

The(exporter)..... in(contry).....is hereby applying for an Export Financing Operation through (National Agency) under IDB's LTF Scheme, the salient features of which are as follows:

1. Exporting Institution:

- (a) Full Name
- (b) Full address
- (c) Legal status
- (d) Relevant Technical Information
- (e) Last Annual Report including the Audited Accounts is attached.
- (f) Articles of Association, law or other constitutive instrument governing the establishment of the Institution (as the case may be) is attached.

2. Importing Member Country

3. Importing Institution

- (a) Full Name
- (b) Full address
- (c) Legal Status
- (d) Relevant Technical Information
- (e) Last Annual Report including the Audited Accounts is attached. (It is preferred also to send the two Annual Reports preceding it).
- (f) Articles of Association or Law Governing the establishment of the Institution (as the case may be) is attached.

4. Proposed Guarantor Bank

- (a) Full Name
- (b) Full address
- (c) Legal Status
- (d) Last Audited Accounts are herewith attached.

5. Goods to be Exported:

Name(s), specifications, quantity (ies), expected unit price(s) total price(s) FOB, C&F or CIF(in any convertible currency) expected schedule of delivery, expected use and market, expected economic impact in the Exporting Member country, if applicable.

A copy of the Supply Contract (between the exporter and importer) is enclosed herewith.

- 6. Port of Export.
- 7. Port of Import.
- 8. OIC Member Countries origin of the Goods%
- 9. Statement evidencing the above OIC Member Countries. Origin of the Goods, prepared by the Exporting Institution and endorsed by the National Agency of the country concerned is also herewith attached.

	Currency
10. Expected Invoice value
11. Total financing needed:	
(a) Requested LTTF Scheme Contribution
(b) Financing from other sources (specify)
12. Proposed Mark-up (.....%)
13. Proposed Repayment Period of Resale Price (MONTHS)

14. Draft L/C to be opened by the Importing Institution is enclosed herewith.

.....
Signature
For the National
Agency of the Exporting
Member Country.

AMMEXIRE-II

FORM OF PURCHASE CONTRACT

This Purchase Contract is made thisDay of140 H corresponding toDay of198 by and between having its Headquarters at(hereinafter referred to as “.....”) acting as Agent of the Islamic Development Bank (hereinafter referred to as “IDB” and(hereinafter referred to as “the exporter”).

WHEREAS,

- A The Exporter agreed with(hereinafter referred to as the “Importer”) to export toa quantity of the goods specified in the list attached hereto (hereinafter referred to as “the Goods”.)
- B The Exporter applied through for an export financing under the Longer Term Trade Financing Scheme established by IDB;
- C IDB agreed by its telex todated to provide export financing from the resources of the Scheme in an amount not exceeding
- D IDB authorised by the telex referred to above to purchase the Goods from the exporter in IDB’s name in accordance with the terms and conditions hereinafter provided.

NOW THEREFORE, the parties hereto hereby agree as follows:

- 1. The Exporter agrees to sell to IDB and IDB agrees to purchase from the Exporter the Goods at price of
- 2. Not later than the Exporter shall:
 - (a) at his own risk and expense obtain any export licence or other governmental authorization necessary for the export of the Goods.

- (b) ship the Goods to the Importer CIF
3. The Exporter hereby warrants that in the manufacture of the Goods only the best workmanship and materials have been employed and if any fault due to bad workmanship or material is proved the Exporter shall indemnify the Importer for any loss incurred as a result of such fault.
 4. The Exporter shall at all times indemnify IDB or the Importer (as the case may be) against all claims which may be made in respect of IDB or the Importer for infringement of any right protected by patent registration of design or trade mark. In the event of any claim in respect of an alleged breach of patent registered design or trade mark being made against IDB or the Importer, the Exporter shall endeavour at his own expense to conduct negotiations for the settlement of any litigation that may arise therefrom.
 5. (a) IDB shall cause the Importer to establish an Irrevocable Confirmed Documentary Letter of Credit in favour of the Exporter in an amount of Unless IDB otherwise agrees, if the Letter of Credit is not established within, IDB may by notice to the parties concerned terminate this Contract and cancel the Operation.

(b) Provided that the Letter of Credit is in conformity with the relevant provisions of this Contract, IDB will, on receipt of a tested telex from the Exporters' Banker arrange for the Exporters' Banker to be reimbursed for any payment made out by it under such Letter of Credit. Such reimbursement will be made by a first class correspondent bank of IDB against a receipt by such correspondent bank of a certificate from the Exporter's Banker that all the relevant terms of such Letter of Credit have been fully and properly complied with.
 6. (a) No party hereto shall be liable for any failure, delay or damage in connection with the Contract caused by fire, strikes, act of God, regulation of governmental agencies or authorities war, civil disorders, or similar circumstances or any other causes comprehended in the terms "Force Majeure", if it is clearly evident that such failure, delay or damage are beyond the control of the respective parties hereto.

Should one or both parties be prevented from fulfilling their contractual obligations by a State of "Force Majeure" lasting continuously for a period of over three months, the parties shall consult with each other regarding the future implementation of the Contract.

(b) No delay, forbearance or other indulgence on the part of IDB in exercising any right it may have against the Exporter shall constitute a waiver thereof.
 7. This Contract shall be construed in accordance with and be governed by the principles of Shariah;

8. (a) Any controversy between the parties to this Contract and any claim by such party against the party arising under the Contract which could not be settled amicably by the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.
 - (b) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by IDB; and the second arbitrator shall be appointed by the Exporter and the third arbitrator (hereinafter called the Referee) shall be appointed by agreement of the parties, or if they shall not agree, by the Secretary General of the Organization of Islamic Conference or should the Secretary General be a national of.....by the next official in the Organization in order of seniority who is not a national of.....If either side shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Referee. In case any Arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.
 - (c) The arbitral Tribunal shall lay down its procedure. The decision of the Tribunal shall be final and binding on the parties hereto.
9. Any notice or request given or made by either party to the other under this Contract or in connection therewith shall be made in writing and may be given by telex or letter. Such notice or request shall be deemed to have been duly given when it shall be delivered by hand or mail to the other party at his address specified in Clause-10 hereof or any other address as may be designated by notice to the other party.
 10. For the purposes of Clause-9 the parties have given their addresses as follows:-

The Islamic Development Bank
 P.O. Box No.5925, Jeddah: 21432
 Kingdom of Saudi Arabia
 Cable: BANKISLAMI JEDDAH
 Telex: 601137 - 601407 ISDB SJ
 Telex: 601945 - ISLAM(ARABIC)
 Fax : 6366871 JEDDAH

(As IDB Agent)

.....

The Exporter:

.....

Telex:

Cable:

IN WITNESS WHEREOF, the parties hereto through their duly authorized representatives have signed this Contract on the date specified in its Preamble.

FOR AND ON BEHALF OF
(THE EXPORTER) :

FOR AND ON BEHALF OF
.....(ACTING AS
THE AGENT OF THE ISLAMIC
DEVELOPMENT BANK)

IST OF THE GOODS

ANNEXURE-III

FORM OF RESALE CONTRACT

THIS CONTRACT is made this Day of 140 H
corresponding to Day of 198
by and between having its
headquarter at (hereinafter
referred to as “.....”) acting as the Agent of the
Islamic Development Bank (hereinafter referred to as “IDB”, and
..... (hereinafter referred to the “Importer”).

WHEREAS

A., acting as the Agent of IDB, purchased
from (hereinafter referred to
as “The Exporter”) by a Contract concluded on the
goods specified in the list attached hereto (hereinafter referred to as
“The Goods”).

B. The Importer promised to purchase the Goods from IDB.
NOW THEREFORE the parties hereto hereby agree as follows:

1. IDB agrees to sell to the Importer, and the Importer agrees to purchase, the Goods from IDB on the basis of Morabaha in accordance with the terms and conditions hereinafter set out.
2. The Importer shall procure, at his risk an expense, the import licences and permits necessary for the importation of the Goods into.....

3. As soon as practicable, but in any case not later than..... the Importer shall arrange with its banker to open an irrevocable confirmed Letter of Credit in favour of the Exporter in respect of the price of the Goods CIF for an amount of The letter of Credit shall stipulate that it is subject to the Uniform customs and practice for Documentary Credits (Latest Revision) and shall require that the following documents be furnished by the Exporter:
 - (a) A full set of "on board" clean negotiable bill of lading;
 - (b) Invoice of the Goods;
 - (c)
 - (d)

Unless IDB otherwise agrees, if the Letter of Credit is not opened within....., IDB may, by notice to the parties concerned, terminate this Contract and cancel the Operation.

4. The Importer shall instruct its banker to communicate to IDB, under tested telex copied to.....the full text of the Letter of Credit as well as any proposed amendments thereof. IDB on receipt of said tested telex shall arrange for the Exporter's banker to be reimbursed for any payment made by it under the Letter of Credit. Such reimbursement will be made by a first class correspondent bank of IDB against a receipt by such correspondent bank of a Certificate from the Exporter banker that all relevant terms of the Letter of Credit have been fully and properly complied with.
 5. (a) IDB shall deliver to the Importer such title to the Goods as IDB may have.
 - (b) The Importer acknowledges that it has selected the goods itself relying solely on its own skill and judgement, and that no condition or warranty or representation concerning the condition of the Goods has been given by or on behalf of IDB. It is expressly agreed between IDB and the Importer that all conditions or warranties express or implied by law relating to the quality or quantity of the Goods or its description or merchantability or its fitness for any purpose or any other matter concerning its condition is hereby expressly excluded; save that IDB hereby assigns to the Importer all such rights to which IDB may be entitled under the Purchase Contract.
6. The price payable to IDB by the Importer for each shipment of the Goods (hereinafter referred to as the "Resale Price") shall be the price payable by IDB to the Exporter in accordance with the Purchase Contract for the relevant shipment (hereinafter referred to as the "Shipment Price") plus a mark-up of% (..... Per Cent).
7. This Contract shall not become effective unless and until the Importer shall have furnished a guarantee in a form acceptable to IDB

from a first class commercial bank under which the bank unconditionally and irrevocably guarantees to IDB on demand the due and punctual payment of each Resale Price and all other monies payable to IDB under this Contract as and when the same shall become due. The guarantee shall stipulate that all payments by the Guarantor shall be made in the manner and in the amounts prescribed herein for payment by the Importer.

8. Each Resale Price shall be denominated in Islamic Dinars. In accordance with Article 4(1)(a) of IDB's Articles of Agreement, one Islamic Dinar equals one Special Drawing Right of the International Monetary Fund. As soon as practicable after the payment by IDB of each shipment price, IDB shall notify the Importer and the Guarantor of the corresponding Resale Price in Islamic Dinars, calculated by reference to the rate of exchange prevailing on the working day in Jeddah immediately preceding the day on which the relevant shipment price is paid by IDB, as certified by IDB with reference to the rates of exchange prevailing on the same said day between the Special Drawing Right and the currency in which the Shipment Price has been paid as advised by the International Monetary Fund. Each Resale Price shall be paid by the Importer in such freely convertible currency as shall from time to time be specified by IDB and notified by it to the Importer and the Guarantor and shall be calculated by converting the Islamic Dinar amount of such Resale Price into such currency at the rate of exchange prevailing on the working day in Jeddah immediately preceding the day on which such Resale Price becomes due under Clause 9(a) hereof.
9. (a) The Importer shall pay to IDB the Resale Pricemonths from the date the corresponding payment of the Shipment Price is made by IDB to the Exporter.
(b) If any payment becomes due on a day on which the banks are not officially open for business in the place where payment is to be effected by the Importer in the currency concerned, payment shall be made on the next following day on which such banks are open for business.
- 10 (1) The Importer shall pay each Resale Price to IDB by telex or cable transfer to such bank account as IDB shall from time to time specify to the Importer and the Guarantor, or in such other manner as IDB may direct from time to time.
(2) Without prejudice to the generality of Sub-clause (1) of this Clause, all payments due hereunder shall be deemed to be duly paid when any of the following banks confirms to the IDB the receipt of such payment in the Islamic Development Bank's account with it:
 - (a) If such payment is made in U.S. Dollars:
 - (i) Account No.001591.11
Saudi International Bank
99, Bishopsgate, London EC 2M 3TB
Telex Numbers: 8812261, 8812262

- (ii) Account No. B 10507
Arab Banking Corporation
P.O. Box: 5698, Manama, Bahrain
Telex Numbers: 9385, 9431/2/3
9442 ABCBAH BN
 - (b) If such payment is made in French Francs:
Account No. 96965.9.001.00
Union De banques Arabes Et
Francaises (U.B.A.F.)
190 Avenue Charles De Gaulle
92523 Neuilly Cedex, France
Telex Number: 610334 UBAFRA.
 - (c) If such payment is made in Pounds Sterling:
Account No. 708372
Gulf International Bank
2-6- Canon Street
London EC 4M 6XP
Telex Numbers: 8813326, 8812889
- (3) All charges and expenses in connection with such payment shall be paid by and shall be for the account of the Importer.
- (4) All payments by the importer hereunder shall be made without set-off or counterclaim and free and clear of all taxes, charges deduction or with-holding of whatever nature, all of which shall be for the account of the Importer.
- 11. (a) The Importer undertakes to obtain or comply with all necessary consents, licences or permissions under any relevant Exchange Control Law, regulations or decrease for the time being in force in the Importer's country in order that IDB shall receive from the Importer the total amounts payable to IDB pursuant to this Contract in the currency or currencies stipulated herein.
- (b) No delay, forbearance or other indulgence on the part of IDB in exercising any right which it may have against either the Importer or the Guarantor shall constitute a waiver thereof.
- 12. Subject to Clause-II hereof no party hereto shall be liable for any failure, delay or damage in connection with the Contract caused by fire, strikes, act of God, regulation of governmental agencies or authorities, war, civil disorders, or similar circumstances or any other causes comprehended in the term "Force Majeure", if it is clearly evident that such failure, delay or damage are beyond the control of the respective parties hereto.

Should one or both parties be prevented from fulfilling their contractual obligations by a state of "Force Majeure" lasting continuously for a period of over three months, the parties shall consult with each other regarding the future implementation of the Contract.

13. This contract shall be construed in accordance with and be governed by the principles of Shariah.
14. (a) Any controversy between the parties to this Contract and any claim by such party against the other party arising under the Contract which could not be settled amicably by the parties shall be submitted to arbitration by an Arbitral Tribunal as herein-after provided.
 - (b) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by IDB; and the second arbitrator shall be appointed by the Importer and the third arbitrator (hereinafter called the Referee) shall be appointed by agreement of the parties, or if they shall not agree, by the Secretary General of the Organization of Islamic Conference or should the Secretary General be a national of by the next official in the Organization in order of seniority who is not a national of If either side shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Referee. In case any Arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.
 - (c) The Arbitral Tribunal shall lay down its procedure. The decision of the Tribunal shall be final and binding on the parties hereto.
15. Any notice or request given or made by either party to the other under this Contract or in connection therewith shall be made in writing and may be given by telex or letter. Such notice or request shall be deemed to have been duly given when it shall be delivered by hand or mail to the other party at his address specified in Clause-16 or any other address as may be designated by notice to the other parties.
16. For the purposes of Clause-15 above the parties have given their addresses as follows:

The Islamic Development Bank (IDB):
P.O. Box: 5925
Jeddah: 21432
Kingdom of Saudi Arabia.
Cable: BANKISLAMI JEDDAH
Telex: 601137-601407 ISDB SJ
Telex: 601945 ISLAM (ARABIC)
Fax: 6366871 JEDDAH

(As IDB Agent)

.....
.....

The Importer:

.....
.....

Telex:

Cable:

IN WITNESS WHEREOF, the parties hereto through their duly authorized representatives have signed this Contract on the date specified in its Preamble.

FOR AND ON BEHALF OF
(THE IMPORTER):

FOR AND ON BEHALF OF
.....
(AS IDB AGENT)

LIST OF GOODS

ANNEXURE-IV

GUARANTEE NO.

TO: The Islamic Development Bank
P.O. Box: 5925
Jeddah: 21432
Kingdom of Saudi Arabia

WHEREAS

- A- The Islamic Development Bank (hereinafter referred to as "IDB"), in its capacity as Administrator of the Longer Term Trade Financing Scheme, has agreed, in accordance with a contract dated between IDB and (hereinafter referred to as "the Company") to sell to the Company (the "Goods") (said Contract hereinafter referred to as the "Resale Contract").
- B- The provision of a guarantee from a first class commercial bank is a condition precedent to the effectiveness of the Resale Contract.

NOW THEREFORE Bank, in consideration of IDB selling the Goods to the Company hereby:

1. As primary obligor and not merely as surety unconditionally and irrevocably guarantees to the IDB the due and punctual execution of the obligations of the Company under the Resale Contract and the due and punctual payments by the Company of all sums payable under or in connection with the Resale Contract when and as the same shall become due and undertakes that if and each time that the Company shall default in payment of any of sums due under the Resale Contract the Guarantor will, on written demand from the IDB, make good the default and pay such sums as if the Guarantor instead of the Company were expressed to be the primary obligor.
2. Covenants that the obligations of the Guarantor hereunder shall not be affected by any act, omission or circumstances which but for this provision might operate to release or otherwise exonerate the Guarantor from its obligations under this Guarantee. In particular, and without limitation of the foregoing, the Guarantor's obligations under this Guarantee shall remain valid and enforceable in accordance with the terms of this Guarantee irrespective of the provisions of any law or order purporting to reduce or otherwise affect any of such obligations to the intent that the Guarantor's obligations under this Guarantee shall be construed as if there were no such law or order.
3. Waives any right it may have of first requiring IDB to proceed against or claim payment from the Company or enforce any guarantee or security granted by any other party before enforcing this Guarantee.
4. Agrees that written demand from IDB setting forth the amount due from the Company under the Resale Contract shall be prima facie evidence of such amount.
5. Undertakes that in the event of the winding up, or dissolution of the Company, the Guarantor shall make payments on their due dates as set out in the Resale Contract.
6. Agrees that this Guarantee shall be binding upon the Guarantor and its successors and shall inure to the benefit of the IDB and its successors and assigns.
7. Agrees that this Guarantee shall remain in force until all the obligations of the Company under the Resale Contract or in connection therewith have been discharged and all sums payable have been paid in full.
8. Agrees that this Guarantee shall be subject to and be construed in accordance with the principles of Shariah and that any dispute thereunder which is not settled amicably shall be settled by an

Arbitration Tribunal composed of one Arbitrator appointed by IDB, the second by Bank and the third by the two Arbitrators. The Tribunal shall set its procedure and its decision shall be final and binding on the parties.

In witness whereof I have signed below for and on behalf of Bank.

Signature

Date

Elimination of 'Riba' from the Banking System—Determination of Rates of Profit on Various Types of PLS Liabilities of the Banks and DFIs

8
1989 Please refer to BCD Circular No.34 dated 26th November, 1984 in terms of which Banks and DFIs receiving PLS Deposits are required to declare rates of profit on various types of PLS deposits on half yearly basis for the half year ending 30th June, and the half year ending 31st December each year after obtaining clearance from the State Bank in regard to the rates of profit proposed to be declared.

It has since been decided that henceforth the condition of obtaining prior clearance from State Bank for declaring rates of profit on PLS Liabilities by the Banks/DFIs may be dispensed with. The Banks/DFIs shall, however intimate to State Bank of Pakistan the rates declared by them with 7 days from the date of declaration as also continue to submit their External Auditor's certificate within the time limit prescribed in BCD Circular No.10 dated 20th February, 1985.

The above instructions shall apply in the case of the PLS rates to be declared for the half year ending 30th June, 1989 and subsequent half years. The other instructions contained in BCD Circular No.34 dated 26th November, 1984 and those subsequently issued from time to time, on the subject remain unchanged.

Selective Credit Control—Advances Against Sugar

9
1989 Under the existing instructions contained in BCD Circulars No.5 dated the 5th July, 1987 and No.2 dated the 2nd February, 1989 banks are allowed to sanction advances against indigenous sugar to sugar mills and other entities subject to credit restrictions imposed from time to time. Advances to all entities against imported sugar are, however, banned.

It has now been decided that banks may allow advances to sugar mills and other entities against sugar (both indigenous and imported) subject to the following conditions:-

- (i) A minimum margin of 25% shall be maintained on the stock of sugar.
- (ii) In the case of advances to sugar mills the valuation of stock is made at a rate not exceeding Rs.350/- per 40 kilogram.

Presently, the letters of credit for import of sugar are allowed to be opened at Nil margin. The banks may continue to open the letters of credit for the import of sugar without margin restrictions.

The existing advances against sugar shall be regularised in accordance with the above margin requirements and a compliance report sent to us positively within 15 days of the issue of this Circular.

10
1989

Please refer to BCD Circular No.14, dated 5th July, 1984.

Export Financing
Scheme

It has been decided to remove with immediate effect the following five commodities from the negative list issued vide BCD Circular referred to above:-

- (i) Refined/Treated Salt.
- (ii) Ground barytes.
- (iii) Granite Blocks and Slabs.
- (iv) Heat insulating bricks.
- (v) Magnesite refractories.

The export of the above commodities will now be eligible for financing under the Export Finance Scheme.

11
1989

Please refer to BCD Circular No.1 dated the 8th March, 1988.

Issue of Guarantees by
Banks

It has been decided that relaxations provided for in the Circular referred to above, shall also be admissible to all suppliers of goods and services bidding against international tenders.

12
1989

Please refer to BCD Circular No.14 dated the 5th July, 1984.

Export Finance Scheme

It has been decided to allow the facility of concessionary finance under the Scheme for the export of 'Cotton Sewing thread'. Accordingly the commodity "Cotton Yarn" appearing at Serial No.2 in the list attached with the above circular may be amended to read as under:-

Item No.2 "Cotton Yarn" excluding
"Cotton Sewing Thread".

The facility shall be admissible with immediate effect.

13
1989

Please refer to BCD Circular No.4 dated the 28th February, 1978 on the captioned subject.

Export Finance
Scheme—Post Shipment
Finance

Under the existing provisions of the Export Finance Scheme the exporters are eligible to avail the facility of concessionary finance for a

maximum period of 150 days. The exporters are free to avail the facility for pre-shipment and/or post shipment period subject to the condition that the total period of the facility for pre and post shipment period taken together does not exceed the maximum period of 150 days.

It is hereby clarified that in cases where the exporters desire to avail the facility under the Scheme exclusively for post-shipment period, the facility shall be admissible for a maximum period of 150 days as calculated from the date of shipment or upto the date of realisation of the export proceeds, whichever occurs earlier.

**Longer Term Trade
Financing Scheme of
Islamic Development
Bank**

14
1989 In continuation of our BCD Circular No.7 dated the 18th April, 1989 on the captioned Scheme, we have to advise that the Board of Executive Directors of Islamic Development Bank in their meeting held during October 20-26, 1989 have decided to make the following relaxations in the Scheme:-

1. The authority to approve operations under the Scheme not exceeding 2 million Islamic Dinar (presuming that one Islamic Dinar is equivalent to one SDR) has been delegated to the President of the Bank.
2. Minimum period of financing has been reduced to six months to accommodate financing of agricultural perishable goods.

1
1990 In partial modification of BCD Circular No.9 dated the 25th July, 1989 it has been decided that in the case of advances to Sugar Mills, the stocks may be valued by banks at cost or market value whichever is lower.

**Selective Credit
Control—Advances
Against Sugar.**

Other instructions remain unchanged.

2
1990 Please refer to BCD Circular No.14 dated the 5th July, 1984.

Export Finance Scheme.

It has been decided to allow the facility of concessionary finance under the Scheme for the export of "Solvent Extracted Meal". Accordingly the commodity "Feed Stuff for Animals" appearing at Serial No.9 in the list attached with the above Circular may be amended to read as under:

Item No.9	Feed Stuff for Animals excluding Solvent Extracted Meal.
-----------	---

The facility shall be admissible with immediate effect.

3
1990 As you are aware, the maximum period upto which exporters are eligible to avail finance under the captioned Scheme is 150 days. The maximum period of 150 days at the post shipment stage is calculated from the date of shipment.

**Export Finance
Scheme—Relaxation in
the Maximum Period of
Availment of Finance at
the Post-shipment Stage
for the Exports of
Carpets and Rugs.**

~~It has since been decided that in the case of export finance availed of under Part-I of the Export Finance Scheme for exports of carpets and rugs, the exporters availing finance at post-shipment stage only may avail concessionary finance for a maximum period of 180 days. Contracts/firm orders/LCs against which pre-shipment facilities are availed would not qualify for the above referred concession.~~

The above facility shall be available in case of finances provided on and after the date of issue of the circular.

Selective Credit Control.

4
1990

Please refer to para-AIV(b) of BCD Circular No.5 dated the 5th July, 1987.

It has now been decided that Agricultural Loans against guarantees/ sureties under the Scheme for Agricultural Loans by Commercial Banks circulated vide ACD Circular No.5/72 dated the 27th November, 1972 as amended vide ACD Circular No.1/90, dated the 2nd January, 1990, can be granted upto a maximum amount of Rs.50,000 per farmer per year with immediate effect subject to the conditions A-IV(a) (i) (ii) of laid down in BCD Circular No.5 dated 5th July, 1987.

Panel of Auditors.

5
1990

Further to our BCD Circular No.3 dated the 19th February, 1989 it has since been decided to include the name of the undernoted firm in the panel of auditors circulated vide BCD Circular No.41 dated the 17th December, 1985 in terms of Section 35(1) of Banking Companies Ordinance, 1962 as amended by Banking Companies (Amendments) Act, 1972 (No.XXX of 1972):-

Name of Firm: Bilwani & Co.
Chartered Accountants,
Address: 12-Idrees Chamber, Talpur Road,
Opp: National Bank of Pakistan,
Head Office, Karachi.

Credit Information Bureau.

6
1990

It has been decided to establish a Credit Information Bureau in the State Bank of Pakistan. The Bureau will record details of borrowings, overdues and similar financial data as well as descriptive information in respect of individuals, sole proprietors, partnerships and limited companies and other entities whose overall liabilities to a bank or non-bank financial institution (NBFI) exceed a certain minimum amount which shall be prescribed by the State Bank from time to time. It has been decided that initially data on borrowers having overall liabilities of rupees one million and above shall be recorded. The data to be recorded by the Bureau shall be based on information and returns furnished by the banks and non-bank financial institutions. The data will be updated every quarter.

The State Bank shall provide, on request or its own motion, such aggregated credit data in respect of borrowers to banks and non-bank financial institution that may be used in the management of their credit and investment portfolio. The banks and non-bank financial institutions shall be free to obtain credit information on borrowers from the State Bank on payment of such fee as State Bank may fix from time to time.

Two statements in Form CIB-I and CIB-II are being initially prescribed for acquiring borrowers' data. The manner in which the forms are to be completed is explained in the Notes attached to the Forms. As explained in the notes, Form CIB-I is to contain data of a permanent nature and will be updated only if there is a change in the information that has been submitted. Form CIB-II will be updated every quarter. It may be mentioned that the Forms CIB-I and CIB-II will be reviewed after a period of time when the system has been put well in place, with a view to make it more informative and useful for the purposes of banks.

To ensure complete confidentiality in the transmission of data to and from the Bureau, all enquiries must only be addressed by name to the Chief, Credit Information Bureau. In the same manner each bank/NBFI will designate a person from whom alone the Bureau will entertain enquiries and to whom alone shall the required information be passed on. The person so designated by banks/NBFIs shall serve as the contact point for the Bureau. You are requested to please notify the Credit Information Bureau regarding name, designation, address and telephone number of the designated individual.

Now, therefore, by virtue of the powers conferred upon the State Bank under Section 25(A) read with Section 3(A) of the Banking Companies Ordinance, you are directed to furnish the State Bank with data and information, as per Forms CIB-I and CIB-II annexed herewith. The first of the statements shall be as of 31-12-1989. The statements shall be regularly submitted to the Director, Banking Control Department, State Bank of Pakistan, Central Directorate, Karachi on calendar quarterly basis and must positively reach the State Bank within 15 days of the close of the quarter concerned. Since the statements as of 31-12-1989 are the first of their kind, involving collection of permanent data more than normal time may be consumed in their compilation. The banks/NBFIs are, therefore, allowed to complete them in a period of one month from the date of receipt of this circular.

Explanatory Notes for Completing Forms CIB-I and CIB-II

These notes attempt to explain the information required to be incorporated under various columns of the above Forms. Form CIB-I is to contain data of a permanent nature, and will be updated only when there is a change in the information already recorded. Form CIB-II will be updated every quarter. Data relating to financial institutions operating in Pakistan is to be reported.

A. Information Relevant to Form CIB-I

1. Full name of the Borrower (Column I)

Please disclose the complete name of the borrower, e.g. if the borrower is Chaudhry Abdul Latif Khan, the full name must be written, not Ch. Abdul Latif Khan, or Chaudhry A.L. Khan. The only abbreviations that MUST be used are:-

Inc. (instead of incorporated)
Ltd. (instead of limited)
Co. (instead of company)
Corp. (instead of corporation)

Please note that every abbreviation is to be followed by a full stop, and that only the first character of every abbreviation is a capital letter.

2. Commercial/Industrial/Agricultural/Group (Column 2)

A "Group" is described as a commercial, industrial or agricultural organisation, which is owned by, or controlled by, or affiliated with, an individual, or association of individuals, or other organisation (s).

Ownership occurs where an individual, or individuals, or other business organisation directly or indirectly own more than 50% of the equity of a business concern.

Control implies ownership of 20% of the equity of an organisation, either directly or indirectly.

Organisations, or individuals are considered to be affiliated with each other, if a particular business concern, or individual, has recourse to another, for loans, guarantees, or other financial or business commitment(s) and the organisation, or individual, providing the finance, guarantee, or other business commitment is not a financial institution.

Parties which own, control, or are affiliated with, business organisations, are considered to belong to the same group/organisation.

3. National Income Tax Number (Column 3)

Please state the National Income Tax Number of the borrower named in Column 1. If the borrower does not have a National Income Tax Number, that is, the borrower is not a tax payer, please write N.A. (Not Applicable) in this column.

4. Address of Registered Office (Column 4)

Please give the complete address of the registered office of the

borrower for companies, partnerships and other corporate bodies. If the borrower does not have a registered office, please write N.A. in this column. The address must include the Province in which the registered office is located.

5. Nature of Business (Column 5)

The following business classifications are to be used:

1. Agriculture, Forestry, Hunting and Fishing
2. Mining and Quarrying
3. Manufacturing
4. Construction
5. Electricity, Gas, Water and Sanitary Services
6. Commerce
7. Transport, Storage and Communication
8. Services
9. Other Business

In this column please indicate the classification that best describes the business of the borrower.

6. Full names of Directors/Partners/Sole Proprietor (Column 6)

If the borrower is a body corporate, please give the full names of the directors. If the borrower is a firm, please give the full names of the partners or proprietors of the firm. If the borrower is an individual, write N.A. (Not Applicable) in this column.

7. Directors'/Partners' Share holding as a percentage of total paid up capital (column 7)

The percentage of the paid up capital held by each person indicated in column 6 is to be stated in column 7 e.g., if the paid up capital of the Refined Chemical Company Limited, is Rs.1,000,000, held as follows:-

Abdul Latif Khan	Rs. 250,000
Abdul Hamid Khan	Rs. 400,000
General Public	Rs. 350,000
	Rs.1,000,000

The information to be given in Column 7 will be:

Abdul Latif Khan	25%
Abdul Hamid Khan	40%

B. Information Relevant to Form CIB-II

1. Column 1&2

The manner in which these columns are to be completed is described in the relevant notes for completing form CIB-I.

2. Fund based liabilities (Column 3)

Fixed investment shall have the same meaning as assigned to Fixed Industrial Investment.

3. Non-fund based liabilities, letters of credit (column 5)

Liability for the total amount of letters of credit (inland and foreign) outstanding, is to be stated.

4. Non-fund based liabilities, guarantees (Column 6)

Please state the total amount of liability for guarantees including items such as Bid Bonds, Performance Bonds, etc.

5. Non-fund based liabilities, others (Column 7)

State the total of any non-fund based liabilities which have not already been disclosed in columns 5&6.

6. Amount of unsecured liabilities, fund based (Column 8) and non-fund based (column 9)

These columns are self explanatory.

7. Overdues for more than 90 days (Column 10)

Please state the total of:

(a) Principal, plus

(b) Mark-up, interest, and other charges, which have fallen due for payment, but remain unpaid for 90 days or more. Only totals of items(a) and (b) above, for a particular borrower, should be stated.

Note: For further explanation that may be needed for completion of the Forms, please address to Mr. Nasim Hussain, Chief Credit Information: Bureau, BCD: SBP: CD: Karachi.

Name of the lending financial institution

**Permanent data of borrowers with outstanding liabilities
of Rs.one million and above (fund-based and non-fund based)**

Position as on 31-12-1989

Full name of the Borrower	Commercial/Industrial/Agricultural/Group	National Income Tax No.	Address of Registered Office	Nature of Business	Full names of Directors/ Partners/Sole Proprietor	Directors'/Partners share holdings as percentage of Total Paid-up Capital
(1)	(2)	(3)	(4)	(5)	(6)	(7)

Authorised Signature

Authorised Signature

Name of the lending financial institution

**Monetary data of borrowers with outstanding liabilities
of Rs.one million and above (fund-based and non-fund based)**

Position as at the close of quarter ended _____

(Rs. to the nearest million)

Full name of the Borrower ----- (1) -----	National Income Tax No. (2)	Fund Based Liabilities		Non Fund Based Liabilities			Amount of Unsecured Liabilities		
		Fixed Invest- ment (3)	Working Capital/ Others (4)	LCs (5)	Guarantees (6)	Others (7)	Fund based (8)	Non - fund based (9)	Overdues for more than 90 days (10)

372

Authorised Signature

Authorised Signature

7
1990

Please refer to para A-IV(b) of BCD Circular No.5 dated the 5th July, 1987. The para may be substituted with the one given hereunder:-

Selective Credit Control.

Loans for agriculture, commerce and industry against guarantees/sureties are permissible upto a maximum amount of Rs.50,000 subject to the conditions at para A-IV(i) & (ii) above.

This substitution supersedes BCD Circular No.4 dated 11th January, 1990.

8
1990

In partial modification of BCD Circular No. 9 dated the 25th July, 1989, banks are directed not to allow any additional credit to sugar mills against sugar stocks. The instructions will come into force with immediate effect.

Selective Credit Control—Advances Against Sugar.

9
1990

With a view to streamline the procedure for monitoring the performance of exporters under Part-I of the Export Finance Scheme, it has been decided that banks shall henceforth meticulously follow the procedure laid down hereunder:

Monitoring of Performance Under Export Finance Scheme—Part-I Preshipment.

The concerned banks "within 21 working days of repayment/adjustment of loan" shall furnish shipping documents duly complete in all respect, to the concerned office of the State Bank. In case they fail to submit the required shipping documents it shall be deemed that shipment has not been effected and fine for non-shipment shall be recovered by debit to the account of the bank concerned under advice to them.

Where the shipping documents are submitted to the State Bank after the expiry of the period laid down for this purpose, the same shall be examined and if found in order in terms of the provisions of the Scheme, the penalty for non-shipment already charged shall be refunded after deducting a non refundable fine for delayed submission of the shipping documents at the following rate:-

- (a) Fine for default in submission of the documents Rs.2000.00
- (b) Additional fine for and every day the default continued
Rs. 100.00

The burden of the fine shall be borne by the party (exporter or bank) causing the default.

Issue of Guarantees by Banks.

30
1990

Please refer to BCD Circular No. 7 dated the 30th January, 1983 in terms of which guarantees given by banks on behalf of their constituents are required to be fully backed by tangible securities.

In partial relaxation of the above regulations it has been decided that in the case of guarantees issued by banks on behalf of Pakistani borrowers for payment of exchange risk premium on the foreign currency loans extended by Asian Finance and Investment Corporation Ltd. (AFIC) Manila, Phillipines, the requirement of 100 per cent tangible security cover shall not be mandatory. The banks may protect their interest and cover their exposure in the manner they deem fit.

Selective Credit Control.

11
1990

Please refer to para B of BCD Circular No.5 of July 5, 1987 and subsequent circulars issued from time to time prescribing margin requirements for opening of import LCs.

It has been decided to withdraw, with immediate effect mandatory minimum margin requirements for opening of import Letters of Credit.

Panel of Auditors.

12
1990

Further to our BCD Circular No.5 dated the 11th January, 1990 it has since been decided to include the name of the undernoted firm in the panel of auditors circulated vide BCD Circular No.41 dated the 17th December, 1985 in terms of Section 35(1) of Banking Companies Ordinance, 1962 as amended by Banking Companies (Amendments) Act, 1972 (No.XXX of 1972):-

Name of the Firm:	M.A. Chaudhri & Co. Chartered Accountants
Address:	2nd Floor, Syed Plaza 30 Ferozpur Road, Lahore.

Longer Term Trade Financing Scheme of Islamic Development Bank.

13
1990

In continuation of our BCD Circular No.7 dated 18.4.1989 on the captioned scheme we have to advise that with a view to provide further incentive to the users of facilities under 'LTTFS' Board of Executive Directors of Islamic Development Bank have decided as under:-

A rebate at the rate of 15% of the existing rate of mark up shall be paid for repayments made on or before the stipulated dates of repayment. This will effectively reduce the rate of Mark up from 8% to 6.8% per annum.

14
1990

Further to our BCD Circular No.12 dated the 15th April, 1990 it has since been decided to include the name of the undernoted firm in the panel of auditors circulated vide BCD Circular No.41 dated the 17th December, 1985 in terms of Section 35(1) of Banking Companies Ordinance, 1962 as amended by Banking Companies (Amendments) Act, 1972 (No.XXX of 1972):-

Panel of Auditors.

Name of the Firm: Shah Rehman & Co.
Chartered Accountants
Address: 9th Floor,
State Life Building No.2, Wallace Road,
Off. I.I. Chundrigar Road, Karachi.

15
1990

Please refer to para 3 of BCD Circular No.34 dated 5-8-1985.

Export Finance Scheme.

It has been decided that the annual rate of profit earned by a bank/ approved development finance institution on finances provided under the captioned Scheme shall not exceed 7%. Accordingly para 3 of BCD Circular No.34 dated 5-8-85 may be amended to read as under:-

“The annual rate of profit earned by a bank/approved DFI on finances provided under the Scheme shall not exceed 7%. Where refinance is obtained from the State Bank, the Bank will participate in the overall profit and loss of the bank/DFI concerned, subject to a maximum of 4% on annual basis. The bank/DFI will make provisional payment of the State Bank’s share in its profit at an annual rate of 4% quarterly in the first week of each quarter, subject to adjustment when the annual accounts of the bank/DFI are prepared and audited. If on the basis of the annual audited accounts, the share of the State Bank in the profit works out to less than the amount the bank/DFI has already paid to the State Bank on provisional basis, the excess amount involved will be refunded to it by the State Bank. In case of loss, the State Bank will share the loss in the proportion which the amount of refinance, expressed in daily products, bears to the total finance (including the equity of the bank/DFI) provided to the bank/DFI by various financiers expressed in daily products”.

The instructions in para 2 above shall be applicable to finances provided by banks/DFIs on and after 11th July, 1990. The refinance against export finance provided by banks/DFIs prior to 11th July, 1990 will be provided in accordance with the instructions contained in BCD Circular No.34 dated 5-8-85.

With the issue of the above instructions, BCD Circulars No.23 and 24 dated 25-5-1985 stand accordingly amended.

**Consultancy and
Construction Firms—
Export Finance Scheme.**

16
1990

With a view to facilitate Pakistani Consultancy and Construction Firms awarded contracts of consultancy/construction abroad, it has been decided that financing facilities may be provided to such firms under Part-I of the Export Finance Scheme. The consultancy and construction firms who have been awarded contracts shall be eligible to avail the facility for the purpose of acquiring and exporting goods from Pakistan for their own use in the country awarding the contract.

The banks may provide the facility to firms after obtaining prior approval in writing from the Banking Control Department on case by case basis. Applications (together with supporting documents) in this regard shall be forwarded by banks to the Director, Banking Control Department, Central Directorate, Karachi.

**Consultancy and
Construction Firms—
Issuing of Bid Bonds/
Performance Bonds.**

17
1990

Please refer to BCD Circular No.1 dated 8th March, 1988.

It has been further decided that in the case of Consultancy and Construction Firms bidding for international tenders and required to furnish Performance Bonds on contract being awarded to them, the policies issued to cover BID Bonds/Performance Bonds by the Insurance Companies approved by the Ministry of Commerce for the purpose would constitute collateral under the Banking Control Regulations for issuing BID Bonds/Performance Bonds by banks. The companies desirous of availing of the facility may approach their bankers.

**Financing Against the
Security of Agricultural
Land for Commercial
and Industrial Purposes.**

18
1990

It has been brought to the notice of the State Bank that dealing officials in banks, as also the agricultural population, are not generally aware of the beneficial changes brought about through amendments in Section 58 of the Transfer of Property Act, 1882 and Loans for Agricultural, Commercial and Industrial Purposes Act, 1973 through Finance Act, 1986. The amendments make it convenient for the banks to accept agricultural land as security for providing finances for commercial and industrial purposes also.

The relevant parts of amended provisions of the above said two Acts are reproduced for facility of reference/understanding:

I. 1. Transfer of Property Act, 1882.

Section 58(f) Mortgage by deposit of title deeds.

Where a person delivers to a creditor or his agent documents of title to immovable property with intent to create a security thereon, the transaction is called a mortgage by deposit of title-deeds:

Provided that, where a mortgage by deposit of title-deeds is to be created in favour of a banking company as defined in the Banking Tribunals Ordinance, 1984 (LVIII of 1984), the same may also be created by an entry in the record of rights against the entry relating to such immovable property.

II. The Loans for Agricultural, Commercial and Industrial Purposes Act, 1973

- Section 1. (1) This Act may be called the Loans for Agricultural, Commercial and Industrial Purposes Act, 1973.
- Section 2. (1) The provisions of this Act shall have effect notwithstanding anything contained in any other law for the time being in force and nothing contained in any law relating to the distribution or devolution of agricultural land, or to relief to agriculturists, shall apply to a loan or advance made under this Act, on the security of such land.
- Section 3.(a) "bank", means a banking company as defined in the Banking Tribunals Ordinance, 1984 (LVIII of 1984).
- Section 4.(5-A) A charge on any land created under sub-Section (5) shall be entered in the relevant revenue records against the entry relating to such land.

The banks are advised that the beneficial effects of the amendments in law, as also the detailed procedure formulated by the Pakistan Banking Council for providing finances against the security of agricultural land for commercial or industrial purposes, be brought to the notice of all concerned so that the purpose of amendments in laws is carried out in letter and spirit.



Please refer to our BCD Circular No.7 dated the 18th April, 1989 on the captioned Scheme.

**Longer Term Trade
Financing Scheme of
Islamic Development
Bank.**

With a view to provide further incentive for users of LTTFS, the Board of Executive Directors of Islamic Development Bank has decided to increase the percentage contribution of the Scheme in the overall financing from 30-40 per cent to 80 per cent even for operations exceeding Islamic Dinar 3 million (One Islamic Dinar=One SDR). This decision would, however, be taken on case to case basis.

We enclose for information and necessary action copies of the amendments made to the following legislations through the Finance Act, 1990:-

- (1) The Banking Companies Ordinance, 1962.
- (2) The Banks (Nationalization) Act, 1974.
- (3) The Banking Tribunals Ordinance, 1984.

Amendments in the Banking Companies Ordinance, 1962:

The following amendments shall be made in the Banking Companies Ordinance, 1962 (LVII of 1962), namely:-

- (1) In section 3A, for the figures, commas and letters "25, 25A, 25AA and 41" the figures, commas, letters and word "6, 25, 25A, 25AA, 32, 33, 40, 41, 42, 83, 84 and 94" shall be substituted;
- (2) In section 8, in the second proviso, the words "wholly or partly owned or controlled by it or by the State Bank" shall be omitted;
- (3) After section 25A, the following new section shall be inserted, namely:-

"25AA. Preparation of special reports.—The State Bank shall prepare, and submit to the Federal Government, a special report every year on cases of write off of loans, mark-up and other dues, or financial relief through rescheduling and restructuring of loans and subsidised loans provided by the banking companies, in which established banking practices or authorised procedures have been departed from with a view to causing wrongful loss to the bank or conferring wrongful gain on any constituent or such departure has caused wrongful loss to the bank or conferred wrongful gain on any constituent. If the matters raised in the report relate to public interest, the Federal Government may submit the report, or such part of it as relates to public interest, to Parliament or to the Standing Committee of a House of Parliament dealing with Finance.";

- (4) For section 27A the following shall be substituted, namely:-

"27A. Prohibition of advertising for deposits and collection.—Notwithstanding anything contained in any other law for the time being in force, no company, firm or person, not being a banking company or a corporation or authority established by the Federal Government or a company duly authorised in this behalf by the Controller of Capital Issues or the Corporate Law Authority or the Registrar Cooperative Societies, shall solicit or invite deposits of money from the public through advertisements in the public media or by postal circulars, handbills, displays in public places or by any other means, or collect or receive any deposits of money in pursuance thereof.

Explanation.—For the purposes of this section, “deposits of money” shall be deemed to include money called, invited or collected for the purpose, or declared object, of investment or borrowing in any business carried on, or proposed to be carried on, by the company, firm or person by whom, or on whose behalf, such money is called, invited, collected or received irrespective of the nature of the relationship, arrangement or terms offered or provided by such company, firm or person to the person making the investment, deposits of money or payment or of the basis or understanding on which the money is so called, invited, collected or received.”;

- (5) In Section 40, in sub-section (4), after the words “banking company”, wherever occurring, the words, figure and letter “or any company or firm or person referred to in section 27A” shall be inserted;
- (6) In section 43A,—
 - (a) after the word “company”, wherever occurring, the comma and word, “firm” shall be inserted; and
 - (b) after the figure and comma “27”, the words, figures, letter and comma “or is receiving or has received deposits of money in contravention of section 27A,” shall be inserted;
- (7) After section 43A, the following new section shall be inserted, namely:-

“43AA. Special provisions.—(1) Where the State Bank has called for information under section 43A from a company, firm or person and it appears to the State Bank that, in the interest of the persons from whom the deposits of moneys were received, it is necessary that the moneys received and other assets of the company, firm or person, whether held in the name of that company, firm or person or of any other person, are protected and preserved, the State Bank may, without prejudice to any other action or proceedings which may be taken against such company, firm or person under any other provisions of this Ordinance or any other law for the time being in force, make an order in writing—

- (a) appointing one or more persons as interim receivers authorising him or, as the case may be, each one of them to—
 - (i) enter and search any premises and seize books of accounts or other documents or records of such deposits of money; and
 - (ii) take in his custody, on behalf of the State Bank, all moneys, cash securities, title deeds, properties, whether movable or immovable, belonging to such company, firm or person,

including those being held on behalf, or in the name, of any director, manager, officer, partner, employee, agent, beneficiary or transferee of such company, firm or person or their dependants;

- (b) directing any bank, financial institution or person to freeze all moneys deposited with it or him on behalf of the company, firm or person or of any director, manager, officer, partner or employee, agent, beneficiary or transferee of such company, firm or person appointed by it under clause (a);
- (c) authorising a person appointed under clause (a) to take all necessary steps and measures for identifying the assets and properties of the company, firm or person and for realisation, protection and preservation thereof;
- (d) restraining any company, firm or person or any director, manager, officer, partner or employee or agent, beneficiary or transferee of such company, firm or person or their dependants or any other person deriving or claiming title through any of them from alienating, transferring, selling, assigning, disposing of or parting with possession of any property, movable or immovable, or deriving any benefit, rent or income therefrom; and
- (e) making such orders for realisation, protection and preservation of deposits of money and other assets and properties of the company, firm or person as it may deem fit.

(2) An order made under sub-section (1) shall, unless it is earlier withdrawn in pursuance of the proviso to sub-section (1) of section 43B, remain in force until possession of the moneys, cash securities, title deeds, properties, books of account, documents or record to which the order relates to taken over by the official liquidator or, as the case may be, the High Court, in pursuance of an order of the High Court under section 43F;

Provided that any order made under sub-section (1) shall not prevent the High Court from determining the right of a person claiming to have acquired the property or asset from the company, firm or person, bona fide and for valuable and adequate consideration which such person shall be required to prove as paid from his own resources.

(3) An order made under sub-section (1) may be served on the Registrar of Joint Stock Companies or such other officer or authority or person as the State Bank may deem proper.

(4) If any person authorised under sub-section (1) requires assistance of the police or any other civil authority in the exercise of his powers or

discharge of his functions thereunder, he may send a requisition to the officer in charge of a police station or to such authority who shall on such requisition render the assistance required.”

(8) In section 43B.—

(a) in sub-section (1).—

- (i) after the word “company”, wherever occurring, the comma and word “firm”, shall be inserted;
- (ii) after the figure and comma “27”, the words, figure, letter and comma “or is receiving or has received deposits of money in contravention of section 27A,” shall be inserted; and
- (iii) for the full-stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:-

“Provided that, in a case in which the State Bank has made an order under sub-section (1) of section 43AA in respect of a company, firm or person, the State Bank shall make a declaration under this sub-section in respect of such company, firm or person within three months of the making of such order or within such further time, not exceeding three months in the aggregate, as the High Court may allow, or withdraw such order.”; and

(b) for sub-section (2) the following shall be substituted, namely:-

“(2) The State Bank shall publish, or cause to be published, a declaration made under sub-section (1) in two newspapers having wide circulation in the area in which the registered office of the company or firm, or the principal office of the person, to which or to whom the declaration relates is situated; and, upon such publication, the company, firm or such person or the chief executive, by whatever name called, or directors, managers, officers, employees or agents of the company or partners, managers, officers, employees or agents of the firm, or such person, or any other person referred to in sub-section (1), (3) or (4) of section 43D or section 43E, shall not be heard to plead ignorance of the making of the declaration.”;

(9) In section 43C, —

- (a) in sub-section (1), after the word “company”, wherever occurring, the comma and word “firm” shall be inserted; and

- (b) in sub-section (2), after the word “company”, occurring for the second time, the comma and word “firm” shall be inserted;

(10) In section 43D.—

- (a) in sub-section (1), after the word, “company”, wherever occurring, the comma and word “firm” shall be inserted,

- (b) for sub-section (3), the following shall be substituted, namely:-

“(3) Until such time as an official liquidator, official assignee, interim receiver, receiver or official receiver, as the case may be, appointed by the Court on an application made under section 43F takes over the possession, custody or control of any books, documents, records and assets of a company, firm or person in respect of which or whom a declaration under sub-section (1) of section 43B has been made, including any actionable claims to which such company, firm or person is, or appears to be, entitled, the chief executive, by whatever name called, and a director, manager, officer, employee and agent of such company, or a partner, manager, officer, employee and agent of such firm or person, and every other person who may have in or under his possession, custody or control such books, documents, records, assets or claim, shall preserve, and aid in preserving, such books, documents, records, assets and claims and shall, without prejudice to any other liability that he may incur, be jointly and severally liable for any loss or damage,” and

- (c) in sub-section (4), after the word “company”, the comma and word “firm” shall be inserted;

(11) for section 43E the following shall be substituted, namely:-

“43E. Statement of assets and liabilities to be submitted to State Bank.—Within three days of the publication of a declaration under sub-section (1) of section 43B in respect of a company, firm or other person, or within such further time as the State Bank may, by order in writing, allow, the chief executive, by whatever name called, and every director, manager, officer and agent of the company, and every partner of the firm and the manager, officer and agent of the firm or such person, and every other person having a claim or liability against or towards the company, firm or such person shall submit to the State Bank a statement showing the assets and liabilities of the company, firm or such person so far as may be known to him.”;

(12) In section 83:-

(a) in sub-section (1C).—

- (i) for the word, figure and letter “section 43A” the words, and letters “section 27A or section 43A” shall be substituted; and
- (ii) after the figure and letter “43A”, the comma, words, figure and letters”, or obstructs or hinders any person in the exercise of his powers or discharge of his functions under section 43AA,” shall be inserted; and

(b) for sub-section (1D) the following shall be substituted, namely:-

“(1D) If any company, firm or person contravenes the provisions of section 27A, the chief executive of the company and its directors, every partner of the firm and such person shall be guilty of an offence punishable with imprisonment of either description for a term which may extend to ten years and with fine the amount of which shall not be less than twice the amount of deposits received in contravention of the said section and forfeiture of whole or part of the property of such company, firm or person and the chief executive of the company and its directors, every partner of the firm and person.”;

(13) In section 84, for sub-section (1) the following shall be substituted, namely:-

“(1) No court shall take cognizance of any offence punishable under sub-section (1), (1A), (1B), (1C) and (1D) of section 83 except on a complaint in writing made by an officer of the State Bank generally or specially authorised in writing in this behalf by the State Bank and no court other than the High Court shall try any such offence.”;

(14) In section 90.—

- (a) after the figure and comma “25,” the figure and comma “27,” shall be inserted, and
- (b) after the figure, letter and comma “43A,” the figure, letters and comma “43AA,” shall be inserted;

(15) In section 91A.—

- (a) after the figure, letter and comma “26A,” the figure, letters and comma “27,” shall be inserted; and

- (b) after the figure, letter and comma “43A,”, the figure, letters and comma “43AA,” shall be inserted;

Amendments in the Banks Nationalization Act, 1974.

The Following amendments shall be made in the Banks Nationalisation Act, 1974 (XIX of 1974) namely:-

1. Amendment of section 3, Act XIX of 1974.— In the Banks (Nationalization) Act, 1974 (XIX of 1974), hereinafter referred to as the said Act, in section 3.—

- (1) after clause (1), the following new clause shall be inserted, namely:-

“(1A) “Board” means Board of Directors constituted under this Act;”;

- (2) for clause (4) the following shall be substituted, namely:-

“(4) “Executive Committee” means the Executive Committee of a Board constituted under this Act;”;

2. Amendment of section 5, Act XIX of 1974.—In the said Act, in section 5, after sub-section (5), the following new sub-section shall be added, namely:-

“(6) The Federal Government or a corporation owned or controlled by the Federal Government may, from time to time, sell all or any of its shares in the capital of a bank, other than the State Bank, to such persons, and on such terms and conditions, as it may determine”.

3. Amendment of section 9, Act XIX of 1974.—In the said Act, in section 9,—

- (1) in sub-section (2), in clause (iv).

- (a) after the word “three”, the words “full time” shall be inserted;
- (b) for the colon at the end a full stop shall be substituted; and
- (c) the proviso shall be omitted;

- (2) for sub-section (4) the following shall be substituted, namely:-

“(4) The functions of the Council shall be—

- (i) laying down policy guidelines and performance criteria and formulating performance targets for banks and development

financing institutions controlled by the Federal Government, hereinafter referred to as the said institutions;

- (ii) monitoring progress made by banks and the said institutions in achieving performance targets, profitability and efficiency and advising the Boards for taking corrective action;
- (iii) periodic evaluation of the achievements of banks and the said institutions and submission of evaluation reports to the Board, the State Bank and the Federal Government;
- (iv) requiring banks and the said institutions to formulate annual budgets, expenditure regulations and procedures relating to sanction of fund based and non-fund based facilities with the approval of their Boards;
- (v) monitoring the cost of operations of banks and the said institutions;
- (vi) acting as arbitrator in the settlement of inter-bank disputes and disputes between the said institutions;
- (vii) watching the progress of implementation of the rulings and recommendations and removal of objections made in the State Bank's Inspection Reports and remedial and corrective measures taken by the banks and the said institutions;
- (viii) assisting the State Bank in establishing a Credit Information Bureau;
- (ix) conducting such surveys, inquiries and appraisals as may be necessary for the purpose of this act or as may be required by the Federal Government;
- (x) making recommendations to the Federal Government for framing policy for recruitment of officers for banks and the said institutions and the Council on competitive basis;
- (xi) establishing a Central Training Institute for advanced specialised training of officers at management level;
- (xii) formulating schemes under section 15;
- (xiii) carrying out inspection of the banks and the said institutions including their subsidiaries as may be necessary;

Provided that inspection of branches or subsidiaries of a bank or any of the said institutions located in a foreign country shall be carried out in keeping with the laws of that country;

(xiv) advising banks and the said institutions on the following matters without in any way interfering in their management by their respective Boards, namely:—

- (a) area of co-ordination between banks and the said institutions and planning their operations;
- (b) appointment of lead banks and the apportionment of share of advance amongst the banks in respect of consortium loans, keeping in view the resource availability of each bank or as may be directed by the Federal Government;
- (c) removal of imbalances in banking facilities provided to customers both with regard to commodities as well as regions;
- (d) development of management information systems and schemes for modernization of banks and the said institutions, including installation of computers, telefax and other modern technology;
- (e) establishment of a research department;
- (f) devising policy for pre-service and in-service training of the personnel of banks and the said institutions; and
- (g) devising policy for promotion, incentives and salary structure for officers; and

(xv) exercising and performing such powers and functions of the Federal Government under this Act, and such other functions, as the Federal Government may, from time to time, assign to the Council.”.

(3) after sub-section (4), substituted as aforesaid, the following new sub-section shall be inserted, namely:-

“(4A) When the Council advises a bank or one of the said institutions on any matter, the President of the bank or, as the case may be, the head of the institution shall promptly place such advice before the Board of Executive Committee for consideration”; and

(4) after sub-section (5), the following new sub-section shall be inserted, namely:-

“(5A) In the discharge of its functions the Council shall act on sound business principles and be guided by such directives in matters

of policy involving the public interest as may be given to it by the Federal Government, which shall be the sole judge as to whether or not any matter is a matter of policy involving the public interest.”.

4. Substitution of section 11, Act XIX of 1974.—In the said Act, for section 11 the following shall be substituted, namely:-

- (1) General provisions pertaining to Management of banks.—(1) A bank shall have a Board of Directors consisting of the President and six other members to be nominated by the Federal Government.
- (2) The general direction and superintendence of the affairs and business of a bank, and overall policy making in respect of its operations, shall vest in its Board which may exercise all such powers and do all such acts, deeds and things as the bank was competent, immediately before the commencing day, to exercise or do in a meeting of the Board of Directors.
- (3) A bank shall have an Executive committee consisting of the President and four other members being executive of the bank to be nominated by the board; and the Executive Committee shall conduct the day-to-day affairs and business of the bank under the guidance and supervision of the Board.
- (4) A bank shall have an Evaluation Committee consisting of the President and such members as may be appointed by the Board from amongst such of its members as are not executives of the bank; and the Evaluation Committee shall—
 - (a) recommend to the Board the criteria that should be laid down for different categories of employees for carrying out a fair assessment of the merit of the executives and other employees; and
 - (b) monitor and assess the performance of the employees of the bank, other than the President, and report its findings to the Board.
- (5) The President shall be the Chief Executive of a bank and shall preside at the meetings of the Board, the Executive Committee and the Evaluation Committee and direct, manage and control the affairs of the bank.
- (6) The Chairman and members of the Council, and the President and members of the Board shall be appointed by the Federal Government and shall hold office during the pleasure of the Federal Government on such terms and conditions as may be approved by it.
- (7) No person shall be eligible for appointment as the Chairman or a

member of the Council, or the President or a member of the Board or the Executive Committee, if—

- (i) he is or has at any time been adjudged an insolvent or has suspended payment or has compounded with his creditors; or
- (ii) he is a minor or is found lunatic or of unsound mind; or
- (iii) he is not a citizen of Pakistan; or
- (iv) he was at any time in the service of the Federal Government or a Provincial Government or of a statutory body or corporation or Board owned or controlled by any such Government or in the service of a bank and was dismissed; or
- (v) he is a person against whom any action has been taken or any proceedings are pending under section 412 of the Companies Ordinance, 1984 (XLVII of 1984), or section 83 of the Banking Companies Ordinance, 1962 (LVII of 1962); or
- (vi) he is or has been convicted of any offence of tax evasion under any law for the time being in force;

Provided that the Federal Government shall, before appointing any person, satisfy itself that the person will have no such financial or other interest as is likely to affect prejudicially the performance by him of the functions of the office to which he is being appointed.

- (8) The Chairman and member of the Council and the President and a member of the Board and the Executive Committee shall be liable to such disciplinary action and penalties, to be awarded in such manner and by such authorities, as may be prescribed.
- (9) In the discharge of their functions, the President and members of the Board and the members of the Executive Committee shall act on sound business principles and be guided by such directives in matters of policy involving the public interest as may be given to the bank by the Federal Government, which shall be the sole judge as to whether or not any matter is a matter of policy involving the public interest.
- (10) In the exercise of their powers, the Board of Directors, the Executive Committee and the President of a bank incorporated by or under any special law shall not be subject to any restrictions which do not apply to the Board of Directors, the Executive Committee or the President of bank registered under the Companies Ordinance, 1984 (XLVII of 1984).
- (11) The banks shall furnish to the Council such information, returns or reports as may be required of them.

(12) Except as provided in sub-section (3) of section 12, the Federal Government, the council, the President, the Board or the Executive Committee shall not issue any directive or take any decision in contravention of the provisions of the State Bank of Pakistan Act, 1956 (XXXIII of 1956), or the Banking Companies Ordinance, 1962 (LVII of 1962).

(13) The Federal Government may constitute such consultative bodies at the Provincial and other levels as may, in its opinion, be necessary for gathering information from the public to identify areas of improvement in service and facilities to customers and the public, including measures for meeting regional credit requirements."

5. Amendment of section 12, Act XIX of 1974.—In the said Act, in section 12, —

(i) in sub-section (1), for the words "members of its board of management" the words and commas "the President, members of the Board, members of the Executive Committee" shall be substituted;

(ii) in sub-section (2), for the words "members of the board of management" the words and commas "the President, members of the Board and members of the Executive Committee" shall be substituted; and

(iii) after sub-section (2), amended as aforesaid, the following new sub-section shall be added, namely:-

"(3) Notwithstanding anything contained in sub-section (1) and (2), the State Bank shall prepare, and submit to the Federal Government, a special report every year on cases of write off of loans, mark-up and other dues, or financial relief through rescheduling and restructuring of loans and subsidised loans provided by the nationalised commercial banks, in which established banking practices or authorized procedures have been departed from with a view to causing wrongful loss to the bank or conferring wrongful gain on any constituent or such departure has caused wrongful loss to the bank or conferred wrongful gain on any constituent. If the matters raised in the report relate to public interest, the Federal Government may submit the report, or such part of it as relates to public interest, to Parliament or to the Standing Committee of a House of Parliament dealing with Finance."

6. Amendment of section 18, Act XIX of 1974.—In the said Act, in section 18, for the words "members of the Executive Board" the words and commas "or members of the Board, or members of the Executive Committee, of a bank" shall be substituted.

7. Amendment of section 21, Act XIX of 1974.—In the said Act, in section 21, for the words, figure and comma “Companies Act, 1913” the words, figures, comma and brackets “Companies Ordinance, 1984 (XLVII of 1984)” shall be substituted.

Amendment in the Banking Tribunals Ordinance, 1984 LVIII of 1984.

The following amendments shall be made in the Banking Tribunals Ordinance, 1984 (LVIII of 1984), namely:-

(1) In section 6,—

(a) for sub-section (6) the following shall be substituted, namely:-

“(6) All suits filed in the Banking Tribunal shall be disposed of within ninety days of the filing of the plaint and, in case the proceedings continue beyond the said period, the defendant shall be asked to furnish a bank guarantee acceptable to the Banking Tribunal to the extent of the claim in suit and, on failure of the defendant to furnish such bank guarantee within a period of fifteen days, the Banking Tribunal shall pass a decree in favour of the banking company as prayed for in the plaint:

Provided that, where the claim of the banking company is based on default of the defendant in payment of agreed instalments, the bank guarantee shall be to the extent of the amount of instalments in default;

Provided further that, in case the proceedings continue beyond a further period of one hundred and twenty days, the defendant shall deposit with the Banking Tribunal in cash the amount claimed in the plaint and, on failure of the defendant to make such deposit within fifteen days, the Banking Tribunal shall pass a decree in favour of the banking company as prayed for in the plaint.”; and

(b) in sub-section (7), after the brackets and figure “(6)”, the words, commas and figure “before the commencement of the Finance Act, 1990,” shall be inserted; and

(2) In section 11, sub-section (1), after the word “written”, the words “or oral” shall be inserted.”

Export Finance
Scheme—Availment of
Finances for Export to
Iraq/Kuwait.

21
1990

In view of the difficulties explained by the exporters in respect of exports to Iraq, it has been decided to provide following relaxation under Export Finance Scheme to the affected exporters:-

(i) Exporters, who have availed pre-shipment export finance under Part-I of the Export Finance Scheme against a Contract or L/C for a period of less than 150 days on 2nd

August, 1990 and have not shipped the goods thereagainst shall be allowed an additional 150 days as calculated from 2nd August, 1990 for shipping the goods. This will save them from the penalty on account of non-shipment within the original 150 days period if that expires on or after 2nd August, 1990. Export Finance shall, however, be adjusted on the expiry of 150 days from the date of availment as usual.

- (ii) Entitlement of exporters under Part-II of the Scheme, who are in possession of L/Cs valid on 2nd August, 1990 for shipment of goods to Iraq or Kuwait and which were advised to them by the banks in Pakistan prior to 2nd August, 1990, would be enhanced by the amount of these L/Cs for the current financial year 1990-91. This would enable the exporters to avail their normal financing limits under Part-II without being adversely affected on account of investment of finances in goods meant for export to Iraq/Kuwait which cannot be exported on account of blockade.

22
1990 It has been decided that w.e.f. 29th September, 1990 all work relating to the administration of the Export Finance Scheme will be carried out by the Industrial Credit Department.

Export Finance Scheme—Shifting of Export Finance Section to Industrial Credit Department.

Accordingly you are advised that with effect from 29-9-1990 all correspondence relating to the Export Finance Scheme as also all prescribed returns/statements etc. pertaining to the captioned Scheme be addressed to:

The Director,
Industrial Credit Department,
State Bank of Pakistan,
Central Directorate,
Shaheen Commercial Complex,
M.R. Kayani Road,
Karachi (PABX Lines 524416 & 524417).

23
1990 Please refer to our BCD Circular No.7 dated 18th April, 1989 regarding LTTFS of IDB.

Revised Procedures for Submission of Export Financing Applications Under the Longer Term Trade Financing Scheme.

Under the revised instructions of Islamic Development Bank, it has been decided that the exporters while applying for finance under the Trade Finance Scheme shall make their applications for Export Financing Operations in duplicate, the original of which shall be submitted to State Bank of Pakistan and a copy directly to IDB/LTTF Section of Islamic Development Bank.

Advances Against Cotton.

24
1990

It has been decided that in the case of advances to Cotton Ginners the stocks of cotton may be valued by banks at cost or market value, whichever is lower.

Amendments in the Banking Laws.

25
1990

Consequent upon the issue of BCD Circular No.20 of 1-9-1990, the amendment in the Banks (Nationalisation) Act, 1974 and the Banking Companies Ordinance, 1962 circulated vide our Circular No.8 dated 4-10-1988 may be treated as cancelled.

Selective Credit Control— Advances Against Sugar.

26
1990

It has been decided to withdraw, with immediate effect, restriction imposed vide BCD Circular No.8 dated the 8th February, 1990 on credit to sugar mills against sugar stocks.

Small Loans Scheme for Businessmen and Industrialists.

27
1990

Please refer to BCD Circular No.16 dated the 12th July, 1984 on the captioned subject.

The following amendments have been made in the Scheme effective from 1st July, 1990:-

(a) Small Loans for Business

The limit of Small Loans for business purposes has been enhanced from Rs.200,000 to Rs.300,000.


(b) Small Loans for Industry

Industries with fixed assets (excluding land and buildings) the original value of which does not exceed Rs.20,000,000 (instead of Rs.10,000,000 as heretofore) will qualify for Small Loans.

Consequently, the definition of Small Loans given in the first paragraph of item I of the Scheme circulated vide BCD Circular No.27 dated the 20th November, 1972, has been amended to read as follows:-

“Loans and advances including bills purchased and discounted, given by any bank for business purpose, not exceeding Rs.three hundred thousand per borrower, including those to dependent members of his family, would be treated as ‘Small Loans’ under this Scheme. Similarly, loans and advances given to industrial units, including cottage industries, which have fixed assets (excluding land and buildings) the original value of which does not exceed Rs.twenty million instead of Rs.10 million as heretofore would be treated as ‘Small Loans’.

The above definition will apply for the purposes of both loans under the Small Loans Scheme and the Mandatory Credit Targets.

 Please refer to item 1(v) of para A.II of BCD Circular No.5 dated the 5th July, 1987 in terms of which advances to authorised dealers (excluding exporters) against rice and paddy are permissible against a minimum margin of 25%.

Selective Credit Control.

In partial relaxation of the above, it has been decided to withdraw with immediate effect, the existing minimum margin restrictions on advances against 'BASMATI' rice to authorised dealers. However, the restrictions of 25% margin against other varieties of rice will continue.

