

The Presidents / CEOs,

All Banks/DFIs

Dear Sirs /Madam,

Mark up Rate Support for Textile Sector against Long Term Loans-
Payment for the period 01-09-09 to 28-02-2010

Effective September 1, 2009 the Government of Pakistan has announced a Mark up Rate Support for Textile Sector on their outstanding running balances of principal amount of floating rate loans availed by the industry from commercial banks/DFIs for financing import / purchase of textile machinery vide Notification No. 3(3)TID/09-P-I dated 1st September 2009 of Ministry of Textile Industry (MINTEX) (copy enclosed).

2. Pursuant to the release of budgetary allocation by the Ministry of Finance for payment of above Support for six months ending on 28th February, 2010, following procedure has been devised in consultation with Ministry of Textile Industry, for payment of Mark up Rate Support for Textile Sector to the eligible borrowers of Textile Sector: -

(i) Maximum Support will be admissible to the extent of 5% p.a. or the difference in mark-up rate between floating rate loan and LTFF rate, whichever is lower.

(ii) The amount of Support shall be paid by the commercial banks/DFIs to the eligible borrowers at their respective branches, provided the borrowers have on-line Registration Certificate issued by Ministry of Textile Industry during the validity of the same.

(iii) The Support shall be admissible on the principal amount of loans outstanding on reducing balance on daily product basis.

(iv) The loans disbursed by the banks/DFIs up-to August 31, 2009 shall qualify for the facility.

(v) The Support shall be admissible against long term loans extended for import / local purchase of textile machinery only against import/inland letter of credit (LC).

(vi) The outstanding loans in respect of locally manufactured and imported machinery for which borrowers have availed financing facilities under SBP's Long Term Financing Facility (LTFF) will not be eligible for this facility.

(vii) No Support shall be admissible on the amount of loan disbursed for meeting import incidentals. The Support shall be admissible only on the outstanding principal amount of loans availed on the C&F value of the imported machinery and / or ex-factory /show room price of locally manufactured machinery.

(viii) This facility will be administered by the commercial banks/DFIs.

(ix) Amount of Support shall be paid by commercial banks/DFIs on six monthly basis in March and September each year subject to release of necessary budgetary allocation by the Federal Government for relevant fiscal year.

(x) Accordingly, Support for six months ending on 28th February 2010 (from 01-09-2009 to 28-02-2010) shall be from the date of issuance of this circular up-to April 23, 2010. However, final dates for payment of Support in the next period shall be announced separately on receipt of budgetary allocations from Government of Pakistan for the respective periods.

(xi) For the calculation of Support payable in the month of March-April 2010, the amount outstanding as on 31st August 2009 shall be used as base figure and amount of Support shall be calculated on reducing balance basis for all scheduled repayments by the borrowers during six months period.

(xii) The facility shall not be available to the borrowers having non-performing loans, classified under SBP Prudential Regulations. However, banks/DFIs can allow the facility after rescheduling/restructuring of such loans.

(xiii) The banks/DFIs shall pay the Support to the eligible borrowers to the extent of 70% of total

amount worked out for six months period from 01-09-2009 to 28-02-2010. The remaining amount of subsidy will be provided upon receipt of funds from Ministry of Finance as and when received.

3. After making payments of Support, the disbursing branch of banks/DFIs can seek its reimbursement from the concerned offices of the SBP-BSC as per these guidelines and on submission of application, certified by the Compliance or Internal Audit, as per the format attached to this circular.

4. Each application will invariably be accompanied with a duly attested copy of Ministry of Textile Industry Registration Certificate as mentioned above. The said registration certificate shall be attested jointly by the branch manager and concerned officer of the branch after seeing the original one. It must be noted that claims will only be accepted within the validity period of such Certificates.

5. Applications duly completed in all respects shall be processed by the offices of SBP-BSC subject to the condition that documents as mentioned in Application Form have been enclosed with the applications, which shall be subject to subsequent detailed scrutiny. In case SBP or its authorized representatives subsequently conclude that the Support was availed on the basis of incomplete / incorrect information, or that the same was claimed wrongfully, the amount of Support so paid shall be recovered by debit to the account of the bank/DFI concerned. On removing the irregularities to the satisfaction of the concerned office the Support shall be reinstated. However no benefit whatsoever shall accrue to the bank/DFI or the borrower for the period, the Support was discontinued. In case the disbursing banks/DFIs fails to remove the objection raised by SBP or its representatives within 30 days the case will be treated as closed. No claim for six months ending on 28th February 2010 of Mark up Rate Support shall be entertained after April 23, 2010. Banks/DFIs are, therefore, advised to ensure that all eligible cases are submitted by their concerned branches to the respective offices of SBP BSC (Bank) as per schedule.

6. State Bank shall not accept liability of whatsoever nature where a bank/DFI has failed to submit its request for payment of Support within the validity of the Scheme, regardless of the fact that delay in submission of fresh request or re-submission of request for payment of Support pursuant to action taken in terms of Para 3 above was on account of the inability of the bank/DFI or the beneficiary of the Support i.e. borrower.

7. No service charges, fee etc. of whatsoever nature shall be recovered by the bank / DFI from the borrower(s) for processing of these claims.

8. Banks / DFIs are advised to properly and promptly circulate these instructions to their branches and constituents for meticulous compliance.

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[Encl: As above](#)

Yours faithfully,

(Mansoor H. Siddiqui)

Director