



# STATE BANK OF PAKISTAN

I. I. CHUNDRIGAR ROAD, POST BOX NO. 4456

KARACHI

TELEGRAM  
BANKRATE

BANKING POLICY  
DEPARTMENT

No. BPD/PU-22/22.03/X/2005/1836

February 15, 2005

Mr. Salman Rasheed  
Member Executive Committee &  
Financial Controller under SoA  
(Saadi Cement & Pakland Cement)

**Request for Grant of Exemption from the Applicability of Prudential Regulations for Restructuring of Pakland Cement Ltd. and Saadi Cement Ltd.**

Dear Sir

Please refer to our correspondence regarding the captioned subject.

We are pleased to inform you that in consideration of your request received vide letter dated December 29, 2004, the following relaxations/exemptions from the Prudential Regulations have been approved by the State Bank of Pakistan for the banks/DFIs in respect of the loans/advances to M/s Pakland Cement and Saadi Cement Ltd. settled under the Revised Scheme of Agreement:

1. Transformation of old loans/leases to Pakland Cement and Saadi Cement Ltd. into new debt instruments, as agreed upon under the Revised Scheme of Agreement, may be treated by the concerned banks/DFIs as fresh financing; old loans/leases may be considered as redeemed and paid off for the purpose of Prudential Regulation R-8. Thus, the loans to Pakland Cement Ltd. and Saadi Cement Ltd. under Revised Scheme of Agreement have been exempted from the classification/provisioning requirements as laid down under regulation R-8 of the Prudential Regulations for Corporate/ Commercial Banking.
2. The loans to Pakland Cement Ltd. and Saadi Cement Ltd. under Revised Scheme of Agreement have been exempted from the requirements of regulation R-5.
3. Breach of per party exposure limit of the banks/DFIs, as reported vide your letter dated February 1, 2005, has also been exempted to the extent of corresponding figures in the following cases for the purpose of regulation R-1 of the Prudential Regulations for Corporate/ Commercial Banking

*Rs. in million*

<i>Name of the Bank</i>	<i>Exposure to Pakland Cement</i>	<i>Per Party Exposure Limit</i>	<i>Breach</i>
IDBP	221.557	150.00	71.557
NIB	343.126	260.00	83.126



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4. Breach of Group Exposure Limit of the banks/DFIs, as reported vide your letter dated February 1, 2005, has been exempted to the extent of corresponding figures presented in the following table for the purpose of regulation R-1 of the Prudential Regulations for Corporate/ Commercial Banking:

*Rs. in million*

Name of the Bank	Total Exposure to PCL & SCL	Total Exposure to Dewan Mushtaq Group (including PCL & SCL)	Group Exposure Limit of the Bank	Breach
Faysal Bank Ltd.	1760.38	3336.315	2540.142	796.173
Habib Bank Ltd.	72.670	5604.200	5531.530	72.670
NIB Ltd.	519.194	820.994	320.00	500.994
Union Bank Ltd.	189.999	1365.489	1250.00	115.489

However, we regret to inform you that the request for exemption from the disclosure requirements cannot be acceded to. The concerned banks/DFIs shall, therefore, disclose the write offs in accordance with the existing instructions on the subject.

Further, it has been stated in your letter dated December 29, 2004 that classification of TFCs as investments could entail serious tax complications in future. In this regard, you are advised to please explain as to exactly what problems/implications may arise due to the regulatory requirement of treating TFCs as investments.

Yours truly,

(Ehsan Ullah Butt)  
Policy Officer

Cc:

- Mr. Javed Mahmood, Member E.C. On Behalf of National Bank of Pakistan & other Creditors
- Mr. Khalid S. Tirmizey, Member E.C. on Behalf of Faysal Bank Ltd.