

10th November, 2003

**Banks' Investment In Shares Of Public Sector
Enterprises And Autonomous Bodies**

The State Bank of Pakistan today announced that henceforth investment made by banks in shares of Public Sector Enterprises (PSEs) and Autonomous Bodies (ABs) whether subscribed through Initial Public Offerings (IPOs) or through purchases from Secondary Market shall not be counted towards the ceiling fixed by it (State Bank) in respect of financing facilities to be provided by each bank to these PSEs/ABs.

The SBP has clarified that the shares will be valued at cost of acquisition for the purposes of calculation under Para 1.B of Prudential Regulation R-6.

The State Bank of Pakistan has through amendments made in Para 1.B of Prudential Regulation R-6 for Corporate/Commercial Banking has also exempted the Development Finance Institutions (DFIs) which are not mobilizing funds as deposits/Certificates of Investment (COIs) from general public/individuals from the requirement of capping their total investment in equities. However, the DFIs which are mobilizing funds as deposits/Certificates of Investment (COIs) from general public/individuals will be required to contain their total investment in shares up to 35% of their equity.
