

Corporate banking, SBP amends definition of related party

KARACHI: The State Bank of Pakistan (SBP) has announced amendment to definition of "Related Party" of Prudential Regulations for corporate/commercial banking.

According to SBP circular, based on the representations received from the banking industry, the Para (d) of definition No. 33 "Related Party" of Part-A of PRs for Corporate/Commercial Banking has been revised as follow.

"Provided, that

i. Nominee director, appointed by Federal/Provincial Government by virtue of their shareholding, and;

ii. Common independent director between bank/DFI and a borrowing entity,

shall not be taken into account for establishing the relationship of related party, provided the independent director fulfills the criteria, as specified in relevant provisions of laws and regulations, for assessment of independence. Provided further that the related party relationship shall include the personal or family business interests of such director." The application of revised definition of 'Related Party' will be limited to Regulation R-1 of PRs for Corporate/Commercial Banking. The SBP has advised, banks/DFIs to follow the regulation in letter and spirit and any deviation or non-compliance of the same will attract punitive action under the relevant provisions of the Banking Companies Ordinance, 1962. All other instructions on the subject shall, however, remain unchanged, the central bank said.

RECORDER REPORT