



Issued on May 19, 2020

**FAQs - Refinance Scheme for Payment of Wages and Salaries to
the Workers and Employees of Business Concerns**

Sr. No	QUESTION	ANSWER
1	How to avail financing under the scheme?	Approach your bank to avail financing under the scheme. Details of the scheme are available at the following links: http://www.sbp.org.pk/smefd/circulars/2020/C6.htm http://www.sbp.org.pk/smefd/circulars/2020/C7.htm
2	The assumption is that there would be sufficient cushion in the existing security. If there is no cushion then Banks would not be lending to such borrowers.	The bank may consider reducing margin requirements on the existing collateral after taking into account the creditworthiness of the borrowers. In cases where it is not possible, the banks should provide this financing facility to the borrowers by taking additional collateral. While doing so, the banks may consider widening the range of their acceptable collateral.
3	In case of obligors' maintaining payroll with multiple banks, can the facility be allowed on a pro-rata basis based on the size of the payroll while staying within the overall cap prescribed by SBP in the circular?	The financing under the Scheme will be available to a borrower from one bank only, which is preferably the bank maintaining the payroll of borrower. There may be situation in which a borrower is maintaining payroll account through multiple banks/DFIs for their different units of same business concern. In such a situation, the borrower may apply financing facility from one lead bank, preferably, a lead bank where bulk of payroll of the borrower resides. In such cases, the lending bank would obtain an undertaking from other banks managing payroll of the borrower that the funds are being disbursed in the salary accounts as per requirement of the scheme. Preferably, the lending bank should disburse loans directly to the accounts of employees in other bank through RTGS or other suitable means.
4	A customer has come to us and told us that it has 2 payroll banks, one of them being us. Can we give 100% financing, provided customer gives us undertaking not to avail finance from the other bank?	Yes. Please also see the response to above question.



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5	<p>I manage my payroll account in one bank and avail financing facilities from another bank. The Scheme requires me to submit my financing request to the bank that is managing my payroll. But, I do not have financing arrangements, including arrangements of collaterals, with the bank managing my payroll account.</p> <p>How can I avail financing under the Scheme?</p>	<p>A borrower can avail financing from the bank with which it has financing arrangement/relationship. In such cases, the lending bank would obtain an undertaking from other banks managing payroll of the borrower that the funds are being disbursed in the salary accounts as per requirement of the scheme. Preferably, the lending bank should disburse loans directly to the accounts of employees in other bank through RTGS or other suitable means.</p>
6	<p>In view of exposure considerations on certain clients, the Bank may want to cap its existing exposure through earmarking of unutilized existing credit facilities to remain in line with the credit appetite of the borrower. Notably, the circular restricts settlement of existing facilities of the borrower through the refinance under this scheme. However, it is not clear whether the bank can approve the limit within the existing approved but unutilized exposure on the client.</p>	<p>The facility should preferably be in addition to existing available credit lines of the customers. Since the objective is to facilitate the liquidity constraints of the borrowers, the substitution of new facility with the existing unutilized credit lines will defeat the purpose.</p> <p>The bank may, however, allow this facility by earmarking of unutilized existing facility with the consent of the borrower.</p>
7	<p>Sanction of loans through sub-limits of an existing facility is also important to expedite the approval process and avoid pre / post disbursement requirements. This will ensure speedy disbursement in this challenging environment.</p>	<p>As explained in answer to question number 6, one of the purpose of this facility is to ease the liquidity constraints of the borrower. Hence, the bank should also take into account the liquidity needs of the borrower for meeting other working capital requirements while taking decision on earmarking of the existing facilities.</p> <p>Nonetheless, in order to ensure speedy disbursement, the bank may allow this refinance facility as a sub-limit of an existing facility with the consent of borrower.</p>



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8	Can a household avail facility under this Scheme for payment of wages and salaries to their domestic employees?	The Scheme is designed for businesses to facilitate payment of wages and salaries to their workers and employees. The financing under the Scheme is not meant for consumer financing to households.
9	The Scheme requires the banks/ DFIs to make disbursements under the Scheme directly to the bank accounts / branchless banking accounts / mobile wallets of the workers and employees of the borrowers. In case of non-availability of such accounts, the Scheme also requires banks/DFIs to encourage and facilitate businesses in making arrangements for routing wages and salaries of such workers through their accounts at the earliest. How will banks/ DFIs comply with this requirement?	As stated in the Scheme, the financing bank will encourage and facilitate the borrower to make arrangements for payment of wages and salaries through accounts of workers and employees to the maximum extent possible.
10	I am a business owner and I have already issued notices of lay-off/ termination of employment to my workers and employees in the month of April, 2020. Will I be able to avail financing under the Scheme?	The businesses which have terminated or laid off their workers and employees on or after April 01, 2020 due to lockdowns/worsening business conditions will be required to issue cancellations of their notices of termination/ lay-offs to their workers and employees to be able to avail facility under the Scheme.
11	Employers will have to agree not to terminate any employees on their payroll effective April 1 regardless if they take funding in full or part of their payroll.	Yes. The employer will undertake not to lay off employees/workers permanent, contractual, outsourced, daily wagers except in cases of disciplinary actions.
11a	If a company is not in operation or is operating at less than its full capacity and resultantly it is asking part of its workforce to stay at home but continue to pay their salaries/wages	Yes. As long as employees remain on the payroll of the company even if they are not working and being paid less than regular wages, it will not be termed as layoff for the purpose of this scheme.



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	<p>although at a reduced rate (say 50%), will it be able to qualify for refinance under SBP's wages scheme?</p>	
12	<p>There can be cases where a Bank has a payroll of a company but has not extended any funding due to poor creditworthiness. Such banks would not be willing to extend financing. Other banks too may not be willing to assume the credit risk of such borrowers.</p>	<p>In cases, where bank declines the request of a borrower under this scheme, the bank will need to convey reasons to be borrower for declining its request. A copy of this communication needs to be forwarded to Director, Offsite Supervision and Enforcement Department.</p> <p>The borrower may avail financing facility from any bank and disbursement should be made to the accounts of employees/ workers to ensure the proper utilization.</p>
13	<p>The scheme states the PFI will ensure that low paid workers of their borrowers are accommodated at the time of sanction / disbursement of loan. How will the PFI ensure this as employers might want to fund more expensive employees. Would the onus be on banks to analyze full payrolls and decide which employees it would disburse the funding to?</p>	<p>This situation arises in cases where monthly financing limit is lower than monthly wage bill of the borrower. In that scenario, the bank should make sure that disbursement should be made to low paid workers of the borrower on priority basis. This would facilitate in achieving the objective of the scheme that the borrowers availing this facility will not layoff their workers/employees for the 3- months period from the date of first disbursement.</p>
14	<p>Can the disbursement of the entire facility be taken in a single go due to payroll in excess of Rs. 500M?</p>	<p>The bank cannot make disbursement in single go. The bank will approve the limit in one go, however, the disbursement of financing facility shall be made equivalent to proportional monthly payroll size being financed by the bank for a period of three months i.e. April till June 2020.</p>
15	<p>Creation of new charge will be a challenge, as SECP acknowledgement / charge certificates are not available. Even in case of ranking charge, SECP confirmation will not be available.</p>	<p>Yes, this would be a challenge. However, the banks may seek legal opinion in order to ease out the whole process and accordingly obtain and process the required documents from the borrower under an approved reasonable deferral time as per their credit policy.</p>



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16	<p>According to the circular, latest audited financials or certificate from Head HR or CFO must be obtained for the last 3-months average wages and salaries bill. It is pertinent to mention that bonuses, sales incentives, employee benefit plans, staff retirement benefits, gratuity etc. are the part of wages and salaries reported in the financial statements, while the circular does not permit banks to disburse loan to cover these amounts. So there would be no other source to revalidate the amounts.</p>	<p>The bank may seek additional information from the borrower to reasonably estimate three months wage bill. The bank may also use its own judgment and information of wage bill of similar companies as a counter check.</p> <p>Similarly, in cases, where a certificate for the last three month average salary/ wage bill is obtained from Head of HR or CFO of business concerns, the bank may request to bifurcate wages and other benefits in the certificate.</p>
17	<p>Certain non-borrowing clients are requesting this facility that do not have a borrowing history with banks hence will be subjected to enhanced due diligence as per the bank's credit review process. Therefore, 15 days turnaround time may not be possible in such cases and relaxation is allowed to positively review fresh cases of financing in longer duration of minimum 30-45 days.</p>	<p>The turnaround time of 15-days has been prescribed keeping in view the nature of the facility – that is payment of wages for the months of April to June. Prolonging processing will deprive many borrowers to avail this facility for payment of their wages in April and may be in May. SBP is, therefore, closely monitoring the situation and would request the banks to deploy additional resources to complete the due diligence within prescribed time.</p>
18	<p>Circular only covers the payroll up to June; however, certain clients would want to avail the facility for 3 months starting from May or June if the lockdown extends and continues to affect their business. This will also help clients that have cash flows to pay salaries for the month of April however require support for subsequent months.</p>	<p>Presently the scheme only covers wages and salaries of April to June 2020. However, SBP is continuously assessing the state of affairs with respect to the economic implications of the COVID-19. Any decision in this regard may be taken in due course of time considering all these factors.</p>



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19	In case of cut in payroll to employees to manage their overhead in the current crisis, would the obligor still be entitled to utilize the terms of the scheme based on the undertaking to not layoff the workforce; however, with reduction in its payroll.	Yes, the borrower may avail the financing facility up to the extent of prescribed financing limits under this scheme. However, SBP expects that employers will not cut the wages/ salaries under this difficult time. Further, this should not be construed that SBP encourages employers to apply haircut in the payroll to employees.
20	Some clients have shown concern regarding the undertaking to not lay off employees for 3 months due to the uncertainty whereby the Sales are severely impacted due to extended lockdowns. Does the layoff condition apply on both permanent and contractual workers?	Yes. Layoff condition applies on permanent, contractual, daily wagers as well as outsourced employees/ workers.
21	A borrower has payroll of more than Rs.2 billion for a quarter and the facility coverage will be around 25% of payroll. If a borrower avails this facility, whether the borrower is required to retain all of employees or only 25% of them.	The borrower is required to retain all employees/ workers including permanent, contractual, daily wagers as well as outsourced employees/ workers.
22	At the time of lending under the scheme, PFI will require an undertaking that employees will not be fired. Will the PFI be responsible if the employer borrowed funds and then terminated any one.	<p>The lending bank shall disburse facility in synch with the borrower salary/ wage payment cycle for three months. The borrower will also undertake not to fire any employee/ worker for these three months except in case of any disciplinary action.</p> <p>If the bank comes to know that borrower has fired employees/workers, the bank will not disburse remaining amount and will start charging normal mark-up rate on the disbursed amount.</p>



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23	Will financing be available for regular monthly income tax deductions from the wages and salaries of workers and employees.	The salaries and wages for the purpose of this Scheme will include income tax deductions to be paid on behalf of the employees.
24	Is the salary facility to be disbursed net-off taxes to each individual employee, as already in practice being done through various payroll systems?	See answer to question given above
25	What are the security /collateral requirements?	Credit risk of the borrower under the scheme is borne by concerned bank; therefore, besides meeting terms & conditions of the Scheme, concerned bank will provide financing as per their credit policy and risk profile of the borrower.
26	Are Non-profit organizations like NGOs, Schools, Cooperative Housing Societies, trusts eligible to avail financing under the Scheme.	Yes, all such organizations are eligible to avail financing under the Scheme.
27	Are private schools, tailoring shops and retail stores are eligible under scheme?	Yes
28	If we do not have payroll account in any bank, are we still eligible	Yes. Such new customers/ borrowers may also avail financing under the Scheme from any bank of their choice.
29	During the course of discussions with some potential users of the Payroll Refinance Scheme, we are also looking at a possibility where due to urgent need of financing/ disbursement the lending bank (not having the payroll relationship) could directly disburse into the payroll bank's employee accounts held by them.	This understanding is correct.



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	<p>In this case, the borrower will provide complete details of the payroll to the lending bank who will execute payment transfers.</p> <p>We are assuming, in this situation all the responsibilities outlined in the circular from the bank's point of view will be of the lending bank. Payroll bank will just be at the receiving end. And from it's perspective this will be a routine incoming transaction.</p> <p>Is this understanding correct?</p>	
30	<p>Can disbursement of salaries/wages for the month of May be made before Eid under SBP's Wages Scheme?</p>	<p>Yes</p>