



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Specialized Companies Division  
Policy, Regulation and Development Department

No. SC/NBFC-1-196/Circular/2023/ 18

September, 2023  
25

Circular No. 15 of 2023

Pricing Caps for Lending NBFCs providing digital nano-lending

In order to ensure borrowers protection, safeguard them from being trapped in debt cycles and encourage responsible lending practices, the Securities and Exchange Commission of Pakistan (the "Commission") in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) and regulation 28(da) of the NBFC Regulations, 2008 in addition to and in partial modification of requirements under Circular 15 of 2022 dated December 27, 2022 and Circular 10 of 2023 dated August 7, 2023, hereby directs that all Lending Non-Banking Finance Companies (NBFCs) providing digital nano-lending adhere to the following requirements:

**1. Exposure Limits for Digital Nano Lending**

- (1) An NBFC, can extend a nano-loan for a tenure of up to 30 days;
- (2) An NBFC shall not rollover/restructure a loan more than twice. Maximum tenure of the loan including rollovers/restructuring shall not exceed 90 days;
- (3) An NBFC shall consider rollover/restructuring an extension of the existing loan and shall not treat it as new loan.
- (4) An NBFC shall apply the same APR and terms to loan rollover/restructuring as applied to the existing loan.

**2. Annualized Percentage Rate (APR) limit**

An NBFC shall charge an Annualized Percentage Rate (APR) not exceeding ten times of the Policy Rate issued by the State Bank of Pakistan. The APR as agreed between lender and borrower at time of grant of loan shall not be affected by any subsequent change in the Policy Rate.

**3. Maximum amount of permitted costs, interest charge and late payment charges**

An NBFC shall not recover from a borrower, on account of all costs of the loan including the nominal interest/markup/profit rate and all other applicable fees (i.e. processing fees, service fees, notarial fees, handling fees and verification fees, among others) as well as penalties for late payment and non-payment, an aggregate amount exceeding the principal of the loan.

**4. Loan Disbursement and Collection:**

An NBFC, for accurate computation of Profit Rate (PR) and APR, shall ensure that:

- (1) Entire Principal amount of the loan shall be disbursed by the lender on the issue date of the loan and shall be payable by the borrower on the maturity date of the loan, or on the extended maturity date in case of rollover of a loan.
- (2) Entire Profit amount shall be payable by the borrower either in lump sum on maturity date of the loan, or in equal amounts at equal intervals during the Loan Period.

## 5. Glossary

- (1) **Loan Period/Tenor:** The time period (in days) from issue date till maturity date of the loan.
- (2) **Loan rollover/restructure:** The renewal or extension of an existing loan, where the borrower is provided with new terms and conditions for repayment without fully repaying the original loan, while 'restructured loan' refers to a modification of the terms and conditions of an existing loan that results in a change to the repayment schedule, fees or other terms.
- (3) **Principal:** The amount disbursed by the lender to the borrower at the beginning of the loan period.
- (4) **Profit for the Loan Period (Profit):** The amount including all costs, by whatever name called (markup, interest, profit, processing fee, service fee, handling fee etc.), payable by the borrower during the Loan Period.
- (5) **Profit Rate for the Loan Period (Profit Rate) - %:** Expressed as percentage and computed as the ratio of Profit and Principal.

$$PR(\%) = \frac{\text{Profit for the Loan Period}}{\text{Principal}}$$

- (6) **Annualized Profit Rate (APR) - % p.a.:** Expressed as percentage per annum and computed by simple annualization of the PR without considering the reinvestment or compounding of Profit over the next twelve (12) months.

$$i. APR(\% p.a.) = \text{Profit Rate} \times \frac{365}{\text{Loan Period}}$$

### (7) Illustration:

Principal	10,000	10,000
Issue Date	1 Oct 2023	1 Oct 2023
Maturity Date	15 Oct 2023	15 Oct 2023
Loan Period	14 days	14 days
Markup	500	900
Fees	300	600
Profit	500 + 300 = 800	900 + 600 = 1,500
Profit Rate - %	8%	15%
APR - % p.a.	8 x 365 / 14 = 208.6%	15 x 365 / 14 = 391.1%
Policy Rate - % p.a.	22%	22%
Ceiling for APR - % p.a.	22 x 10 = 220%	22 x 10 = 220%
Whether APR is within the APR Ceiling	Yes	No

6. Through the above clauses of this circular the following clauses of Circular 10 of 2023 dated August 7, 2023 and Circular 15 of 2022 dated December 27, 2022 are partially modified to the extent mentioned below:

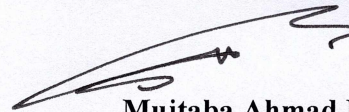
(1) Requirements contained in clause 1(1) above modifies Circular 10 of 2023 dated August 7, 2023, substituting number "90" with "30" in;

- i. clause (i) of "Exposure Limits for Digital Nano Lending" and
- ii. the definition of Digital Nano Lending in the "Glossary"

(2) Requirements contained in Para 5 above substitute clause 9(3) of Circular 15 of 2022 dated December 27, 2022.

7. NBFCs shall ensure compliance with above requirements for digital nano-lending extended, restructured or renewed within seven days of the date of issuance of this Circular.

8. Any non-compliance with the above requirements shall attract the penal provisions of section 282J of the Companies Ordinance, 1984.



**Mujtaba Ahmad Lodhi)**  
Commissioner (SCD)