Protocol on Banking Services to Agreement on Trade in Services between the Government of the People’s Republic of China and the Government of the Islamic Republic of Pakistan

1. This protocol is meant to partially modify the “Agreement on Trade in Services between the Government of the Islamic Republic of Pakistan and the Government of the People’s Republic of China” (Hereinafter referred to as the Agreement on Trade in Services) signed in China on 21 February 2009 and shall form an integral part of the Agreement on Trade in Services.

2. To the extent that any of the terms or conditions contained in this protocol may contradict or conflict with any of the terms or conditions of the respective schedules of specific commitments under the Agreement on Trade in Services, the terms of this protocol shall take precedence and supersede the respective schedules.

3. The parties agree as follows:

(A) Additional commitments by China

i. A Pakistani bank planning to establish a branch within the territory of the People's Republic of China shall have the total assets of not less than US $ 15 billion at the end of the year prior to the submission of the application.

ii. Where a Pakistani bank intends to engage in any of the RMB businesses within the scope of business prescribed in Article 34 of the Regulations of the People's Republic of China on Administration of Foreign-funded Banks, it shall satisfy the following requirements and be subject to the approval by the banking regulatory agency of the State Council: (1) having opened business within the territory of the People's Republic of China for at least one year prior to the application; (2) other prudential requirements prescribed by the banking regulatory agency of the State Council.

(B) Additional Commitments by Pakistan

i. In case the exposure is up to three times of the per party limit prescribed under Prudential Regulations, no permission will be required from State Bank of Pakistan (SBP). However, a letter of comfort in a format acceptable to SBP from the head office of the Chinese bank addressed to their Pakistan branches and copied to SBP will be a pre-requisite.

ii. In case the exposure exceeds three times of the per party prescribed limit, SBP’s prior approval will be required on a case to case basis and project viability will be reviewed by SBP. Further as in the above case, a letter of comfort is also required from the head office of the Chinese bank.
iii. "Large Exposure Limit" under the Prudential Regulations (PR R-1 para 4, as amended from time to time) will be exempted.

**Note:** The above mentioned favorable treatments shall be admissible to all Chinese banks minimum rated 'A' by Moody's/Standards & Poor's only and for projects specific to Pak-China Economic Corridor.

iv. Where a Pakistani branch of a Chinese bank acts only as disbursing branch and all risks of the exposure are assumed by its Head Office in China (or other offices outside Pakistan) along with due confirmation by the Head Office in writing and provision of matching funds from abroad, such exposure will be exempted from the calculation of exposure of the branch. However, such financing/disbursement need to be compliant with all local and international laws including foreign exchange regulations of Pakistan and not violative of any UN or other international sanctions. Further, Chinese banks’ branches will provide all required information about such loans to the SBP.

4. The Parties shall notify each other the completion of the domestic legal procedures necessary for the entry into force of this protocol through diplomatic channels in writing and this protocol shall enter into force 30 days after the date of sending the latter notification according to the article 25 of the Agreement on Trade in Services.

IN WITNESS WHEREOF, the undersigned, being duly authorized by their respective Governments, have signed this protocol.

DONE at Islamabad on April 2015 in duplicate in Chinese and English languages, both texts being equally authentic.

For and on behalf of the Government of The People’s Republic of China

GAO Hucheng
Minister of Commerce

For and on behalf of the Government of the Islamic Republic of Pakistan

Ishaq Dar
Minister of Finance