



STATE BANK OF PAKISTAN SME Finance Department

No. SMEFD/IERS(P)/X/2010 – 1597

August 23, 2010

The President/CEO,

Albaraka Islamic Bank, Bank Alfalah Ltd., Bank Al Habib Ltd, BankIslamic Pakistan Ltd., Dawood Islamic Bank Ltd, Dubai Islamic Bank Ltd., Emirates Global Islamic Bank, MCB Bank Ltd., Habib Metropolitan Bank Ltd, Meezan Bank Ltd., Soneri Bank Ltd., Standard Chartered Bank (Pak) Ltd.

Dear Sirs,

Islamic Export Refinance Scheme (IERS)

Please refer to the Islamic Export Refinance Scheme and the various instructions issued under it from time to time.

It has been noticed that the banks availing the IERS are not following the instructions meticulously relating to the various aspects of the scheme, in particular profit payments and transfers to Takaful Fund. In this regard we have to advise as under:

A. Provisional Profit Payment:

Banks have to ensure that provisions of clause 1.13 & 1.14 of IERS regarding provisional profit payment are complied with. In this regard banks are now required to submit details as per format of IERS Report 1 provided with this letter. The format contains a calculation example which the banks may utilize for calculation of Provisional Profit in line with instructions contained in clause 1.14 of the scheme.

B. Takaful Fund:

At present, the Takaful Fund is to be maintained at the office of the SBP BSC (Bank), where the head office/country office of the concerned bank is situated. However, in order to effectively monitor the same it has been decided that henceforth Takaful Fund shall be maintained at the SBP BSC (Bank) Karachi Office only. All banks are advised to communicate the amounts to be transferred to the Takaful Fund (determined after the annual audit of the bank) to the Chief Manager, SBP BSC (Bank) Karachi Office. Further, Clause 1.15 of the IERS has been amended and shall read as follows:

“If on the basis of the annual audited accounts of the Islamic Bank, the profit accruing to the SBP is more than the profit paid to the SBP on quarterly basis as per the unaudited accounts of the earnings of the pool, the difference shall be deposited by the Islamic Bank, within 7 days of its determination, in a special non remunerative reserve fund viz. “Takaful Fund” to be maintained at the SBP BSC (Bank) Karachi Office. This arrangement shall remain effective for all intents and purposes during the currency of the agreement.”



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C. Reporting Requirements:

In order to allow effective monitoring of the scheme, we have revised the formats for reporting information. Banks are advised to submit the reports to this department as per time line on the formats enclosed. Banks are advised to submit the information on these formats starting quarter ended Jun'10.

- a) Banks shall submit IERS Report 1 providing details of provisional profit payment as per format attached on quarterly basis.
- b) The format for Appendix 1 has been revised and is attached with this letter (along with necessary explanations). Banks are advised to provide information relating to the Musharaka Pool on the revised format, on quarterly basis to this Department within 21 working days following the end of quarter. Banks should submit Appendix 1 on the revised format for quarter ended Jun'10 latest by Monday, September 6, 2010. The statement should also be emailed (as attachment in MS Excel) at the following email addresses
syed.hafeez@sbp.org.pk
razia.sameem@sbp.org.pk
- c) Banks are reminded that as per clause 1.12 of the scheme a special audit of the affairs of the Musharaka pool has to be conducted by their external auditors, certifying that the terms and condition of the Scheme have been adhered to in totality and that the annualized earnings of the pool have been worked out correctly. A report regarding the same should be submitted to this Department. Further, the banks are required to submit IERS Report 3 (as per format attached) upon completion of audit of their Musharaka Pool created under the scheme. These reports should be submitted within 10 days of completion of audit.
- d) The scheme along with appendices and formats for reporting and clarifications/ instructions issued under it is available on the SBP website at the link <http://www.sbp.org.pk/incentives/iers.htm>. Banks may refer to it for ensuring compliance to instructions.

Please acknowledge receipt.

Yours faithfully,

Sd/-
(Mansoor H. Siddiqui)
Director

Enclosure: Pages (5)



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ENDT No: SMEFD/IERS(P)/X/2010 – 1598 of date

Copy forwarded to:

- 1) Managing Director, SBP BSC (Bank) Head Office, Karachi
- 2) Chief Managers, SBP BSC (Bank) Karachi, Lahore, Islamabad, Rawalpindi, Multan, Bahawalpur, Faisalabad, Sialkot, Gujranwala, Sukkur, Hyderabad, Quetta, Peshawar, D.I.Khan, Muzzafarabad are advised to submit IERS Report 2 (format enclosed) on monthly basis. The report should be submitted by all Office by the 10th of each month. Offices through which IERS is not availed should submit a NIL report.
- 3) Chief Manager, SBP BSC (Bank) Karachi is advised to submit, in addition to the above, IERS Report 4 (format enclosed) on quarterly basis providing the opening balance in the Takaful fund and any transfers made to/from it to the Refinance Division, SME Finance Department.
- 4) Chief Managers, SBP BSC (Bank) Lahore, is advised to transfer the amount in the Takaful Fund maintained by them to the Takaful Fund maintained at Karachi Office.
- 5) Director, DFSD, SBP BSC (Bank) Head Office for information.
- 6) Director, Banking Inspection Department, is advised to verify the provisional profit payments made by banks and to ensure that the instructions relating to the scheme are being adhered to. Further, he is also advised to inform SME Finance Department of observations made relating to IERS during the inspections of Banks.
- 7) Director, Islamic Banking Department, SBP for information and record.

(Deputy Director)