

FREQUENTLY ASKED QUESTIONS

An attempt is made to place concise answers of Frequently Asked Questions (FAQs) on currency management and specific functions being performed by the offices of the Bank for the benefit of stakeholders.

- **What do we understand from Currency Management?**

Currency Management is a broad term that encompasses all areas right from designing of notes to issue and distribution. Besides, it deals with the inventory management of notes, withdrawal of soiled notes from circulation and their disposal, mechanization of notes processing and eco-friendly destruction of soiled notes, exchange of notes, anti counterfeit measures and promotion of good notes culture among the masses.

- **How does demand for Bank Notes estimated?**

The demand of Bank notes is estimated broadly on the basis of the growth rate of the economy, expected inflation rate, replacement of soiled notes, demonetizations / coinization and stock position.

- **What do we mean by Issue Department?**

Issue Department of the Bank is responsible to deal with issuance of currency and its management. Each Issue office of the Bank has an Issue Department that is distinct from the Banking Department. The liabilities of the Issue Department are the total amount of the Bank notes in circulation. Issue Department at Karachi office comprises of the following sections:

- a) Resource Section
- b) Issue Account Section
- c) Claim Section
- d) Verification Branch, and
- e) Cash Management Section

- **What is an Issue Circle?**

To manage currency affairs properly and efficiently, field offices located at Karachi, Lahore, Quetta and Peshawar have been designated as Circles of Issue. Each Circle of Issue has an Issue Department working under the supervision of a Currency Officer.

- **What is the difference between Issue Zone and Exchange Zone?**

Issue division at each Issue Circle comprises of two zones i.e. Issue Zone and Exchange Zone. Issue Zone deals mainly with the following: -

- i) Receipt, safe custody and issuance of fresh notes to exchange zone and currency chests within the circle and to other circles,
- ii) Receipt and disposal of non-issuable notes,
- iii) Verification and destruction (shredding/incineration) of cancelled notes.

Functions of Exchange Zone include as: -

- i) Exchange of notes and coins over the counters,
- ii) Examination of balances (in terms of both quantity and quality) received from chests and banks and cancellation thereof.
- iii) Dispatch of remittances (notes/coins) to field offices and currency chests in the area of its jurisdiction, and,
- iv) Movement of cash between Banking and Issue Departments.

- **What are security features of Bank notes?**

There are two types of security features i.e. visible (with naked eye) and invisible. Some of the salient security features of the Bank notes are as under: -

Visible Features

- ❖ Quality paper
- ❖ Print quality
- ❖ Security thread
- ❖ Water mark
- ❖ Micro printing on security thread (only in Rs.500 and Rs.1000 denomination notes).
- ❖ Embedded Fluorescent (only in Rs.500 and Rs.1000 denominations notes)
- ❖ Intaglio printing (only in Rs.500 and Rs.1000 denominations notes)

Invisible Features

- ❖ Quaid-e-Azam portrait on the back of bank notes of Rs.1000.
- ❖ Anti Photographic rainbow tint in Rs.1000.

- **What are Currency Chests?**

To facilitate the process of distribution of notes/ coins and to carry out money transactions of the government, NBP branches and Treasury offices/Sub-treasury offices are selected to work as currency chests. These are storehouses where Bank notes/coins are stocked and distributed to other bank's branches located in their vicinity. At present there are 231 currency chests all over in Pakistan.

- **Does the Bank have an access to probe chests affairs?**

Yes, the Bank may conduct any verification of the currency chests through its own officers. Chests are required to sort the notes into re-issuable and non-issuable lots, which they receive from government/public/banks. Further, chests have to ensure that surplus balances of re-issuable notes over and above their limits and their normal requirements be diverted to link offices of the Bank or to other chests wherever required. Soiled/non-issuable notes are to be returned to field office under jurisdiction the chest fall.

- **What is Bonded Notes Vault?**

Commercial banks (HBL, MCB, UBL and ABL) used to tender their balances in the form of re-issuable and non-reissuable with field offices on guarantee. These balances are kept in triple lock. Balances kept in the guarantee vaults are examined in the presence of banks representatives and deficiencies (shortages and excess), if detected during the course of detailed examination are made good by their representatives.

- **What do we mean by heavy tender?**

The heavy tender refers to receipt of notes in two or more packets from individual/banks/government for exchange at the counters. Examiners examine the balance and if discrepancies are found the same are made good by the respective party.

- **What is Box Balance?**

It refers to the balance of re-issuable notes maintained with Treasurer to meet day's normal requirements at counters. Box balance is replenished by additional supplies from exchange balance whenever it is needed to do so. Box balance is kept under double lock.

- **What are Soiled and Mutilated Notes?**

When the notes become dirty, oily, and limp due to excessive use they are described as soiled notes. Further notes with full cut into two pieces (vertical or horizontal) are treated as soiled notes. While mutilated notes are disfigured, torn, burnt, washed and altered or eaten by white ants, etc.

- **What types of notes are not eligible for payment under Note Refund Rules?**

The following types of notes are not payable if a note is: -

- i) Less than half.
- ii) Cancelled by any office of the Bank.
- iii) Deliberately cut, mutilated or altered, tempered, mismatch, disfigured Quaid portrait and forged.

- **What is the difference between Special and Normal procedures for disposal of soiled and defective notes?**

To ensure speedy disposal of accumulated balance of cut and soiled notes of Rs.5 and Rs.10 a procedure namely “Special Procedure” is adopted for their examination /destruction. Under this process 15% of the balance of allotted quota (100,000 pieces) per person is counted and 85% is relaxed whereas in the “Normal Procedure” 100% examination and verification is done. Quota for examination/verification /destruction under Special and Normal procedures is as follows: -

QUOTA FOR SPECIAL PROCEDURE

DENOMINATIONS	BALANCES TAKEN (PER PERSON IN PIECES)	COUNTING BALANCE	RELAXED BALANCE
RS.5	100,000	15%	85%
Rs.10	100,000	15%	85%

QUOTA FOR VERIFICATION BRANCH

DENOMINATIONS	BALANCES (PER PERSON IN PIECES)	COUNTING BALANCE	RELAXED BALANCE
Rs.5	80,000	25%	75%
Rs.10	80,000	25%	75%
Rs.50	24,000	50%	50%
Rs.100	24,000	50%	50%
Rs.500	12,000	100%	-
Rs.1,000	12,000	100%	-

QUOTA FOR COUNTING/EXAMINATION OF RE-ISSUABLE/UNSORTED/SOILED NOTES

Status of balances	Rs.5	Rs.10	Rs.50	Rs.100	Rs.500	Rs.1000
Re issuable notes	16,000	16,000	16,000	16,000	16,000	16,000
Un sorted notes	-	-	10,000	9,000	7,000	7,000
Soiled notes	-	-	14,000	14,000	14,000	14,000
Defective cut notes	-	-	-	-	5,000	5,000

Note: - On Saturday half of the quota is allotted

- **What do we mean by Note Cypher Book?**

Note Cypher book contains all necessary particulars of the notes issued. When the notes are issued from fresh stock their particulars are enumerated in the Cypher book and, thereafter, notes are reckoned as liabilities of the Bank.

- **What is the difference between Home Note Account and Value Account?**

Home Note Account provides information regarding total value of notes in stock, value of notes in circulation, daily transactions of notes, notes defaced and destroyed after verification as well as stock positions at chests/sub chests fall under jurisdiction of an Issue Circle. While Value Accounts refer to the value or reserves held by the Bank against the notes in circulation. Reserves include gold coin, gold bullion silver bullion, SDR, approved foreign exchange and rupee coins and approved securities. The sum total of the assets of entire Issue Department should agree with the total value of notes in circulation.

- **Whether notes held in Chests form the part of circulation?**

Currency chests are actually storehouses, which facilitate government treasury business transactions and notes held in the currency chests do not form the part of circulation while coins held in the currency chests are assets of the Issue Department.

- **What do we mean by a Foreign Circle for an Issue Office?**

Each Issue office is a “foreign circle” for another Issue office. The office of SBP BSC (Bank) Lahore is a foreign circle for the Karachi office.

- **What are un-current coins?**

They are defective and unfit coins for re-issuance and must be remitted to the Mint.

- **What are Commemorative Coins?**

These coins were issued on special occasions to commemorate occasions or services of national heroes/ dignitaries who have rendered special services of great significance in the annals of National history. Commemorative coins are not part of circulation and are kept as a separate balance. The following are the commemorative coins issued on various occasions:

Sr. No.	Commemorative Coins	Issued on Occasions/Celebrations	Date
1	a) 50 Paisa coin. b) Gold coins of Rs. 500 and silver coins of Rs. 100.	Quaid-E-Azam Birth Anniversary	22 nd Dec.1976 22 nd Feb.1977

2	Gold coins of Rs.1000, Silver coins Rs.100 and Re.1 (Nickel).	Islamic Summit Minar	22 nd Feb.1977
3	Gold coins of Rs.3000 and silver coins of Rs.150 & Rs.100.	Wild Life Conservation Day	9 th May- 1977
4	Gold coins of Rs.500, Silver coins of Rs.100 and Re.1 coin (Nickel).	Birth Anniversary of Allama Iqbal	8 th Dec.1977
5	Re.1 and Pasia 50 coins.	'Hijra coin' on advent of 15 th century Hijra	5 th Nov.1980
6	Re.1 coin	F.A.O - World Food Day	16 th Oct.1981
7	Rs.5 coin	50 th Anniversary of United Nations	29 th Jan.1996
8	Rs. 50 coin	Golden Jubilee of Pakistan	22 nd Mar.1997
9	Rs.10 coin	Silver Jubilee of Senate of Pakistan	13 th Aug.1998
10	Rs.10 coin	The Year 2003 as Madre-Millat Mohtrama Fatima Jinnah	31 st July 2003

- **How does SBP BSC Office monitor chests affairs?**

Since the inception of SBP BSC (Bank), inspections of chests have been reactivated. Each office of SBP BSC (Bank) is required to formulate a plan to ensure that chests are inspected regularly on quarterly basis. Besides, one surprise check of each branch is conducted in a quarter. For this purpose inspection teams are constituted to visit chests and look into the following areas carefully: i) Detail review of chest's books, records, internal controls and risk coverage, ii) Currency chests slips are serially numbered; iii) Currency chests registers are placed inside the currency bin; iv) The confidential Cypher code book and check signals code are in the personal custody of officer concerned and kept under double lock. Codebooks are updated regularly.

- **What is a chest slip?**

Currency chests report to Issue office of SBP BSC (Bank) daily the information regarding deposits into and withdrawals from the chests on a Form T.E- 2 known as chest slip. Issue Departments of SBP BSC offices in which the chest falls keep watch on their opening and closing balances. Further, they should ensure that slips are being received in chronological order.

- **What does currency transfer mean?**

Link branches of the National Bank of Pakistan submit to Banking Department of local offices of the Bank a daily statement of currency transfers effected at the currency chests on the prescribed form F-157. field offices forward those statements to Karachi office, which consolidates all the information, received from different offices. Thereafter total net affect of deposits into or withdrawals from the currency chests is adjusted by making payment to or from the Banking Department. This adjustment is called currency transfer.

- **How do deficiencies in the balance of chests/bonded vaults are recovered and which accounts are affected?**

If shortages/deficiencies are detected in the balance of chests/bonded vaults during the course of detailed examination, the representatives of respective banks make deficiencies/shortages good. Deficiencies are made good on spot and in case some deficiencies remains outstanding, account of that bank is debited and other income miscellaneous account of the Bank is credited.

- **How does holding capacity of a chest is determined?**

Holding capacity of a chest is determined by keeping in view cash requirements of the area, expected transactions on behalf of governments, storage capacity and security arrangements. SBP BSC Issue offices replenish balances in the chests.

- **What course will be adopted if irregularities are detected in the balance of cancelled notes at verification process?**

If shortages are detected in the balance of cancelled notes during the verification process, shortages be made good from the concerned note examiner and in a case shortages are not made good on spot by one reason or another, such packets should be set aside from the rest of the balance and kept in the custody of Currency Officer till the decision in the case is finalized. Irregularities should be jotted down on the reverse side of the destruction warrant. After having set right the irregularities/shortage, those packets are destroyed in the presence of Currency Officer with remarks recorded on the destruction warrant.

- **Does the value of notes credited to the Bank if excess balance is detected during the verification process?**

If excess balance is detected during verification process, the value of such notes/balance should not be credited to the Bank. The detected excess balance is destroyed in the presence of Currency Officer and it should be mentioned in the destruction warrant and disciplinary action may be initiated against the concerned examiner, if necessary.

- **What are clearly payable defective notes?**

Procedure for processing defective notes has been simplified to make quick payments against clearly payable defective notes. Claim notes definition has been modified and the Bank note is said to be a clearly payable defective note if the same is partially

cut/damaged or slightly burnt provided its $\frac{3}{4}$ portion is intact, nevertheless the note is divided into two pieces either horizontally or vertically.

- **Is normal claim procedure is adopted for the claims tender by Commercial banks?**

Following the adoption of simplified procedure for quick disposal of soiled and defective notes, claim notes tendered by commercial banks are now being accepted without going into claim process and claim amount is credited immediately. However, shortages or rejections are made good from the respective banks subsequently after detailed examination.

- **Are disfigured Notes acceptable as legal tender?**

Bank notes that contain any inscriptions in any form including slogans or messages or disfigured Quaid portrait shall have ceased to be legal tender since 2nd June 1977. Banks and field offices would not accept them as legal tender.

BANKING DEPARTMENT

Deposit Accounts Department

- **What types of Accounts are maintained in Deposit Accounts Department (DAD)?**

The Deposit Accounts Department maintains current accounts of scheduled banks, non-scheduled and cooperatives banks, local government, foreign institutions, foreign governments and special deposit account of five commercial banks.

- **What documents are required for opening of Current Account with the Bank?**

Different Financial entities and Governments have to submit the following documents for opening of the current accounts: -

Sr. No.	Scheduled Banks	Non- Scheduled Banks	Local Bodies	Foreign Institutions /Foreign Governments
1	An application form (No. Bkg-34) duly signed by an authorized official.	An application form (No. Bkg-34) duly signed by an authorized official.	Account opening application form.	The State Bank advises field office about the opening of current account in favour of foreign governments and Institutions alongwith instructions regarding its operations.

2	Certificate of incorporation (under Companies act, 1913).	Certificate of registration by the Registrar.	A copy of the constitution of local bodies.	
3	Certificate of commencement of business.	Copy of the Byelaws or Memorandum and articles of Association.	Resolution of the managing committee for opening account.	
4	A copy of the Memorandum and Articles of Association, authenticated by the Chairman or Board of Directors of the bank.	Certificate of commencement of business from the Registrar (not required in case of cooperative societies).		
5	A copy of the resolution passed by the Board of Directors of the bank.	Copy of resolution of the committee or Board of Directors of the bank for opening account		
6	A power of Attorney authorizing official of the bank to operate on its current account.	Power of Attorney to bank official for operating current account of the bank.		
7	Attested three specimen signatures of authorized officer of the bank and should be verified by the officer of the Bank.	Three specimen signatures of the authorized officer.	Three-specimen signatures.	Three-specimen signatures.

- What cautions should be exercised while entertaining Power of Attorney?**

While entertaining the Power of Attorney, field offices should undertake utmost care to ensure that it is genuine and in a standard format. The Power of Attorney should be definite and not conditional. The document should be properly stamped as per prevailing current rate of stamp duty. Besides, it should be properly authenticated by a Notary Public or Magistrate under his seal and registered with the registrar.

- **Could an Office open a new head of account in General Ledger?**

A General Ledger is the principal book of accounts and financial statements are prepared on the basis of balances in the general ledger account. In the general ledger different heads of accounts are maintained at field office. These heads of accounts are prescribed by the Accounts Department and an office could not open any new head of account in the general ledger without the prior approval of the Accounts Department. Credit balance in the general ledger reflects liabilities and debit balance assets in the balance sheet of the Bank.

- **What is the difference between Transfer scroll and Cash scroll?**

Transactions settlements, which are made through cheques and vouchers, are enumerated in the Transfer scroll. Transfers vouchers (debit or credit) passed by different sections are entered in the transfer scroll whereas Cash scroll contains day's record of all cash payments and receipts. All cheques and vouchers paid in cash are branded with "Pay Cash" order and those are entered in the credit column of the cash scroll. Similarly, cash deposit pay in slips, vouchers and applications for the government drafts, bank drafts, telegraphic transfers and mail transfers, etc received back from Cash Department alongwith receipt stamps are entered in the debit column of cash scroll. Cash balance agrees with cash receipts and cash paid by the Cash Department.

- **What is the importance of Trail Balance Book?**

Trial balance is a test to check correctness of balances in the General Ledger Accounts. If the balances appearing on debit side agree with the balances on credit side, it is assumed that figure from clean cashbook has been transferred to the General Ledger correctly and balance under each head of account has been drawn without mistake. Compensating errors committed in casting the balance in the General Ledger however, could not detected.

- **What do we understand by Clean Cash Book?**

This book records each and every transaction that affects any head of account in the Banking Department of field office. The clean cashbook reflects complete picture of the day's transactions. It is compiled from various vouchers prepared in different sections – vouchers pertaining to transfer transactions (transfer scroll), cash scroll, and balances transferred from Day's Books and Registers. Day's Books and Registers record transactions through cheques and vouchers pertaining to Current Account, remittances sold and encashment etc. The clean cash book is declared to be balanced if grand total of the debit and credit transactions agree with each other after adding to them the previous day's balance of cash and the balance of cash in hand at the end of the day.

- **How do T.T. messages are authenticated, and what types/ tools are available?**

The telegraphic messages are coded/decoded from the Cypher codebook of the Bank and the messages will be authenticated by check signals compiled from the private check signal books (Brown and Black covers).

- **Is a composite voucher permissible (Partly cash and partly transfer)?**

A composite voucher involving partial payment in cash and partly by transfer is not permissible.

- **How does mistake set right in books of Accounts?**

In the book of accounts mistakes are set right by reversing the entries under the original heads of accounts by passing fresh vouchers to set right the position.

- **What kinds of Debit vouchers require Chief Manager's signature?**

The Chief Manager or Deputy Chief Manager on his behalf countersigns the following debit vouchers.

- i) Adjusting Account.
- ii) Income Accounts (Interest Discount, Commission etc.).
- iii) Bill purchased and discounted.
- iv) Loan and Advances Accounts.
- v) Government Treasury bills purchased and discounted.
- vi) Charges Account.
- vii) Suspense Account.
- viii) Sundry Deposit Account.
- ix) Un cleared items of Credit Account.

Public Accounts Department

- **What is the difference between Drawing Accounts and Assignment Accounts?**

Drawing Accounts refer to the accounts of officers of the government Departments viz. Accountants Generals, Comptrollers, Controller of Military Accounts, Collectors of Customs and Executive Engineers which are allowed to draw funds on the government Accounts from the State Bank without limit. However, in case of Assignment Accounts, Accountant General authorizes the State Bank to open Ledger Deposits Accounts in favour of Heads of Government Departments or Army units and those are allowed to draw funds from the Bank upto a specified amount earmarked for payment within the specified period.

- **What is the difference between Assignment Accounts and Personal Ledger Accounts?**

Under Assignment Accounts Heads of Department viz. Post office, Army and Navy units are allowed to have assignment accounts with the State Bank and they are allowed to draw funds upto restricted balance earmarked in the accounts. While in case of Personal Ledger Accounts, Departmental Heads are allowed to maintain accounts with the Treasury officers. Government Officers draw cheques on Treasury and later records order thereon to the Bank to make payment.

- **What steps should be initiated to stop fraud and forgery payment?**

Fraud and forgery could be checked if the following steps are carefully observed while processing payment instruments and placing order for payment.

- i) Processing officer must be agile and conversant with endorsements and technical examinations of cheques/bills.
- ii) The cheque/bill should be drawn on the office of SBP BSC (Bank) at which it has been presented for payment.
- iii) The cheque/bill should neither be stale nor post dated (Government cheques remain current for 3 months after the month of their issue, bills generally remain current for 30 days and refund order for a period of one month from the date of their issue).
- iv) Instruments should be free from stop payment order.
- v) Cheque/bill should be drawn properly and signed by the authorized officials.
- vi) The cheque belongs to the chequebook whose use advice has already been intimated.
- vii) Particulars of cheques/bill should synchronize with the information contained in the advice/schedule.
- viii) Amount in figures and words should agree.
- ix) Instruments should be free from over writing and unauthorized addition/alterations. It should not be crossed.
- x) In case of order cheques the endorsement appearing on its back should be regular.
- xi) Identification of payee or payee discharge signature attested.

- **How do cheques and bills become non-negotiable instruments?**

Cheques and bills become non-negotiable instruments when the Bank for payment defaces those cheques/bills.

- **What care should be done when a Refund Order is presented for payment?**

Before making payments, the refund order should be examined to ensure that it is genuine and has been signed by an officer having authority to do so. Further, the office should have an advice from the issuing office of refund order and payment should not be made before the receipt of such advice.

- **Does SBP BSC (Bank) Office make debt authority to Central Zakat Account?**

Central Zakat Authority is the sole authority to pass the debit voucher. SBP BSC (Bank) office could not pass the debit voucher without having an advice from the Central Zakat Authority.

- **When does disbursement guarantee need?**

Disbursement guarantee is required if the beneficiary bank is different from the bank which presents the instrument. Further, the beneficiary bank is located in a city other than city where cheque is presented.

- **What are objections Memos to refuse payment of a cheque?**

The following are the notable objections memos: -

- i) Amount in word and figures differ.
- ii) Banks Payee endorsement irregular/required.
- iii) Post dated cheques.
- iv) Cheque out of date/time barred.
- v) Cheque is without date.
- vi) Drawer signature differs.
- vii) No chequebook intimation/refund order advice received.
- viii) Payee's discharge required.
- ix) Pay order by the Treasury Officer required.
- x) Identity of payee/signatory required.
- xi) Advice not received.

- **What are important books of P.A.D.?**

Following four major Abstracts are maintained in PAD: -

- i) Central – I Non-Food.
- ii) Provincial – I Non-Food.
- iii) Central – II and Provincial – II Food
- iv) Transfer Scroll.

SECURITIES

- **What is Open Market Operations (OMOs)?**

Open Market Operations (OMOs) are a powerful tool of monetary policy to control the level of banks' liquidity. It refers to purchases and sales of government securities, which affects banks reserves. SBP conducts OMOs to provide cash accommodation to scheduled banks and, for this purpose it undertakes reverse repo transactions with the banks while the scheduled banks undertake repo transactions with SBP under 3-day repo facility. At present repo rate or discount rate is 7.5% per annum.

- **Who are eligible to participate in MTBs Auctions?**

All Primary Dealers (presently eleven in numbers) could participate in the auctions of Market Treasury Bills.

- **Could an individual buy MTBs?**

Yes, an individual could buy Market Treasury Bills (MTBs) through banks or in the secondary market.

- **What are MTBs and what is the rate of profit?**

Market Treasury Bills (MTBs) are short- term instruments of borrowings by the government. These bills are sold on discount. MTBs are issued in three tenors i.e. 3 – month, 6 – month and 12 – month. Auctions are held on fortnightly basis on every alternate Wednesday. Average yields on the last auctions of MTBs are as under: -.

i)	Three months	1.49 percent P.a.
ii)	Six months	1.74 percent P.a.
iii)	Twelve months	1.97 percent P.a..

- **What is the difference between OMOs and Auctions of MTBs?**

- State Bank of Pakistan conducts Open Market Operations (OMOs) as a tool of liquidity management i.e. purchase and sale of government securities from banks. For liquidity management SBP conducts open market operations through use of repos, reverse repos, and out right sale of government securities. While MTBs Auctions are held for managing domestic public debt.

- **What are SGL and Investors Portfolio Security (IPS) Accounts?**

Subsidiary General Ledger account (SGL) is a book based clearing settlement system. Subsidiary General Ledger accounts are opened to facilitate secondary market transactions among accounts holders. These accounts are opened at the Public Debt office of SBP BSC (Bank) Karachi only. All banks and Non-bank Financial Institutions (NBFIs) having current accounts with the Bank are eligible to become members. While Investors Portfolio Securities (IPS) refer investors' holdings in different governments securities. Investors may keep investments in form of un-certificated bonds and the same are kept in portfolio of securities of banks/NBFIs maintaining their SGLA with SBP BSC (Bank).

- **What is the rate of tax on profit from MTBs?**

Tax on the profit of MTBs is levied @ of 20% for banks and NBFIs.

- **What do we understand by Foreign Currency Loan Repayment Bonds?**

Foreign Currency Loan Repayment bonds were issued to Nationalized banks in lieu of compensation to construction companies working abroad. These bonds were issued for a period of 20 years.

- **What are Special Government Bonds?**

These bonds were issued to State Life Insurance Corporation in 1981 for a period of 15 years.

- **What was maturity period for Federal Investment Bonds?**
The scheme of Federal Investment Bonds was launched in 1991 and bonds were issued in three different maturities i.e. Three, Five and Ten years and the rate of profit was fixed at 13%, 14% and 15% respectively per annum.
- **Is Redemption of FIBs before maturity permissible?**
Redemption of FIBs before maturity is not permissible.
- **At what intervals profits on PIBs are paid?**
Profit on PIBs is paid for biannually.
- **Does inter bank/NBFIs transfer of PIBs permissible?**
Yes, Inter bank/NBFIs transfer of PIBs is permissible.
- **What are Index Cards?**
Index cards are the schedule or a record of payments of profit on physical scripts.
- **Is Repo facility available to SGL accounts holders?**
Yes, Repo facility is available to SGL account holders.
- **What is reverse Repo?**
When the Central bank buys MTBs from the banks to provide them liquidity.
- **What do we understand by PDO-31 and PDO-32?**
PDO – 31 is a prescribed form used for issuance of physical scripts by debiting SGL Account. While PDO – 32 is used when physical scripts are submitted for credit to SGL Accounts.
- **What is the rate of commission paid to Primary Dealers and what head of Account is debited for the payment of commission?**
Commission is paid to Primary Dealers on sale proceeds of Pakistan Investment Bonds (PIBs) @ 0.5% on amount of bid accepted or 3.5% of the target amount whichever is less. Commission is paid to Primary Dealers by debiting the Government Non-Food Account and credits the amount to the respective bank's account.
- **To whom PIBs are sold?**
Pakistan Investment Bonds (PIBs) are script less scheme, which was introduced in December 2000 to replace FIBs. These bonds are sold to Primary Dealers through auctions. At present the following institutions are declared as Primary Dealers: -

Habib Bank Limited.	Standard Chartered Bank
National Bank of Pakistan	Citi Bank
United Bank Limited.	American Express Bank
Union Bank Limited	Jahangir Siddique & Company Limited
Bank Al-Falah Limited	Pak Oman Investment Bank.
ABN Amro Bank	

- **What is the current rate of profit on PIBs?**

Following are the current rate of profit on Bonds of various maturities:-

i)	Three years.	6.0%
ii)	Five years.	7.0%
iii)	Ten years.	8.0%
iv)	Fifteen years	9.0%
v)	Twenty Years	10.0%

- **What is the rate of withholding tax on interest of PIBs?**

With holding tax is levied @ of 10% on interest of PIBs.

- **What do we understand by PDO-124?**

PDO-124 is a prescribed form used to apply for profit payments to investors/ beneficiaries of PIBs having SGL Account.

- **What are requirements for opening of SGL?**

Banks/NBFIs having current accounts with SBP BSC (Bank) are eligible to open SGL Account.

- **What is the mode of payment of profit on PIBs if kept in SGL (script less)?**

Profit is paid to beneficiaries by crediting their current accounts if PIBs are kept in SGL Account. While interest warrant is issued to make profit payments if bonds are in physical scripts.

- **What is Jumbo Auction?**

The Ministry of Finance has introduced Jumbo Auction of PIBs with a total target of Rs.50 billion. Auctions were held in three consecutive months i.e. October, November and December 2003 having the same date of auction as 06-10-03.

EXPORT REFINANCE

- **What is the purpose of Export Refinance Scheme?**

With a view to attain sustainable growth in exports and its importance in the growth of economy, State Bank of Pakistan introduced a scheme known as “Refinance Scheme” in 1973 to meet the genuine credit requirements of exporters. The scheme was launched to promote the exports of non-traditional and newly emerging commodities. The scope of the scheme has been enlarged over the period and was revamped and named as Export Finance Scheme in October 1977. Under the Export Finance Scheme all scheduled banks provide concessionary credit facility to exporters and obtain refinance from State Bank of Pakistan.

- **What is the difference between Part-I and Part-II of Export Finance Scheme?**

The scheme operates in two parts viz. Part-I and Part-II. Under Part-I, the commercial banks provide concessionary finance to exporters and obtain refinance from the State Bank on pre-shipment and post-shipment basis for financing exports of eligible commodities against firm contract/irrevocable Letter of Credit. Under Part-II of the scheme, finance is provided to exporters on the basis of export performance/earnings achieved in the proceeding year. Exporters may avail export finance limit equivalent to 50% of their exports earnings through submission of EE-1 duly verified by the Foreign Exchange Operations Department of the Bank.

- **What is the maximum quantum of annual Refinance limit allowed to an Individual bank?**

The State Bank of Pakistan determines the maximum quantum of annual refinance limit to individual banks. This limit should not exceed 3.75 times of the equity of the bank. However, the limit for foreign banks is determined on the basis of amount maintained by them under section 13 of the Banking Companies Ordinance 1962.

- **What is the period of Refinance?**

Financing facility is provided for a period of 180 days to direct exporters and 120 days to indirect exporters. However, an additional 90 days are allowed to the exporters of carpet and rugs provided shipment is made within 180 days.

- **What is the rate of Refinance?**

Rate of refinance under Export Finance Scheme has been slashed drastically over the period and currently it stands to 1.5 percent. However, commercial banks should extend financing facility to exporters by ensuring that their maximum margin spread should not exceed 1.5 percent. The rate is now being reviewed/fixed on monthly basis.

- **At what frequency banks make payment of profits to SBP?**

Banks make payments of the provisional profit on quarterly basis to the concerned office of SBP BSC (Bank) on or before of the following month of the quarter.

- **At what rate fines are levied under Part-I and Part- II of the Scheme on rendering of different irregularities?**

Scales of fines under Part-I & Part -II of the Scheme is as under: -

Part-I

Non- Shipment	Delayed Shipment /Short Shipment
@ Ps.37 per Rs.1000/- per day	@ Ps.28 per Rs.1000/- per day

Part –II

Non Submission of EF Statement	Short Fall	Late Submission
@ Ps.37 per Rs.1000/- per day.	@ Ps.28 per Rs.1000/- per day when short fall is up to 50% and Ps. 37 per Rs. 1000 if fall is above 50%.	Rs.2000 for the delay and Rs.100 per day of default

- **Does an indirect exporter qualify for Export Refinance?**

Yes, an indirect exporter is eligible to avail finance from banks against inland Letter of Credit or Standardized Purchase Order (SPO) to the extent of amount mentioned therein.

- **What is Harmonized code for commodity for providing Export Refinance?**

It is an International product nomenclature developed by the World Customs Organization (WCO). The basic purpose of this system is to achieve uniform classification of products. This system is used as basis of customs tariff and collection of international trade statistics.

- **Is substitution of eligible commodities with another firm export order permissible?**

Substitution of commodities with other eligible commodities in respect of another firm export order is permissible to an exporter who fails to make shipment against original confirm export order/LC, provided the exporter undertakes that he has neither availed of refinance under EFs against an earlier order nor on new contract/LC.

- **Is facility of substitution for supplying of inputs by indirect exporters permissible?**

Facility of substitution is not available to indirect exporters in respect of supply of inputs to direct exporters.

- **Is there any time frame work for allowing Export Refinance by the field offices?**

Field office concerned processes and grant refinance facility to banks within 48 hours on receipt of refinance claim by banks as per Form “D” complete in all respects alongwith “DP Note”.

SPECIAL SAVINGS CERTIFICATES/ DEFENCE SAVINGS CERTIFICATES

- **Does purchase/sale of SSCs & DSCs from Scheduled banks permissible?**

Sale of Special Savings Certificates and Defense Savings Certificates from scheduled banks outlets has been suspended since 16th June 2003. However, sale of SSCs/DSCs is

continued through authorized banks (HBL, UBL) branches operating in UAE for the convenience of overseas Pakistani.

- **Will encashment of SSCs before six months and DSCs before one year fetch profit?**

Encashment of SSCs before six months and DSCs within first year of investment do not fetch any profit.

- **What requirements are to be fulfilled for issuance of duplicate certificates both in case of lost and theft?**

In case of lost/theft, the investor or his nominee or heir is entitled to “declaration in lieu”. The issuing office, upon furnishing particulars of the certificate and statement showing circumstances under which the certificates are lost or destroyed issues a “declaration in lieu”. The office should also obtain Indemnity bond from the person to whom duplicate certificates are being issued.

- **Is transfer of SSCs/DSCs from issuance Office to another Office of the Bank permissible?**

- a) Yes, transfer of SSCs/DSCs from one office to another office of the Bank is permissible.
- b) Certificates are transferable from one individual to another individual on written authority of Bank officer, National Savings Officer and first class Postmaster/ Superintendent of Post office. However, under no circumstance, a certificate held on the behalf of a minor is transferable to any person other than the minor concerned.

- **What is the rate of transfer fee from one office to another office?**

A fee of rupee one is charged on application for transfer.

- **What steps/actions field office should take if SSCs/DSCs are pledged for securing loans?**

Issuing office would mark the certificate “pledged” in favour of the institution providing loan besides, it should mark “stop payment” on the original application from Form “4-B”.

- **What is the maximum limit of loan permissible on pledging of SSCs/DSCs?**

The maximum amount of loan of Rs.1 million is permissible currently under the rule.

- **What is the maximum purchase limit of SSCs/DSCs by an individual living abroad?**

An individual could purchase certificates (SSC/DSC) worth Rs.10 million.

- **What is the rule for re-investment of DSCs upon their maturity?**

Upon maturity of DSCs reinvestment is permissible alongwith profit while in case of SSCs profit can be withdrawn before re-investment.

- **Why coupons are replaced with chequebook on SSCs?**

Chequebooks are being issued owing to stop the misuse of unused coupons.

SPECIAL US DOLLAR BONDS

- **Is sale of fresh US Dollar Bonds permissible?**

The sale of fresh U.S. Dollar Bonds has been suspended vide Exchange & Debt Management Department Circular No.03 dated 22-03-2003.

- **What is the rate of return on special U.S. Dollar Bonds?**

Rate of return on Special U.S. Dollar Bonds is as under: -

Bonds issued before 03-09-1999		Bonds issued on or after 03-09-1999
3 Years	2% (Plus Libor)	1.0% (Plus Libor)
5 Years	3% (Plus Libor)	1.5% (Plus Libor)
7 Years	4% (Plus Libor)	2.0% (Plus Libor)

- **What is mode of payment of profit on USDBs?**

Profit on Special U.S. Dollar Bonds is paid both in U.S. Dollar and Pak Rupee depending upon the discretion of holders.

- **How does encashment of Special USDBs is made both at pre-maturity and maturity of Bonds?**

Encashment of Special U.S. Dollar Bonds can be made both on pre-maturity and maturity basis.

- **Does re-investment of Special USDBs after maturity permissible?**

Reinvestment of Special U.S. Dollar Bonds after maturity has been discontinued w.e.f. 16-9-2002 vide EDMD Circular No.16 dated 7-10-2002.

- **What procedural requirements to be fulfilled by Banks/NBFIs regarding lost of USDBs both registered and bearer for issuance of duplicate bonds?**

The following procedural requirements are to be met by Banks/NBFIs if Special U.S. Dollar Bonds (Registered) are declared lost: -

- a) Application from claimant to be addressed to Chief Manager, SBP BSC (Bank) office for issuance of duplicate Special U.S. Dollar Bonds in lieu of lost one.
- b) Copy of FIR with its translation.
- c) Two affidavits duly attested by 1st Class Magistrate.
- d) Publication of particulars of lost Special U.S. Dollar Bonds in two dailies (English/Urdu)

- e) Surety Bond (double in value)

In case of lost of Special U.S. Dollar Bonds (Bearer), in addition to the above requirements publications of Notification in three successive issues of Gazette of Pakistan as well as in the local official Gazette are needed.

PRIZE BONDS

- **What are the sale points for Prize Bonds to Public?**

Following are the sale points for Prize Bonds to Public.

- All offices of SBP BSC (Bank);
- National Savings Centers;
- Scheduled Banks; and
- Head Post Offices.

- **How many denominations of Prize Bonds are in vogue and numbers of prizes on different denominations of prize bonds?**

Prize Bonds are issued in the following denominations and numbers of prizes thereon are as under: -

Denominations	No. of prizes		Prize money
Rs.200/-	1 st Prize 2 nd Prize Common prizes	(1) (3) (1550)	Rs.500,000/- Rs.150,000/- each Rs.1,000/- each
Rs.750/-	1 st Prize 2 nd Prize Common prizes	(1) (3) (996)	Rs.1,000,000/- Rs.300,000/- each Rs.7,500/ each-
Rs.1500/-	1 st Prize 2 nd Prize Common prizes	(1) (3) (996)	Rs.2,000,000/- Rs.600,000/- each Rs.15,000/- each
Rs.7,500/-	1 st Prize 2 nd Prize Common prizes	(1) (3) (996)	Rs.10,000,000/- Rs.3,000,000/-each Rs.75,000/- each
Rs.15,000/-	1 st Prize 2 nd Prize Common prizes	(1) (3) (996)	Rs.20,000,000/- Rs.6,000,000/- each Rs.150,000/- each
Rs.40,000/-	1 st Prize 2 nd Prize Common prizes	(1) (3) (996)	Rs.50,000,000/- Rs.15,000,000/-each Rs. 400,000/- each

- **What is the shut period for re-issuable Prize Bonds of different denominations?**

The minimum period for holding of prize bonds of any denomination is two months before its draw. Bonds issued or sold two months preceding the date of draw qualify for prizes in forth coming draw.

- **What procedure is followed regarding Sale/Encashment of Prize Bonds to Commercial Banks?**

Banks and Post offices give one day's prior notice to field office for purchasing of prize bonds. Upon receipt of such advice, Cash Department makes arrangements for delivery of Prize Bonds to Banks/Post offices through special counters. Banks/Post offices make payment for bonds by way of depositing cheques drawn on their accounts with field office. In case of encashment by banks/Post offices payment is made to them by crediting their accounts maintained with the Bank.

- **In what book of accounts stock of fresh Prize Bonds are registered?**

Stocks of fresh Prize Bonds are registered in PB-15

- **Where Stock of re-issuable Prize Bond is registered?**

PB-16 entails stock of re-issuable Prize Bonds.

- **In which book of accounts Prize Winning numbers are listed?**

PB-18 contains record of the prize money paid to prize- winners (both to general public and government). It also reveals information regarding PDOs from where the prize-winning bonds were issued.

- **What does PB-20 provide information?**

This book contains information regarding date-wise sale and encashment of prize bonds.

- **What is the importance of PB-35?**

Maintaining of PB-35 serves as an effective check over misappropriation or defalcation of the stock of re-issuable prize bonds after the suspension of sale of re-issuable prize bonds. Banks, National Saving Centers and Post Offices have also to report to respective office of SBP BSC (Bank) of such stock of bonds on PB-35 form.

- **In which book entries regarding irregularities/errors committed by sorters, counters and checkers are recorded?**

PB-50 is maintained to record errors/irregularities committed by sorters, enumerators and checkers.

- **What is the importance of destruction of defaced bonds one day before the draw?**

Since prize bonds of specific denomination are destroyed one day before its draw and, therefore, the question of payment of prize money there against if, any to individual or government does not arise.