

**Islamic Refinance and Credit
Guarantee Scheme for Women
Entrepreneurs (IRCGS-WE)**



List of Abbreviations

IB	Islamic Bank
IBB	Islamic Banking Branches of Conventional Bank
IBI	Islamic Banking Institution
LC	Letter of Credit
PIFI	Participating Islamic Financial Institutions including IBIs and Islamic DFIs
SBP	State Bank of Pakistan
SBP BSC	State Bank of Pakistan Banking Services Corporation
SME	Small and Medium Enterprises

Key Terms and Definitions

Customer: The entity or person seeking or availing financing facility from the Participating Islamic Financial Institution (PIFI) under the Islamic Refinance and Credit Guarantee Scheme for Women Entrepreneurs.

Facility: Finance/ mudarabah investment(s) provided by State Bank of Pakistan (SBP) under the scheme.

General Pool: General Pool means the mudarabah-based pool of funds managed by the Islamic Financial Institution (IFI) where funds of the majority of the depositors are invested/ deployed.

Grace Period: A period at the beginning of the mudarabah investment/ financing during which only profit/ rentals will be paid by customers of IFIs. During this period, SBP will not take back its investment from PIFIs.

Islamic Bank (IB): Full-fledged Islamic commercial banks including Islamic banking subsidiaries of conventional banks.

Islamic Banking Branches (IBBs): Designated Islamic banking branches of conventional banks established under IBD Circular No. 02 of 2004.

Islamic Banking Institutions (IBIs): Full-fledged Islamic commercial banks, Islamic banking subsidiaries of conventional banks and Islamic banking branches of conventional banks.

Mudarabah Investment: An investment made on the basis of mudarabah by SBP in the general pool of PIFI for the purpose of this scheme.

Participating Islamic Financial Institution (PIFI): IBIs (IBs and IBBs) and Islamic DFIs approved by SBP to participate in the scheme.

Scheme: Scheme will be a combined reference to the facility along with the regulatory instructions issued hereunder.



Islamic Refinance and Credit Guarantee Scheme for Women Entrepreneur (IRCGS-WE)

The Islamic Refinance and Credit Guarantee Scheme for women Entrepreneurs (IRCGS-WE) is being offered to Islamic Banking Institutions (IBIs) and Islamic Development Financial Institutions (Islamic DFI); collectively referred to as Participating Islamic Financial Institutions (PIFIs). State Bank of Pakistan (SBP) shall make mudarabah investment in PIFIs under section 17 (6B) of the SBP Act, 1956 (the "SBP Act"). SBP will act as Rab-ul-Maal by providing mudarabah investment facility to the PIFIs, in the form of investment in a PIFI's general pool, and the PIFI shall act as the Mudarib of general pool. The exposure of SBP under the scheme shall be on all assets of a PIFI's general pool to the extent of SBP's investment in general pool, and therefore shall not be limited to the assets financed under the scheme.

This document comprises of the following two main sections:

1. **The Facility** containing details of the schemes pertaining to scope and eligibility criteria, period of investment and payments, assigning financing limits for PIFIs, disbursement of funds from PIFIs to customers and disclosure in annual audited accounts.
This section also covers the Shariah structure of the facility which discusses the disbursement of funds from SBP to PIFIs under mudarabah, investments being part of the general pool of assets of PIFIs, expected rate of return on financing under the scheme and profit/ loss allocation & distribution.
2. **Regulatory instructions**, which contain instructions of the SBP for PIFIs to follow under this scheme such as risk assessment, penalties and general terms and conditions.

1. The Facility

1.1. Scope and Eligibility:

- i. Financing shall be available to women entrepreneurs across the country to meet the credit needs of their businesses.
- ii. Only women owned SMEs are eligible under the scheme.
- iii. Maximum financing limit under this scheme is Rs 5 million.
- iv. The PIFIs will approve the borrowing/ financing limits of eligible customers (women owned SMEs) keeping in view their credit requirements, cash flows, repayment capacity and risk profile.
- v. Financing under the scheme should be provided to women borrowers preferably under the personal guarantee of the borrower.
- vi. Maximum financing tenor will be five years.

1.2. Participating Islamic Financial Institutions (PIFIs):

- i. All Islamic Banking Institutions (IBIs) including full-fledged Islamic banks, Islamic banking subsidiaries and Islamic banking branches of conventional banks and all DFIs having authorized Islamic financing operations (IDFIs) under permission of SBP (collectively referred to as PIFIs) may participate in the scheme by submitting an application to the concerned department of SBP.

1.3. Assigning Financing Limits for PIFIs:

- i. SBP shall allocate/ assign financing limits under IRCGS-WE to each PIFI.
- ii. The total sum disbursed during a financial year by the PIFI under the scheme shall not exceed such assigned limit.
- iii. After the sanction of limit by SBP, PIFI shall submit application along with duly executed agreement for availing the facility (as per prescribed format IRCGS-WE 1 and IRCGS-WE 1 - Annex), stating the names of the offices of SBP BSC from where they intend to avail the facility.
- iv. The funds made available under the scheme to PIFIs shall be provided by the designated offices of SBP BSC under the limits conveyed by the concerned department of SBP, Karachi in favor of each PIFI, on yearly basis.
- v. SBP shall review the utilization of limits by the PIFIs periodically (quarterly) and may cancel/ reduce the unutilized limit. No PIFI shall be authorized to sanction financing with a view to merely utilize the limit under the scheme.

1.4. Period of Investment and Payments:

- i. The maximum period for which the investment under the scheme shall not be more than five (5) years.
- ii. The customer may avail a grace period not exceeding six (06) months. This period will not be in addition to the maximum period stated above.
- iii. The retirement of financial obligations/ redemption under the scheme shall be made by the customers in equal quarterly/ half yearly installments depending upon the tenure for which the facility is availed and underlying mode of Islamic finance used by PIFIs. PIFIs shall, however, not be permitted to require their customers to pay the profit/ return/ rental amounts at a frequency of less than three (03) months except at the time of early-payments/ liquidation of financing.
- iv. The mudarabah investment made with the PIFIs shall mature on the due date agreed with SBP, and SBP is authorized to deduct outstanding balance of its investment in the general pool as per "Instructions for Profit & Loss Distribution and Pool Management for Islamic Banking Institutions" issued vide IBD Circular No. 3 dated November 19, 2012, as amended from time to time.
- v. In case a customer pays the financing amount or its installment, in part or in full, on or before the due date(s), SBP's share in the general pool will be redeemed

equal to the payments received from customer. PIFIs shall adjust the financing amount so received from the customer by purchasing the SBP's proportionate share in the general pool immediately, but not later than two (02) working days, from the concerned office of SBP BSC, failing which the SBP shall also be given the profit, as per the actual profit of the general pool, for the number of days this proportionate share is not purchased by a PIFI. However, no penalty shall be charged either from a PIFI or its customer in case of payment of financing amount or installment, in part or in full, before due date.

1.5. Disbursement of Funds from PIFIs to Customers:

- i. The financing shall be allowed against a single or multiple underlying transaction(s), designed on the basis of Islamic modes of financing, approved by the Shariah Board of the concerned PIFI. The modes of finance will include all those modes listed in Section E of Annexure-I of IBD Circular No. 02 of 2008, as amended from time to time; including combination of those Islamic modes of financing (hybrid arrangements). In case of consortium/ syndication, the whole process, starting from the structuring of the transaction till its completion, should be duly approved and monitored by Shariah Board/ Shariah Committee formed for consortium/ syndication.
- ii. The PIFIs shall reasonably ensure fulfillment of the pre-disbursement formalities by the customers through due diligence in accordance with their own internal arrangements to avoid mis-utilization of the facility through over invoicing, etc, while extending financing facilities to the customers. PIFI shall comply with all relevant regulations issued by SBP from time to time regarding the mode under which the financing has been extended.
- iii. The PIFIs shall not take more than 15 days in case of small enterprises (SEs) and 25 days in case of medium enterprises (MEs) in evaluating an application for financing under the scheme from the date of receipt of complete information from the customer. Where the request is declined, the PIFI shall explicitly explain the reason for rejecting the application to the prospective customer.
- iv. The PIFIs shall undertake due diligence process in accordance with their respective financing policies before sanctioning the facility subject to Prudential Regulations for SME financing. PIFIs shall at all times remain within the limits assigned to them for disbursements/ financing under the scheme in a given financial year. Facilities should not be sanctioned in favor of customers in anticipation of sanction of limits by SBP. Disbursements by PIFIs should not be made to the customers directly. Instead, payments should be made to the manufacturers/ suppliers of the machinery.
- v. Financing shall not be available for the purpose of acquisition of land or construction of building, etc.
- vi. The PIFI undertakes to advise SBP promptly of any change in the position of any customer provided with finances by the PIFI under the scheme.

1.6. Disclosure in Annual Audited Accounts:

- i. The external auditors of the PIFIs shall, during the course of annual audit, verify compliance of the PIFIs with the terms and conditions of the scheme, especially relating to SBP's share in mudarabah investment, profit calculations and payments made on SBP's mudarabah investment. A 'Certificate of Compliance' shall be issued to the concerned PIFI and a copy thereof should be sent by PIFIs to the SBP (concerned department).
- ii. The above facts shall be disclosed separately under appropriate heads, in the annual audited financial statements of the PIFI.

1.7. Shariah Structure of the Facility:

1.7.1. Disbursement of Funds from SBP to PIFIs under Mudarabah

- i. After making disbursement(s) on account of the facility to the customer, the PIFI shall approach the concerned office of SBP BSC for obtaining mudarabah investment to the extent of the amount disbursed/ financed to the customer.
- ii. The Mudarabah investment by SBP shall be made on the basis of certification by the Internal Audit of PIFI with regard to confirmation that the financing has been provided within the terms and conditions laid down in respective category of the facility. A copy of the said Internal Audit Certificate shall also be submitted to the concerned office of SBP BSC at the time of obtaining Mudarabah investment.
- iii. The SBP BSC office shall provide mudarabah investment within two (02) working days from the date of receipt of request on submission of duly filled in prescribed documents
 - a. IRCGS-WE:2-Mudarabah Investment Request Form (IRCGS-WE-2)
 - b. IRCGS-WE:3-Debit Authority (IRCGS-WE-3)
 - c. IRCGS-WE:4-Copy of Demand Promissory Note by PIFI's customer (IRCGS-WE-4)
 - d. IRCGS-WE:5-Undertaking of the customer on the format
 - e. Financing Agreement between PIFI and customer (inclusive of redemption schedule)
 - f. A copy of Internal Audit Certificate as per Para 1.6.1 (ii) above.
 - g. Any other document(s), advised by SBP, from time to time.

1.7.2. Investments being Part of the General Pool of Assets of PIFI:

- i. The funds obtained from SBP shall be part of the PIFIs general pool and thus shall be subject to the risks and rewards of the pool's assets like other depositors of the pool.

1.7.3. Expected Return on Financing under the scheme:

- i. The expected rate of return on financing provided by the PIFI to its customer under the scheme may not exceed rates announced by SBP on similar refinance facilities. Further, SBP expects profit rates/ return on its investment close to its return on such type of refinance facilities.
- ii. The expected rate of return on financing once fixed shall remain locked-in for the entire duration of the financing, provided that the customers continue to pay all scheduled amounts at the respective due dates. In case the customer(s) fails to make payment of the amount of installment as per the original payment schedule, provisions of the late payments as stipulated in the underlying financing agreement with the customer shall apply for the overdue period besides taking other actions to recover the same as per its approved policies for recovery in similar cases.
- iii. In cases where the financing amount has not been disbursed in full during the validity of an applicable rate, the un-disbursed amount shall attract the new expected rate of return applicable from the date of disbursement by the PIFI.

1.7.4. Allocation and Distribution of Profit / Loss:

- i. The SBP's investment in the general pool will be assigned profit sharing ratio and weightage keeping in view SBP's expected rate of return as well as PIFI's policy and practice for such type of depositors in the general pool. Such weightages shall be used to calculate profits on SBP investments.
- ii. At the end of every month, but not later than the 7th working day of the following month, after calculation of the actual profit of the general pool by the PIFI, SBP's share of profit will be appropriated for credit into a separate non-remunerative account held with the PIFI. The profit accumulated in this account shall be transferred to SBP within 7 working days from the close of a quarter. No profit shall accrue or be applicable on the amount standing to the credit of reserve account-
- iii. The determination of profit will be made in line with section 2 of "Instructions for Profit & Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)" issued vide IBD Circular No. 3 dated November 19, 2012, as amended from time to time.

1.7.5. Islamic Refinance and Credit Guarantee Scheme for Women Entrepreneurs Reserve Fund (RF-IRCGS-WE)

SBP shall create a Reserve Fund (RF) at SBP BSC from its share in profits of the scheme. If in any month, SBP's share in profit is more than the expected return; such excess profit shall be transferred to the RF-IRCGS-WE. The PIFIs shall advise

the SBP BSC offices accordingly, within 7 working days of close of quarter, by issuing separate advices for transfer of profit amount into 'Profit Account', and for transfer of excess amount into 'RF-IRCGS-WE'.

1.7.6. Loss Sharing:

- i. If at any time the general pool of a PIFI suffers a loss, it shall be borne by all the depositors of the general pool, including SBP, to the extent of their respective ratios of investments in the general pool.
- ii. The PIFI will be responsible for loss incurred to SBP under this facility, if the said loss is subsequently proven to have been caused on account of negligence/mis-statement and/or misrepresentation, on the part of PIFI.-

2. Regulatory Instructions:

2.1. Risk Assessment:

- i. Each PIFI shall be required to have:
 - a) Well-defined policies and established procedures for appraisal of projects to be financed under the scheme, particularly with regard to their technical and financial viability.
 - b) Robust internal controls to protect depositors'/ rab-ul-maal' and PIFI's interest and to fulfill all requirements/ conditions of project financing including collateral requirements to mitigate the risk of customers' failure to honor their commitments. The risk assessment policy should cover varying business requirements and provide well-defined methodologies for assessing the financial fitness of prospective customers.
- ii. PIFIs shall undertake necessary due diligence process as per their financing policies before sanctioning the financing facility under the scheme and ensure compliance with all applicable prudential regulations and SBP instructions. Further, in case of imported machinery, PIFIs shall obtain satisfactory credit reports on suppliers & manufacturers of plant and machinery etc. as required under chapter XIII of Foreign Exchange Manual. Furthermore, the sanction/ approval of the financing shall be linked to the risk profile of the potential customers as per PIFI's risk measurement/ assessment policies.
- iii. Financing under the Scheme shall be checked/ verified by onsite inspection teams of SBP during inspection of the banks/ DFIs to ensure that the same have been allowed as per the terms and conditions of the Scheme.
- iv. Once the loan is categorized as 'Loss' and a PIFI's guarantee claim has been approved by Development Finance Support Department (DFSD), Head Office, SBP-BSC; 60% of the outstanding principal due from borrower will be reimbursed to the PIFI as the guarantee claim under Credit Guarantee Scheme. SBP will

continue to recover its principal amount of refinance in installments as per the repayment schedule.

- v. Any recovery against the NPF (from delinquent borrowers after reimbursement of guarantee claim from SBP) under the scheme shall be treated as recovery of principal. Such recovered amount shall be shared between SBP and PIFI in the ratio of 60:40. PIFI shall deposit the said recovered amount with SBP as per process laid down in Credit Guarantee Scheme for Small and Rural Enterprises.

2.2. Guarantee/Risk Coverage:

- i. Under the scheme, PIFIs will be provided the risk coverage of 60% (against outstanding principal portion only) as applicable under Credit Guarantee Scheme for Small and Rural Enterprises (CGS) issued vide IH&SMEFD Circular No. 01 dated 13.01.2017. To avail risk coverage against the financing, PIFIs shall follow the process and fulfill all terms and conditions as outlined under Credit Guarantee Scheme for Small and Rural Enterprises (www.sbp.org.pk/smeffd/circulars/2017/C1.htm). The banks/ DFIs already availing limits under CGS will be provided risk coverage under this scheme against their existing limits. Those banks/DFIs that are currently not availing the facility of CGS can apply for limits to the Director, IH&SMEFD and based on the availability of funds, limits will be sanctioned. However, the guarantee limits allocated to these institutions will specifically be allowed for risk coverage under the subject scheme.
- ii. PIFIs will be eligible for guarantee claims on case to case basis once the financing is categorized as 'Loss'. Objective classification criteria as defined in the relevant Prudential Regulations of SBP shall be followed to categorize a loan as 'Loss'. Credit Guarantee Scheme for Small and Rural Enterprises available at <http://www.sbp.org.pk/smeffd/circulars/2017/C1.htm> shall be referred to for the process to be followed for lodging guarantee claim under the scheme. PIFIs will follow all the reporting requirements specified in Credit Guarantee Scheme for Small and Rural Enterprises.

2.3. Penalties:

- i. SBP, in its capacity as the regulator, shall have the right to appoint an independent consultant to verify that the conditions of the scheme are properly fulfilled/complied with by PIFI.
- ii. In case the report of the consultant points out irregularities (such as over invoicing, import of second hand machinery, ineligible sectors etc) on the part of the financing PIFI or the customer, SBP reserves the right to redeem the amount of mudarabah investment made with the PIFI along with penalty at the rate prescribed in sub clause 2.2 (iv) below including the cost of such verification.
- iii. It will be the responsibility of the PIFI to secure their interest and the interest of depositors/ investors in this regard. However, in no case fine imposed on PIFI due to its negligence shall be passed on to the customer. In case, any PIFI passes on

- the fine to the customer, the PIFI shall be under obligation to justify the same to ensure that the fine is not passed on to the customer merely on the strength of the action of SBP.
- iv. Notwithstanding anything contained in clauses 2.2 (i, ii & iii) above, in case of delay in payment by the customer, the delay would trigger the collection of charity amount from the customer as per the undertaking given by the customer. Any charity amount collected by the PIFI from customers relating to the delay in payment of financing will be given by the PIFI to charity. Similarly, in case of delay, the PIFIs shall also have the right to recourse to the security of the customer, where such risk management provisions have been adopted to recover the amounts due. In some modes of financing, the PIFI have a right to take additional amount in cases of delays and defaults as rent on un-purchased share in underlying asset. The same shall be approved by Shariah Boards of PIFI.
 - v. The customers shall continue to remain liable for payment of fines/ penalties on account of their non-performance/ non-compliance to the requirements of the scheme. Such fines/ penalties, as and when recovered, from the customers shall invariably be passed on to SBP by the concerned PIFI. The failure of the PIFI on this account shall be construed as their non-compliance of the scheme, and would attract punitive measures as prescribed by SBP.
 - vi. In case of violation of the terms & conditions laid down in the scheme, the SBP shall reserve the right to impose & recover the fine/ penalty at the rate of paisa 60 per day per Rs. 1000/- or part thereof including the cost of verification as stated in sub-clauses 2.2(i & ii) above.

2.4. General Terms and Conditions:

- i. PIFIs shall submit their operations/ process manual of the scheme to the concerned department of SBP for information and review before launching the scheme/ seeking limits and shall reasonably address the observations, if any, raised by the department.
- ii. The cost of takaful/ insurance, transit insurance/ transit takaful, erection and commissioning charges and other incidentals (including transportation charges, etc; shall not be financed under the Scheme.
- iii. Financing under the Scheme shall be subject to compliance with all rules and regulations including Prudential Regulations for SME financing.
- iv. PIFIs shall ensure fulfillment of requisite pre-disbursement formalities by the customers through due diligence as per their own internal arrangements to avoid malpractice and mis-utilization of funds under the Scheme.
- v. PIFIs should ensure adequate training arrangements for the staff/ officials handling cases under the scheme with a view to ensure compliance with internal rules/ regulations/ procedures and those prescribed by SBP.

**Documents of
Islamic Refinance and Credit Guarantee
Scheme for Women Entrepreneurs
(IRCGS-WE)**



IRCGS-WE: 1
MASTER MUDARABAH AGREEMENT
BETWEEN STATE BANK OF PAKISTAN AND (NAME OF PIFI)
Under Islamic Refinance and Credit Guarantee Scheme for Women
Entrepreneurs (IRCGS-WE)

(To be stamped as an agreement in accordance with the law in force in each province)

THIS AGREEMENT FOR INVESTMENT ON MUDARABAH BASIS is made on _____ day of _____ 20

Between

[Name of the PIFI] _____, having its place of business at _____ hereinafter referred to as the PIFI (which expression shall, where the context admits, mean and include its successors in interest and assigns) acting as Mudarib of the ONE PART;

And

State Bank of Pakistan (SBP), incorporated under the State Bank of Pakistan Act, 1956, having its Registered Office at I.I. Chundrigar Road, Karachi, hereinafter referred to as SBP, (which expression shall, where the context admits, mean and include its successors in interest and assigns) acting as Rab-ul-Maal of the OTHER PART.

In consideration of SBP agreeing to provide mudarabah investment under Section 17 (6B) of State Bank of Pakistan Act, 1956, not exceeding Rs. _____ (Rupees _____ only) under State Bank of Pakistan's Islamic Refinance Scheme for Women Entrepreneurs, as may be amended from time to time (the 'Scheme') in the general pool of assets of PIFI (referred to hereinafter as the 'Pool') for _____ years vide Letter No. _____ dated _____.

Now, both the parties to this agreement do hereby agree to the terms and conditions as set out herein under:-

- 1) The maximum amount of mudarabah investment that SBP shall provide to the PIFI in the case of each customer financed by the PIFI will not exceed the amount actually disbursed by the PIFI under the Scheme.
- 2) The PIFI agrees to undertake that it shall not seek mudarabah investment from SBP in terms of this agreement unless it is satisfied that all parties liable thereunder are financially sound and credit worthy.



- 3) Any demand to be made by SBP under the agreement for tendering the documents prescribed under this agreement shall be sufficiently made if it is made in writing and addressed and sent by post or otherwise to the PIFI's Head Office or its branch.

Investment Maturity/ Redemption:

- 4) At maturity, the PIFI shall redeem SBP's share in the general pool by purchasing SBP's proportionate share in the general pool as per schedule of payment under the scheme after taking into consideration profit and loss, as the case may be.
- 5) The PIFI expressly agrees that SBP is entitled to redeem or advance the date of redemption for mudarabah investment (as per "Instructions for Profit & Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)" issued vide IBD Circular No. 3 dated November 19, 2012, as amended from time to time, for profit/ loss arising from the general pool) under this agreement at any time and for any reasons without any prior notice. Further, SBP can also cancel/ alter the financing limit allocated to PIFI under the scheme. SBP is not obliged to invest in a PIFI any time and for any reason against this scheme.
- 6) The PIFI also expressly agrees that SBP has the right to vary, amend, alter or add to the terms and conditions of the scheme without any reference to the PIFI who agrees to invariably comply with the same. PIFI shall also have the right to withdraw from the scheme and redeem SBP's outstanding mudarabah investment (after taking into consideration "Instructions for Profit & Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)" issued vide IBD Circular No. 3 dated November 19, 2012, as amended from time to time, for profit/ loss arising from the general pool) till such date, if it does not agree to the amendments made by SBP.
- 7) The PIFI agrees that on delay of payment by the PIFI on any date agreed, SBP has the authority to debit without further reference to the PIFI, all of its accounts now held or held hereafter or adjust any amounts which may, howsoever, become due from SBP or come into SBP's possession or control to the extent of SBP's mudarabah investment (after taking into consideration "Instructions for Profit & Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)" issued vide IBD Circular No. 3 dated November 19, 2012, as amended from time to time, for profit/ loss arising from the general pool).

Profit Payments:

- 8) The PIFI agrees that all income of general pool of assets shall be applied in deriving the profit to the mudarabah participants in the general pool including SBP and that



the profit allocation would be according to “Instructions for Profit & Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)” issued vide IBD Circular No. 3 dated November 19, 2012, as amended from time to time. The PIFI shall hold SBP’s share in profit separately for and on SBP’s behalf.

- 9) The PIFI will make payment of profit of the SBP’s share in the profit of the pool, as per profit weightage fixed at the beginning of each month based on the SBP’s expected return on similar refinance facilities. At the end of each quarter, the profitability from the pool shall be determined on the basis of the un-audited accounts of the pool, and distributed between the PIFI and depositors (alongwith SBP) according to the weightages of the funds contributed by all participants in the general pool.
- 10) Profit shall be calculated and assigned to the SBP on monthly basis but will be payable by the PIFI to SBP on quarterly basis, within 7 working days of completion of calendar quarters, each year or on maturity/ redemption of the investment, whichever is earlier. Where the above schedule date falls on a public/ weekly holiday, the PIFI shall make payment of the due amount of profit on next working day after such due date. The monthly profits assigned to SBP but not distributed till the calendar quarter or otherwise as the case may be shall be kept on account by PIFI on behalf of SBP; this amount shall not form part of the general pool and no profit shall be entitled on this amount.
- 11) **IRCGS-WE - Reserve Fund (RF-IRCGS-WE):**

SBP shall create a Reserve Fund (RF) at SBP BSC from its share in profits of the scheme. If in any month, SBP’s share in profit is more than the expected return; such excess profits shall be transferred to the RF-IRCGS-WE. The PIFIs shall advise the SBP BSC offices accordingly, within 7 working days of close of quarter, by issuing separate advices for transfer of profit amount into ‘Profit Account’, and for transfer of excess amount into ‘RF-IRCGS-WE’. If any profits in the subsequent quarter(s) are less than the desired returns, the shortfall in the profit may be made good by withdrawing from the amount lying in the RF-IRCGS-WE by SBP.
- 12) If, upon annual audit, SBP’s share of profit is found to be less than the expected rate, such deficit amount shall be fulfilled by withdrawing from the amount in the RF-IRCGS-WE.
- 13) If at any time, the general pool of a PIFI suffers a loss, it shall be borne by all the participants of the general pool, including SBP, to the extent of their respective ratios of investments in the general pool. SBP shall meet its share of the loss from



the RF-IRCGS-WE first, and where RF-IRCGS-WE is insufficient, SBP will absorb the remaining loss as per share of its investment in general pool.

- 14) The PIFI will be responsible for any loss incurred to SBP in transactions taken under this agreement, if the said loss is subsequently proved to have been caused on account of negligence/ mis-statement and/ or misrepresentation, on the part of PIFI.

Documentation, Security & Charge:

- 15) The PIFI agrees and undertakes that it shall at all times execute or maintain separate legal documentation and records and further security documents, notes, indemnity bonds, agreements etc., including the assignment deed of securities now held by the PIFI or which may be obtained by the PIFI from its customers subsequently, as are adequate to safeguard the PIFI's interest against the finances for which this agreement has been executed. The PIFI also agrees and undertakes to keep all such documents in trust for a reasonable period as per provisions of the scheme. The PIFI further agrees that SBP or any official authorized by SBP shall have the right of inspection of the PIFI's records and documents for which mudarabah investment has been made by SBP. SBP shall have the right to seek and obtain full assistance and cooperation from the PIFI for discharging SBP's duties and performing SBP's functions.
- 16) The PIFI agrees to hold the securities/ security documents now held or which may be held by it as security for finance given to the customers as trust on behalf of the general pool by way of security for due redemption thereof and the PIFI undertakes to deal with the same as SBP (as regulator) may direct. The PIFI further agrees that if and when it realizes these securities or any part of it, it shall pay to the participants of the general pool, from all such realizations, in proportion to their share. Pending such payment, PIFI shall hold the same for and on behalf of the general pool.
- 17) The PIFI shall submit to SBP copies of the Demand Promissory Notes executed in the PIFI's favour by its customers, under this agreement with a certificate that (i) the same arises out of bonafide finances provided by the PIFI under the scheme (ii) all parties liable there-under are financially sound, solvent and credit-worthy and that by virtue of such endorsement and delivery, the PIFI certifies the genuineness of signatures as well as authority of all persons thereon (iii) the finances provided to parties liable have not been classified by SBP as doubtful/ loss.
- 18) In addition to clause (20), the PIFI shall hold upon trust securities/ security documents presently held by it or which may be obtained by it from its customers to whom finance is made available under this scheme, as security for due payment of



finance with return/ profit thereon. Further, on SBP's (as a regulator) demand, the PIFI undertakes to assign to SBP all such securities and secured documents, and agrees that upon such assignment the provisions of clause (20) shall, mutatis mutandis, apply.

- 19) In addition to the preceding clauses, the PIFI agrees that as and when SBP demands, it shall create valid legal charge on any or all of its assets as may be demanded by SBP for payment of any amount that is due under this agreement.
- 20) The PIFI agrees to obtain an undertaking from the customers concerned to the effect that the finances provided by it to them shall be exclusively used by them for purposes prescribed under the scheme and that they would promptly furnish, at their expense, such information, in such form and at such time as the PIFI/ SBP may demand from time to time.
- 21) The PIFI agrees that notwithstanding anything contained elsewhere in this agreement, if the PIFI commits breach of any of the terms and conditions of this agreement, SBP shall have a right to immediately redeem SBP's outstanding mudarabah investment and profit (in accordance with "Instructions for Profit & Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)" issued vide IBD Circular No. 3 dated November 19, 2012, as amended from time to time) up till such date.
- 22) No indulgence or delay in exercising any of SBP's rights hereunder shall be deemed a waiver of any right and no waiver of any of SBP's right hereunder shall be construed as a waiver of any other rights you may have.

PIFI's Authorized Signatory
(with name and designation)

State Bank of Pakistan's Authorized
Signatory (with name and designation)

Witnesses:

- 1. _____

- 2. _____

MUDARABAH AGREEMENT
BETWEEN THE STATE BANK OF PAKISTAN AND (NAME OF PIFI)
Under Islamic Refinance and Credit Guarantee Scheme for Women Entrepreneurs
(To be stamped as an agreement in accordance with the law in force in each province)

THIS AGREEMENT FOR INVESTMENT ON THE BASIS OF MUDARABAH is made on the _____ day of _____ 20

Between

[Name of the PIFI] _____, having its place of business at _____ hereinafter referred to as the PIFI (which expression shall, where the context admits, mean and include its successors in interest and assigns) acting as Mudarib of the ONE PART;

And

State Bank of Pakistan, incorporated under the State Bank of Pakistan Act, 1956, having its Registered Office at I.I. Chundrigar Road, Karachi, hereinafter referred to as SBP, (which expression shall, where the context admits, mean and include its successors in interest and assigns) acting as Rab-ul-Maal of the OTHER PART.

As per terms and conditions agreed between SBP and _____ (name of PIFI) in the Master Mudarabah Agreement signed between the two on ___(date)___, SBP agrees to provide Mudarabah Investment under Section 17 (6B) of State Bank of Pakistan Act, 1956, not exceeding Rs. _____ (Rupees _____ only) under State Bank of Pakistan's Islamic Refinance Scheme for Women Entrepreneurs, as may be amended from time to time (the 'Scheme') on the basis of participation in the profit and loss of the general pool of Assets (referred to hereinafter as the 'General Pool') for ___ years vide Letter No. _____ dated _____ .

PIFI's Authorized Signatory
(with name and designation)

SBP's Authorized Signatory
(with name and designation)

Witnesses:

1. _____

2. _____



IRCGS-WE-2

MUDARABAH INVESTMENT REQUEST FORM
under Islamic Refinance and Credit Guarantee Scheme for Women Entrepreneurs
(to be submitted by the Participating Islamic Financial Institutions (PIFI))

The Chief Manager,
SBP BSC,
_____ (City)

Dear Sir,

INFORMATION MEMORANDUM & REQUEST FOR MUDARABAH INVESTMENT

With reference to letter No. _____ dated _____ issued by the (Name of Department) of State Bank of Pakistan conveying the availability of funds under the scheme, we (Name of PIFI) submit herewith details of disbursement made as per terms & conditions of the scheme and request SBP for mudarabah investment facility upto the amount already disbursed by us on (date) equivalent to Rs. (current application) (Rupees in words) only. The particulars of our above-referred financing are given hereunder: -

(i)	Facility sanctioned under	(Name of scheme & reference of Circular No. and date)
(ii)	Name of the customer/ business	
(iii)	Name of SME Sector	
(iv)	Business address of the customer	
(v)	District	
(vi)	Nature of business activity	
(vi)	Particulars of finance as per financing agreement executed with the customer	Amount _____ Date of execution _____ Rate of profit _____
(vii)	Date of the disbursement	
(viii)	Period for which finance has been sanctioned	
(viii)	Mode of financing	
(ix)	Purpose of the financing	



2. We certify that
 - a. the details of the contract(s) finalized with the above-named customer/ sponsor of the project and the financing made by us to them against the aforesaid contract has been placed in our record and shall be invariably provided to the inspection team(s) of SBP during the inspection of our bank/ branches;
 - b. the terms and conditions as stipulated in the captioned scheme have been complied with;
 - c. all the requirements of the scheme, including those at (c) and (d) below have been fully met;
 - d. the eligibility of customer and its business thereof against which mudarabah investment is requested, has been properly determined by us in accordance with the prescribed criteria/ conditions set out in the scheme in force on the date of the financing agreement/ undertaking referred to above;

3. We understand that SBP has the right to appoint independent consultants to verify cases of mudarabah investment and agree to reimburse the cost so incurred in case the report of consultants indicates any irregularities on our part. We also agree to pay back any amount of mudarabah investment provided to us by the SBP on the basis of this application if SBP subsequently concludes that such mudarabah investment was wrongfully claimed and also to immediately pay fine on such finance @ paisa 60 per day per Rs 1,000 or part thereof, or such other rate as may be announced by SBP from time to time, for the period for which such finance was availed by us.

5. We also undertake that in case irregularities are found to have been committed by the customer due to negligence of our officials/ staff to ensure compliance of the same or that such irregularities have been made by the customer with the involvement of our staff/ officer(s), besides taking appropriate action against our staff under our staff regulations or code of conduct, we indemnify and agree to indemnify and save harmless the SBP against any action, cost, loss and expense that it may incur due to litigation or otherwise on account of recovery of amount of mudarabah investment and the fine thereof for availing of mudarabah investment to which we/ the customer were not entitled otherwise.

6. We agree that notwithstanding anything contained elsewhere in this agreement, if we commit breach of any of the terms and conditions of this agreement, SBP shall have a right to immediately redeem SBP's outstanding mudarabah investment and profit amount earned (after taking into consideration any loss arising) up till such date.



Yours faithfully,

(Authorized Signature with
name and designation)

(Authorized Signature with
name and designation)

Documents enclosed with the request:

- i. Undertaking by customer as per format at IRCGS-WE-5
- ii. Copy of customer's payment schedule
- iii. Security documents (including IRCGS-WE-3) required under the captioned scheme for the purpose of availing mudarabah investment, to the extent of the amount mentioned in _____ (Name) Department's letter referred to above.
- iv. Copy of Demand Promissory Note for Rs. _____ (Rupees _____ only) signed by M/s. _____ (Name of Customer) referred to above and endorsed by the PIFI in SBP's favor (IRCGS-WE-4).

Note: Mudarabah Investment made by SBP shall constitute as acceptance and acknowledgement on its behalf.



(On the Letterhead of the issuing Participating Islamic Financial Institution)

IRCGS-WE- 3

Debit Authority

In consideration of the State Bank of Pakistan having deposited/ invested in (Name of the PIFI) the sum of Rs. _____ (Rupees _____ only) under the Islamic Refinance and Credit Guarantee Scheme for Women Entrepreneurs, we hereby authorize SBP to debit our current account being maintained with SBP BSC, _____ (City) for any amount due, as per the rules of Mudarabah, under the schedule¹.

This authority is irrevocable and effective from (date) and will remain valid and in force till the time it is released in writing by SBP.

For & on behalf of (Name of the PIFI):

Authorised Signatory

¹ Schedule of redemption to be attached with this debit authority(s)



DEMAND PROMISSORY NOTE

(To be submitted by the PIFI's Customer)

(To be stamped in accordance with the law in force in respective province)

Place: _____

Date _____

Rs. _____

On demand, we (Name of Customer) _____ promise to pay to (Name of the PIFI) or order the sum of Rs. _____ (Rupees _____ only) for value received plus the profit accruing to (Name of the PIFI) in respect of finances made available to us and fine, if any, as laid down in the Islamic Refinance and Credit Guarantee Scheme.

(Authorized signature of the Customer)

(Name & Seal)

Note: - Demand Promissory Note required to be endorsed by the PIFI concerned in favour of its head office/ principal office through which mudarabah investment is being claimed.

Witnesses:

1. _____

2. _____



IRCGS-WE: 5

UNDERTAKING TO BE SUBMITTED BY THE CUSTOMER

under the Islamic Refinance and Credit Guarantee Scheme for Women Entrepreneurs

(to be stamped in accordance with the law in force in each province)

(Place) _____

Date _____

The Manager,
(Name of PIFI)
(City).

1. I/ We do hereby certify and confirm that a finance of Rs. _____ (Rupees _____ only) has been allowed to me/ us by you under 'Islamic Refinance and Credit Guarantee Scheme for Women Entrepreneurs', of the State Bank of Pakistan on the basis of _____ (Islamic modes of financing) _____, it being understood that return/ profit to be derived by the PIFI shall not exceed _____% when converted into annual percentage terms.

2. I/ We further confirm and undertake that the aforesaid finance will be/ has been obtained by me/ us as per provision of the schemes under reference, Further, I/ we, confirm that afore-said finance or any part thereof shall not be utilized except for the purpose spelt out in the scheme.

3. I/ We do certify that the finance is being obtained by me/ us against bonafide transaction and I/ we submit the requisite documents along-with this application for your consideration of extension of finance facility to me/ us from (name of the PIFI) under Islamic Refinance and Credit Guarantee Scheme for Women Entrepreneurs.

4. I/ We, hereby confirm and agree that in the event of my/ our failure to make payment on due date, you have our Irrevocable Authority without reference to me/ us, to recover from me/ us and debit my/ our Account No. _____ maintained with you along-with charity, if any, as prescribed under the scheme. I/ We authorize you to recover the fine amount even if I/ we have made a representation to SBP against imposition of fine under the scheme.

5. I/ We agree and understand that in the event that either SBP or PIFI avail their right of withdrawal from the scheme for any reasons, all financing made as per the terms of the scheme shall convert to mutually agreed regular terms and conditions of the concerned PIFI and in case of no agreement this will constitute an event of termination.



6. I/ We agree that notwithstanding anything contained elsewhere in this undertaking, the amount of this finance along-with profit due thereon due to you will become due and payable immediately, if I/ we commit breach of any of the terms and conditions hereof.

Yours faithfully,

Authorized Signature of the Customer

Signature verified by the Authorized
Officials of Branch of the PIFI

Witnesses:

1. _____

2. _____
