



**STATE BANK OF PAKISTAN
FINANCE DEPARTMENT
I.I CHUNDRIGAR ROAD
KARACHI**

FD Circular No. 07 of 2020

October 22, 2020

The Chief Executives / Presidents,
All Agent Banks.

Dear Sir(s) / Madam,

Standard Operating Procedures for Investment in Islamic *Naya* Pakistan Certificate

Finance Division, Government of Pakistan (GoP), vide S.R.O 964(I)/2020 dated 5th October 2020 notified the Shariah structure for Investment in Islamic *Naya* Pakistan Certificate (INPCs) ([Annexure-A](#)); accordingly the State Bank of Pakistan is pleased to notify the Standard Operating Procedures (SOPs) for investment in INPCs in pursuance of Rule-20 of *Naya* Pakistan NPCs Rules (NPC Rules), 2020 notified by the GoP vide Gazette notification no. S.R.O. 817(I)/2020 dated 8th September 2020, ([Annexure-B](#)).

A. ESTABLISHMENT OF SPECIAL PURPOSE VEHICLE (SPV):

GoP has established a wholly-owned special purpose vehicle, namely Islamic NPC Company Limited (INPCCL), which shall be managed under the mandate of its Board of Directors (BoDs). INPCCL shall be issuing INPCs denominated in USD and PKR to the agent banks and investors.

B. ESTABLISHMENT OF *MUDARABAH* POOLS:

For the purpose of issuing USD and PKR denominated INPCs, the INPCCL shall establish two *Mudaraba* pools in the above referred currencies. The agent banks shall make initial investment aggregating USD 20 million and PKR 5,000 million in respective pools by subscribing special INPCs reserved for agent banks. The fund by INPCCL in each pool shall be used for extending *Shariah* compliant financing to the federal government. The agent banks investment will be of transitory nature liable to be retired or withdrawn on receipt of investments from individual investor(s). Similarly, the agent banks shall be responsible to make available liquidity to the *Mudaraba* pools in the event of redemption or premature withdrawal of funds by investors, by re-subscribing the special INPCs reserved for agent banks.

INPCCL shall enter in to Agency Agreement with Agents Bank for sale of INPCs to their clients maintaining Roshan Digital Accounts with them. INPCCL shall also communicate the expected rates, Profit Sharing Ratio (PSR) and weightages applicable to different tenors and categories of INPCs and Agent Banks' investment in the USD and PKR pools to be maintained by INPCCL for the issuance of INPCs. Agent banks shall also disclose on their web-page the PSR and weightages for each tenor of INPCs at the beginning of each month.

C. PROCEDURE FOR INVESTMENT IN INPCs:

1) INPC Offering and Subscription:

- a) The INPCCL shall issue the INPCs in a scrip-less format, which shall be subscribed by eligible individuals (as defined in Rule 3 of NPC Rules, 2020) through Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA), being marketed as Roshan Digital Accounts (RDAs) by the agent banks.
- b) The funds for investment in INPCs must be remitted from abroad in the investor's FCVA or NRVA after 30th day of June, 2020.
- c) The INPCs shall be offered digitally through the web-links of following agent banks of the INPCCL:

Bank Al-Falah	https://ips.bankalfalah.com/ops/IdentityVerification.aspx?type=islamic
Meezan Bank Limited	https://www.meezanbank.com/roshan-digital-account/
Faysal Bank	https://www.faysalbank.com/en/roshan-digital-accountsfor-overseas-pakistanis/
HBL Bank	https://www.hbl.com/ebancroshandigitalaccount
MCB Bank	https://mopss.mcb.com.pk/
Samba Bank	https://www.samba.com.pk/samba/banking-detail/roshandigital-account-opening-facility
United Bank Limited	https://ubldigital.com/NRP-Services
SCB Pakistan	https://www.sc.com/pk/save/roshan-digital-account.html

- d) The investors shall have the option to subscribe PKR denominated or/and US Dollar denominated INPCs of 3-Month, 6-Month, 12-Month, 3-Year and 5-Year tenors.
- e) Amount of Investment in each tenor certificate shall be as under:

US Dollar Denominated INPCs	Minimum investment of USD 5,000 with integral multiples of USD 1,000.
PKR Denominated INPCs	Minimum investment of PKR 100,000 with integral multiples of PKR 10,000.

- f) The profit on 3-Month, 6-Month and 12-Month tenor INPCs shall be paid on maturity along with principal or on premature encashment. Whereas, profit on 3-Year and 5-year INPCs shall be paid on half-yearly basis.
- g) The Investor will place the order to subscribe the INPCs electronically by visiting the NPC webpage of their respective agent bank and giving investment details including currency, tenor and the amount to be invested.
- h) The agent banks before accepting the investment request shall ensure that the investor has read the terms and conditions of the investment in INPCs and has digitally signed the Mudaraba agreement between the Investor and INPCCL enclosed as [\(Annexure C-1\)](#) / [\(Annexure C-2\)](#).
- i) The PKR denominated INPCs can only be purchased from the balances in the investors' NRVAs whereas USD denominated INPCs can only be purchased from the balances in the investors' FCVAs. For the investors having their FCVAs in currency other than USD, the banks shall debit the investors' account by an amount equivalent to the amount of investment requested in USD denominated INPCs by applying the exchange rate prevailing at the time of execution of the transaction.
- j) The agent banks shall, after debiting the investor's account with an amount equal to the amount of his/her investment order, consolidate the tenor wise orders received from FCVA or NRVA holders during a working day till 1:00 p.m. Pakistan Standard Time (PST), and shall transmit the same on the prescribed format [\(Annexure D\)](#) to the SBP through SBP's Data Acquisition Portal (DAP) by 2:30 p.m. (PST) the same day for onward transmission to INPCCL.
- k) In case of purchase of US Dollar denominated INPCs, agent banks have two options to remit the purchase value of INPCs to State Bank of Pakistan (SBP) either through their USD Clearing Account maintained with SBP, or through transfer of funds to the nostro account of SBP maintained with the Federal Reserve Bank of New York, New York, USA. Details of SBP's nostro account are provided hereunder:

Beneficiary Bank Name:	Federal Reserve Bank of New York, New York, U.S.A.
Beneficiary Account Title:	State Bank of Pakistan, I.I.Chundrigar Road, Karachi, Pakistan.
Beneficiary Account Number	021085172.
Beneficiary Bank SWIFT/BIC:	FRNYUS33.

Transaction charges, including but not limited to correspondent bank charges shall be on the account of the banks, and the banks shall ensure to remit to the SBP nostro account the complete purchase amount of the INPCs. In case of payment through local clearing USD account, the agent bank shall authorize SBP to debit the total purchase value of these INPCs from their local clearing USD account with SBP BSC Karachi.

- l) In case of purchase of Pak Rupees denominated INPCs, agent banks shall authorize SBP to debit the total purchase value of these INPCs from their Pak Rupees account maintained with the SBP and afford credit to INPCCL enabling it to issue the INPCs of aforesaid maturities per contra credit to the respective bank's SGLA account (IPS holding).
- m) After debiting the USD Clearing Account, or as the case may be, or the Pak Rupees current account of the concerned bank, SBP shall afford credit to INPCCL accounts maintained with SBP. The INPCCL, after receipts of funds, will issue INPCs of each tenor to the requesting agent bank on the same day on which the order is placed through the INPCCL Subsidiary General Ledger Account (INPCCL-SGLA) by affording requisite credit to the agent banks' IPS holding account thereof. The agent banks shall distribute the certificate amongst the investors by affording credit to individual investors' IPS accounts equivalent to their investment request. However, where the purchase value of the order is remitted to the aforesaid nostro account of SBP, INPCs will be issued by INPCCL on T+1 basis in the like manner.

D. PROCEDURE OF PERIODIC PAYMENTS:

1. Periodic Profit Payments:

- a) INPCCL shall make periodic profit payments on six (6) monthly basis only in respect of INPCs of 3-year and 5-year maturities in their respective currencies.
- b) The six (6) months for the periodic profit payment shall be determined from the date of issuance of the INPCs. For example: if INPCs are issued on 20th October 2020, the profit payments shall be made on 20th April 2021 and by subsequent six-monthly dates accordingly. As INPCCL will compute the Profit/Loss of each pool on monthly basis, the profit for the broken days shall be computed based on the latest completed month's profit/loss. For instance, in the above example the profit for the last 20 days of April 2021 shall be computed based on the profit/loss of March 2021.
- c) INPCCL shall make the periodic profit payments on INPCs (net of deduction of tax as specified in Rule 18 of the NPC Rules, 2020) on their respective due dates by advising SBP-BSC Karachi to credit the USD Clearing account of the bank, or as the case may be the PKR current account, with advice to the bank concerned for onward credit to the investors' FCVA or NRVA on the same day.
- d) In case of a holiday on the periodic profit or principal payment date, the next working day falling after the holiday will be considered the periodic profit date/principal payment date. In such case, no profit will be payable for the period of the holidays.

2. Premature Encashment:

- a) There shall be no premature encashment within the first month of issuance of INPCs.
- b) The proceeds for the premature encashment requests made after the first month and before the end of three months shall be worked-out based on the repurchase of INPCs at a discounted price based on the redemption table to be notified by INPCCL.
- c) The proceeds for the premature encashment requests made after three months shall be worked out by INPCCL based on the weightages applicable to the nearest completed tenor INPCs. Example: If a 36-month INPC is prematurely encashed before 12 months, the profit shall be calculated based on the weightages applicable to six month INPCs, whereas, the weightages

applicable on 12-month INPCs shall be used if redeemed after 12-months. The coupon payments earlier made based on the higher weightages, shall be adjusted by applying appropriate discount on the repayment price to ensure that the investor earns profits based on the weightages of the nearest completed period.

- d) The request for Premature Encashment shall be submitted to INPCCL through the investor's respective agent bank. The banks shall consolidate all requests received on a single day and intimate INPCCL through SBP DAP on the prescribed format attached at [\(Annexure E\)](#).
- e) SBP shall, on the request of INPCCL, afford credit in the USD Clearing account or PKR current account of commercial bank the net encashment proceeds on T+2 working day basis, where T is the date of submission of request to SBP by agent bank.
- f) The requesting bank shall credit the FCVA or NRVA of investor on the same day on which it receives credit from the SBP in its account.

3. Redemption at Maturity:

- a) Maturity proceeds of INPCs, including the amount of final profit (net of deduction of tax), shall be credited to the USD Clearing account or PKR current account of the investor's bank maintained with SBP.
- b) On realization of maturity proceeds by the banks in their accounts with the SBP, the bank shall be liable to credit the FCVA or NRVA of respective investor on the same day and debit the investor's IPS account.

E. APPOINTMENT OF AGENT BANKS:

- a) In pursuance of the Agency Agreement for Sale of Islamic *Naya* Pakistan Certificates between INPCCL and agent banks, the banks shall act as INPCCL's agent for:
 - i. The digital execution of the Mudaraba Agreement,
 - ii. Receipt of investment amount from the investors and subsequent transfer to the INPCCL;
 - iii. Timely dissemination of data over agreed medium pertaining to the Mudaraba Agreement including, but not limited to weightages, profit sharing ratios etc.;
 - iv. Timely remittance of Mudaraba profit to the investors as and when received from the INPCCL; and
 - v. Timely remittance of redemption amount (if any) along with relevant profit amount to the investor as and when received from the INPCCL.

Please acknowledge receipt.

Yours faithfully,

-sd-
(Qader Bakhsh)
Director