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PART II
Statutory Notifications (S.R.O.)

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
(External Finance Wing)

NOTIFICATIONS

Islamabad, the 17th February, 2021

S. R. O. 211 (I)/2021.— In exercise of the powers conferred by rules 7, 8 and 12 of the Naya Pakistan Certificates Rules, 2020, the Finance Division is pleased to notify that certificates shall also be issued in the currency specified in column (1) of the Table below with corresponding minimum denomination of the currency as specified in column (2) of that Table and shall have rates of return as specified in columns (3), (4), (5), (6) and (7) respectively of the said Table, namely:—

(339)

Price: Rs. 10.00

TABLE

Currency	Minimum denomination	Rate of return				
		3 months	6 months	12 months	3 years	5 years
(1)	(2)	(3)	(4)	(5)	(6)	(7)
GBP	5,000 GBP	5.25% on maturity	5.5% on maturity	5.75% on maturity	6.25% per annum on semi-annual basis	6.5% per annum on semi-annual basis
Euro	5,000 Euro	4.75% on maturity	5% on maturity	5.25% on maturity	5.5% per annum on semi-annual basis	5.75% per annum on semi-annual basis

S. R. O. 212 (I)/2021.— In exercise of the powers conferred by rule 5 of the *Naya Pakistan Certificates Rules, 2020*, the Finance Division is pleased to notify the following *Shariah* structure of *Shariah* compliant *Naya Pakistan Certificates* (NPCs), hereinafter called the *Islamic Naya Pakistan Certificates* (INPCs), in supersession of its earlier Notifications No. S.R.O. 964(I)/2020, dated the 5th October, 2020 and No. S.R.O. 56(I)/2021, dated the 19th January, 2021.

2. In order to provide initial investment required for the establishment of each *Mudaraba* pool, the agent banks shall be invited to invest in USD, GBP, Euro and PKR *Mudaraba* pools. The agent banks shall be eligible to share the profits of the pools as per the profit sharing ratio to be agreed with them. The agent banks' investment in the pools shall be transitory in nature and shall be retired or withdrawn on receipt of individual investments in INPCs. The *Mudaraba* pools shall maintain bank-wise investment details, whereas the agent banks shall maintain the investor-wise data which shall include the date, amount and tenor of investments. The State Bank of Pakistan (SBP) pool management guidelines and framework may be followed to determine profits and its allocation to the investors.

3. Following shall be the key product features and process flows, namely:—

(I) Investors' digital on-boarding:—

- (1) The INPCs shall be available to resident or non-resident Pakistanis having Foreign Currency Value Account (FCVA)

or Non-Resident Pakistanis Rupee Value Account (NRVA) - the *Roshan* Digital Accounts (RDAs) in the agent banks;

- (2) The investors shall first open the RDAs online in the bank of their choice from amongst the agent banks;
- (3) After opening of the accounts, the investors shall remit funds in their respective RDAs from outside Pakistan through normal banking channels;
- (4) After having the funds in their RDAs, the investors can use these funds for making investments in different avenues including NPCs and INPCs;
- (5) For investments in NPCs/INPCs, the investors shall visit the NPCs page of their respective banks, choose conventional or Islamic NPCs and provide investment details including tenor, currency and amount to be invested;
- (6) The NPC page on the agent banks' websites shall contain details about the scheme, its *Shariah* approval, profit sharing ratio applicable on *Mudaraba* between the investors and the Special Purpose Vehicle (SPV), current weightage for each category of investment, expected rate of return, copy of *Mudaraba* terms and conditions and related FAQs;
- (7) The agent banks on receipt of these requests shall debit the investor's account and credit the SPV's account, temporary or transitory account;
- (8) At the day end, the agent banks shall transfer the consolidated amount, tenor-*cum*-currency wise purchase requests, to SBP by placing the order to the SPV *via* Data Acquisition Portal (DAP);
- (9) For PKR funds, the agent banks shall authorize SBP-BSC Karachi Office (KO) to debit their current accounts and credit the SPV's account maintained with SBP-BSC. The SPV shall process the purchase requests by issuing INPCs on the same day of purchase requests and confirmation for issuance of INPCs shall be sent to the agent banks through DAP;

- (10) For USD, GBP and Euro denominated INPCs, the bank shall either remit the funds to the SBP's nostro accounts to be notified by SBP or authorize SBP-BSC KO to use local USD, GBP and Euro clearing mechanism, if any available. After confirmation of receipt of funds, the SPV shall process the purchase requests by issuing INPCs and confirmation of issuance of INPCs shall be sent to the agent banks through DAP; and
- (11) The agent banks shall also open Investor Portfolio Securities (IPS) accounts of the investors and credit the securities in these accounts.

(II) Investment/portfolio and pool management:—

- (1) To manage the investments received from investors, the SPV shall maintain four separate *Mudaraba* pools, i.e., USD pool, GBP pool, Euro pool and PKR pool; and
- (2) The funds in the *Mudaraba* pools shall only be used for extending *Shariah* compliant financing to the Federal Government. The functions of the SPV shall include:-
 - (a) portfolio management in accordance with the objectives of the pools, i.e. to extend *Shariah* compliant financing to the Federal Government;
 - (b) maintaining the agent bank-wise record of INPCs issued; the agent banks shall maintain the investor-wise record of investments in INPCs. As SBP shall be managing the operations of the SPV under the mandate of the SPV Board and issuing INPCs to agent banks for onward delivery to the investors, it shall maintain record of the INPCs issued to the agent banks; and
 - (c) management of pools to determine their profits and the allocation of these profits to investors, including agent banks, based on their tenors etc. may be outsourced to SBP.

Explanation.—As the pools are exclusively meant for INPCs, to minimize complexity, the resources of the pools shall be utilized to provide

financing to the Federal Government under sale and lease back transactions with the Federal Government against an identified asset.

(III) Initial investment in the Mudaraba pools:—

- (1) In order to provide initial investment required for the establishment of the USD, GBP, Euro and PKR *Mudaraba* pools, the agent banks shall be invited to invest in each pool. The agent banks shall be eligible to share the profits of the pools as per the profit sharing ratio and mechanism agreed with them;
- (2) The agent banks' investment in the pools shall be transitory in nature and shall be retired or withdrawn on receipt of individual investments in INPCs from resident and non-resident Pakistanis as defined in NPC Rules, 2020. The initial size of each pool shall be determined by INPCL in consultation with SBP. The agent banks shall make initial investment in the pools as initial joint investors;
- (3) This initial investment by the agent banks is required to ensure that the pools have *Shariah* compliant earning assets before receipt of investments in INPCs;
- (4) The SPV shall use these funds to provide financing to the Federal Government through sale and lease back of identified assets in USD for USD pool, in GBP for GBP pool, in Euro for Euro pool and in PKR for PKR pool. The rental rate shall be mutually agreed between the SPV and the Federal Government enabling the SPV to have sufficient profits to remunerate the INPCs holders at the rate equivalent/close to the expected rates;
- (5) The agent banks' investment in the pools shall be retired on receipt of individual investments in INPCs; and
- (6) Once the initial investment of agent banks is fully liquidated in a pool, they shall again contribute such amount to the pool as may be agreed between the SBP and agent banks from time to time on similar terms and conditions. This investment of the agent banks shall be gradually liquidated on receipt of

investments in the INPCs, a process which shall continue during the currency of the INPCs.

(IV) Pool management and profit and loss calculation.—

- (1) As stated earlier, the *Mudaraba* pools may be managed in accordance with the SBP pool management guidelines and framework. The SPV shall have requisite systems, duly reviewed by a reputed *Shariah* Advisor, to determine the profits earned by each pool and its distribution or allocation to the investors based on their respective weightages after deduction of *Mudarib* share or fee;
- (2) The weightages to INPCs shall be assigned based on the tenor of INPCs with the three month INPCs having the lowest weightage and the sixty month INPCs having the highest weightage;
- (3) As the agent banks investment shall be transitory in nature, they shall be assigned relatively lower profit sharing ratios and/or weightage as compared to the investors;
- (4) For each *Mudaraba* pool,—
 - (a) Profit Sharing Ratio (PSR) shall be announced at the commencement of investments in INPCs; and
 - (b) For each tenor and category of INPCs, weightage shall be announced at the commencement of the scheme and shall be updated monthly.
- (5) At any point, the sources of funds in each pool and the allocation of those funds *i.e.* their utilization, must be known, balanced, and verifiable;
- (6) Income calculation: At each month end, income generated by all the assets in each pool shall be calculated to arrive at the gross income of the pool and after deduction of the allowed expenses, the monthly profit of each pool shall be calculated;
- (7) Early redemption/pre-mature encashment shall be allowed after one month;

- (8) In case of early redemption or pre-mature encashment—
- (a) after one month and before three months, the investor's share shall be redeemed at a discounted price by applying a discount on the announced profit rates for that category of investor; and
 - (b) after three months, the investor shall be given profit of the nearest shorter tenor *e.g.* if a thirty-six month INPC is prematurely encashed before twelve months, the profit shall be calculated @ actual profit rates announced for six month INPCs during that period, whereas twelve month rate shall be applicable for INPCs redeemed after twelve months.
- (9) Payment of profit and investment amounts: At maturity for three, six and twelve month INPCs and on six monthly basis for thirty-six month and sixty month INPCs. The investment amount and applicable profit or loss shall be paid to the investor's designated bank account; and
- (10) Any surplus available with the SPV as the *Mudarib* shall return back to the Federal Government on liquidation of the SPV.

[No. 3(8) EF (FCM)/2020.]

SHERIN TARIQ,
Section Officer (EF FCM).