

MICROFINANCE CREDIT GUARANTEE FACILITY GUIDELINES

APPLICABLE TO THE GUARANTEES ISSUED

TO SECURE THE BILATERAL FACILITIES AVAILABLE BY ELIGIBLE MFBS/ ELIGIBLE MFIS
AND REDEEMABLE CAPITAL ISSUED BY ELIGIBLE MFB / ELIGIBLE MFIS

(Amended as of January 28, 2015)

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Microfinance Credit Guarantee Facility (MCGF)

1. Preamble

- 1.1 Keeping in view the important role of microfinance in a developing country, the State Bank of Pakistan (“SBP”) has been encouraging viable Microfinance Providers both Microfinance Banks (“MFBs”) / NGO Microfinance Institutions (“MFIs”), to mobilize local currency funding from banks / Development Finance Institutions (“DFIs”) for on lending to microfinance borrowers to enhance microfinance outreach. It has, however, been observed that funds have been provided to a few MFBs/MFIs, by banks / DFIs. Moreover, MFBs/MFIs need to explore other local currency funding opportunities such as raising capital by issuance of Redeemable Capital from capital markets, thereby increasing funding availability and diversification of sources.
- 1.2 In order to further incentivize the mobilization of funds to the Microfinance Sector from Banks/DFI and capital markets, SBP has established the Microfinance Credit Guarantee Facility (“MCGF Facility”), henceforth referred to as the “facility” which shall be administered by the SBP, Banking Service Corporation (BSC).
- 1.3 Moreover, MCGF offers higher risk coverage to Commercial Banks/ DFIs for lending to Tier 2 MFBs/MFIs.

The MCGF Guidelines are organized as follows:

Section A: General Instructions
Section B: Specific Instructions -- Bilateral Facilities
Section C: Specific Instructions -- Redeemable Capital
Annex A: Form of Guarantee for Bilateral Loans
Annex B: Form of Guarantee for Redeemable Capital
Annex C: Illustration of Loss Sharing under the Guarantee
Annex D: Guarantee Claim Form for Bilateral Facilities
Annex E: Guarantee Claim Form for Redeemable Capital

2. Interpretation

- 2.1 In these guidelines, unless there is anything repugnant in the subject or context:-
- 2.1.1 “**Banks/DFIs**” means commercial banks and DFIs that extend a finance facility to an Eligible MFB and / or an Eligible MFI;
- 2.1.2 “**Bilateral Facilities**” means the finance facilities availed by the Eligible MFBs and Eligible MFIs from the Banks / DFIs;
- 2.1.3 “**Bond Holders**” means the persons appearing as the holders of the Redeemable Capital, in the register of certificate holders maintained by such Eligible MFBs and Eligible MFIs in accordance with the relevant provisions of law;
- 2.1.4 “**DFI**” has the meaning ascribed thereto in paragraph 1.1 above;
- 2.1.5 “**Eligible MFBs**” means financially and socially sustainable MFBs with significant potential to maximize the outreach to poor and marginalized segments of society as defined in 2.1.14;
- 2.1.6 “**Eligible MFIs**” means financially and socially sustainable MFIs with significant potential to maximize the outreach to poor and marginalized segments of society as defined in 2.1.14;

- 2.1.7 **“First Loss Default Guarantee”** means the guarantee issued by the SBP BSC in accordance with the terms and conditions set out in the MCGF Guidelines, guaranteeing the payment of up to twenty-five percent (25%) of:
- the principal amount disbursed by the Bank/DFI to the Eligible MFB/Eligible MFI; or
 - the Issue Amount;
- as the case may be, and as further illustrated in Annex C (*Illustrations of Loss Sharing under the Guarantee*);
- 2.1.8 **“Guarantee”** means the Partial Guarantee and the First Loss Default Guarantee issued by the SBP BSC in accordance with the MCGF Guidelines, substantially in the form of the Guarantee attached herewith as Annex A (*Form of SBP BSC Guarantee for Redeemable Capital*) and Annex B (*Form of SBP BSC Guarantee for Redeemable Capital*);
- 2.1.9 **“Issue Amount”** means the amount of Redeemable Capital issued by the Eligible MFB / Eligible MFI, as defined in the instrument of trust;
- 2.1.10 **“Lending Institution”** means the Bank and / or DFI that has extended the Bilateral Loan to the Eligible MFB / Eligible MFI, secured by the Guarantee issued in accordance with the MCGF Guidelines;
- 2.1.11 **“MCGF Facility”** has the meaning ascribed thereto in paragraph 1.2 above;
- 2.1.12 **“MCGF Guidelines”** means the guidelines governing the MCGF Facility issued by the SBP through its circulars;
- 2.1.13 **“MFBs”** means microfinance bank, an institution licensed by State Bank under the Microfinance Institutions Ordinance 2001;
- 2.1.14 **“MFIs”** means microfinance institution, which extends microcredit and allied services to the poor through sources other than public savings and deposits as defined in the Microfinance Institutions Ordinance 2001;
- 2.1.15 MFBs/ MFIs Tier 1 and Tier 2 are defined as follows:

	MFBs/ MFIs (Tier 1)	MFBs/ MFIs (Tier 2)
Institutional Profile	Mature, financially sustainable, and large MFPs that are operational for 5 years or more	Small or medium sized, slightly less mature MFPs that are operational since 3 years or more
Size (Gross Loan Portfolio)	> Rs. 3,000 million	Rs.500 million or more
Sustainability	i) Positive RoA for the last year AND ii) PAR > 30 days should be < 10 %	i) Improving trend in RoA in last 3 years and RoA in last year should not be <-10% AND ii) PAR > 30 days should be < 10 %
Transparency	Audited financial statements for at least the last 3 years	Audited financial statements for at least the last 3 years

The eligibility of MFPs for various risk sharing options will be assessed on the above criteria. The MFPs failing to meet any of Tier 1 criteria shall be assessed against Tier 2 criteria.

- 2.1.16 **“Partial Guarantee”** means the guarantee issued by the SBP BSC in accordance with the terms and conditions set out in the MCGF guaranteeing the payment of up to forty percent (40%) or sixty percent (60%) as the case may be as described in paragraph 3.2.1 of:
- (a) the principal amount payable by the Eligible MFBs / Eligible MFIs to the Bank/DFI upon default; or
 - (b) the principal component of the Redemption Amount payable by the Eligible MFB / Eligible MFI to the Bond Holders, through the Trustee, upon default;
- as the case may be, and as further illustrated in Annex C (*Illustrations of Loss Sharing under the Guarantee*);
- 2.1.17 **“Redeemable Capital”** means the term finance certificates issued by the Eligible MFBs and Eligible MFIs being an issue of redeemable capital under Section 120 of the Companies Ordinance, 1984 and / or any other form of redeemable capital issued by the Eligible MFBs and Eligible MFIs permitted under the Companies Ordinance, 1984;
- 2.1.18 **“Redemption Amount”** means the amounts payable by the Eligible MFBs / Eligible MFIs to the Bond Holders on each redemption date, comprising of the principal component and the profit component in respect of such Redeemable Capital and for the purpose of sub-paragraph 2.1.16 above, shall mean as on the date of determination, the total outstanding principal component of Redemption Amount due and payable by the Eligible MFB / Eligible MFI in respect of the Redeemable Capital on such date;
- 2.1.19 **“SBP”** means State Bank of Pakistan established under SBP Act, 1956;
- 2.1.20 **“SBP BSC”** means State of Pakistan Banking Services Corporation established under SBP BSC Ordinance 2001.
- 2.1.21 **“Trustee”** means Bank or Investment Finance Company appointed or any other company or entity or class of companies/entities allowed by the Securities and Exchange Commission of Pakistan (SECP) as a Debt Securities Trustee by virtue of a Trust Deed and registered under the SECP’s Debt Securities Trustee Regulations, 2012;
- 2.1.22 **“Investment Finance Company”** means a company as defined in clause (xxiv) of sub-regulation (1) of regulation 2 of Non-Banking Finance Companies and Notified Entities Regulations, 2008;
- 2.1.23 **“Trust Deed”** means a trust deed executed by an issuer or an Offerer, as the case may be, in accordance with the provisions of the Trust Act, 1882 (II of 1882).

3. Section A: General Instructions

3.1 Details of the MCGF Facility

- 3.1.1 The MCGF Facility will provide Partial Guarantee or First Loss Default Guarantee up to certain limits prescribed in paragraph 3.2.1, with the objective to:
- (a) reduce the credit risk to Banks/DFIs entering into lending arrangements with Eligible MFBs and Eligible MFIs;
 - (b) Reduce the risk of small investors/ holders of the Term Finance Certificates issued by Eligible MFBs and Eligible MFIs.
- 3.1.2 The structure of the Guarantees will enable MFBs/MFIs to borrow in local currency by availing bilateral facilities from Banks/DFI and to raise capital by issuance of Redeemable Capital.
- 3.1.3 The MCGF Facility has been initially started with the help of the UK Department of International Development (DFID) grant amount of GBP 10 million which has been kept as reserve (**“DFID Grant”**) and used for issuing guarantees to microfinance providers who fit the

criteria of the MCGF Facility. The MCGF Facility is expected to help raise local currency funds from local sources, primarily Banks, DFIs and any persons for Eligible MFBs/ Eligible MFIs. The loans portfolio (being the Bilateral Facilities) under the guarantee scheme will be administered by banks/DFIs; however, the loan portfolio (being the Redeemable Capital) will be administered by the Trustee.

3.2 Risk Coverage

3.2.1 The extent of risk coverage to be provided to the Lending Institutions or individual investors under the MCGF Facility will be as follows

Beneficiary	Type of Financing	Guarantee	Risk Coverage
Microfinance Bank/ Microfinance Institutions (Tier 1)	Bilateral	Banks/DFIs	25% First Loss Guarantee or 40% Partial Guarantee
	Redeemable Capital	Individual Investors through Trustee	
Microfinance Bank/ Microfinance Institutions (Tier 2)	Bilateral	Banks/DFIs	60% Partial Guarantee

3.3 Administration of the Guarantee Fund

3.3.1 SBP-BSC shall administer the Guarantee Fund. The SBP BSC shall invest the monies comprised in the Guarantee Fund partly in government securities and a certain portion shall be deposited in remunerative deposit account, which shall serve as first-call account for claims. The SBP BSC reserves the right to invest the monies comprised in the Guarantee Fund in such other investment(s) as may be approved by the SBP BSC from time to time.

3.3.2 All claims in respect of the Guarantees, whether made by Banks / DFIs or by the Trustees shall be made to SBP BSC.

3.3.3 SBP BSC shall ensure that the aggregate value of the Guarantees does not exceed the funds available in the Guarantee Fund.

3.4 Modifications and exemptions

3.4.1 The SBP reserve the right to modify, cancel or replace the MCGF Guidelines, provided however, the rights and obligations arising out of, or accruing under a Guarantee issued under the MCGF Facility prior to and up to the date on which such modification, cancellation or replacement comes into effect, shall remain unaffected by such modification, cancellation and / or replacement.

3.5 Supplementary and general provisions

3.5.1 In respect of any matter not specifically provided for in the MCGF Guidelines, SBP may make such supplementary or additional provisions or issue such instructions or clarifications as may be necessary for the purpose of the MCGF Facility; provided however, that no such supplementary or additional provisions or instructions or clarifications shall affect in any manner any Guarantee issued prior to the date of such supplementary or additional provisions or instructions or clarifications.

3.6 **Eligibility of Microfinance Providers**

3.6.1 The eligibility of MFBs and MFIs for the guarantee will be assessed by SBP BSC before issuance of the guarantee and shall include financial and social indicators to measure the potential of the MFBs / MFIs for achieving the objectives of the MCGF Facility.

3.7 **Contact Details of SBP BSC**

3.7.1 The contact details of SBP BSC for the MCGF Facility are as follows:

Director
Development Finance Support Department (DFSD)
State Bank of Pakistan, Banking Services Corporation (Bank)
I.I. Chundrigar Road, Karachi-74000
Tel: (+92 21) 921 3986, 245 5155
Fax: (+92 21) 921 3987

4. SECTION B BILATERAL FACILITIES

4.1 Objective of the MCGF Facility – Bilateral Facilities

4.1.1 The objective of the MCGF Facility made available for the purpose of guaranteeing the Bilateral Facilities is to facilitate Banks/DFIs to play a leading role in easing credit constraints of MFBs/MFIs in their efforts to maximize outreach by extending credit facilities to them.

4.1.2 The MCGF Facility in respect of Bilateral Facilities is expected to achieve the following objectives:

- (a) The Guarantees are expected to help build links between micro borrowers and Banks/DFIs. The familiarization of the Banks/DFIs with the client should eventually lead to the graduation of the borrower;
- (b) Banks/DFIs will evaluate the prospective recipient MFBs/MFIs according to the well defined due diligence criteria. This way the credit enhancement facility will serve the Banks/DFIs to develop their own sense of the risk involved in microfinance;
- (c) The Guarantees will facilitate resolution of regulatory issues that limit unsecured lending by Banks/DFIs and would bring the loans to MFBs/MFIs under compliance with banking regulations.

4.2 Distribution of tasks and responsibilities

4.2.1 All tasks relating to processing and appraisal of loan applications, evaluation of business plan, loan appraisal, approval, disbursement, recovery, supervision and monitoring, follow up on problem loans, and legal action in case of default will be performed by the Lending Institution. The SBP BSC will process the Guarantee approval and facilitate issuance of NOC to Eligible MFBs from SBP for availing financing from Banks / DFIs.

4.3 Leverage and risk-sharing

4.3.1 The extent of risk coverage to be provided to the Lending Institution under the MCGF Facility shall be as per prescribed in paragraph 3.2.1.

4.4 SLR eligibility

4.4.1 The funds channelized under MCGF Facility to Eligible MFBs/Eligible MFIs shall be deductible from Demand and Time Liabilities of the Lending Institution for the purpose of Statutory Liquidity Requirement (SLR) and Cash Reserve Requirement (CRR) calculation. SLR and CRR incentives under this section shall be withdrawn if claim is paid under sub-paragraph 4.8.2 of paragraph 4.8 (*Conditions and Procedure for Calling on Guarantee*) of Section B (*Bilateral Facilities*), upon invocation of the Guarantee.

4.5 Interest Rate payable by the borrowing institutions

4.5.1 The interest rate applicable to the Bilateral Facilities secured by Guarantees, availed by Eligible MFBs / Eligible MFIs from Lending Institutions, shall not exceed 2 (two) per cent over and above the Karachi Interbank Offer Rate (KIBOR) of relevant tenor. The tenor of KIBOR should be the same as of tenor/ re-pricing tenor of the loan.

4.6 Responsibilities of Lending Institution under the MCGF Facility

4.6.1 The Lending Institution shall provide financing after carrying out proper due diligence of the MFB/MFI, keeping in view the risk profile of the borrower and in light of its credit and lending policies.

- 4.6.2 The Lending Institution shall ensure that the guarantee claim in respect of the Bilateral Loan and borrower is lodged with the SBP BSC under the MCGF Facility in the form provided in Annex D (*Guarantee Claim Form for Bilateral Facilities*).
- 4.6.3 The payment of guarantee claim by the SBP BSC to the Lending Institution shall not in any way affect the right of the Lending Institution to recover the defaulted amount from the Eligible MFB/ Eligible MFI.
- 4.6.4 The Lending Institution shall, in respect of any guaranteed amount, exercise the same diligence in recovering the dues, and safeguarding the interest of the facility in all possible manners as it might have exercised in the normal course if no guarantee had been furnished under the facility.
- 4.6.5 The Lending Institutions shall promptly repay the SBP-BSC amounts received from the SBP-BSC under the Guarantee and subsequently recovered from the borrower.

4.7 **Extent of the guarantee**

- 4.7.1 Under the MCGF Facility, the SBP BSC shall provide guarantee cover of up to 40% (Forty percent) or 60% as the case may be of the principal amount in default in case of Partial Guarantee or up to 25% (Twenty-five percent) of disbursed amount in case of First Loss Default Guarantee on the credit facility extended by the Lending Institution to an eligible MFB/MFI. The guarantee cover shall commence from the date of first disbursement to the MFB/MFI and shall run through the agreed tenure of the credit facility which shall not exceed a period of five years and 120 days initially and in the event of the loan facility being extended for any reason by the lending institution then for a period which covers any such extended period plus 120 days provided, such extension period is approved by the Guarantor.

4.8 **Conditions and procedures for calling on guarantee**

- 4.8.1 The lending institution may invoke the guarantee in respect of eligible credit facility if the following conditions are satisfied:
- (a) the guarantee in respect of that credit facility is in force;
 - (b) the amount due and payable to the lending institution in respect of the credit facility has not been paid and the dues have been classified by the lending institution as Non Performing Loans (“NPLs”) as per instructions and guidelines issued by the State Bank of Pakistan from time to time.
- 4.8.2 The SBP BSC shall pay the full claim, under the guarantee on submission of an eligible claim by the lending institutions, within five working days, subject to the claim being made pursuant to the format as provided in Annex D (*Guarantee Claim Form for Bilateral Facilities*). On a claim being paid, the SBP BSC shall be discharged from that portion of its liabilities on account of the guarantee in force in respect of the borrower concerned.
- 4.8.3 In the event of default, the lending institution shall exercise its rights, if any, to take over the assets of the borrowers and the amount realized, if any, from the sale of such assets or otherwise.

4.9 **Subrogation of rights and recoveries on account of claims paid**

- 4.9.1 The Lending Institution shall furnish to the SBP BSC, details of its efforts for recovery, realizations and such other information as may be demanded or required from time to time. The Lending Institution will hold lien on assets of the Eligible MFB/Eligible MFI on its own behalf. The responsibility for recovery of dues including takeover of assets, sale of assets, etc., shall rest with the Lending Institution.

- 4.9.2 The recovered defaulted amount will be paid by the Lending Institution to the SBP BSC on pro rata basis without delay, and if any such amount due to the SBP BSC remains unpaid beyond a period of 7 (seven) days from the date on which it was first recovered, interest shall be payable to the SBP BSC by the Lending Institution at the rate, which is 4% (four percent) above the 6 months KIBOR for the period for which payment remains outstanding after the expiry of the said period of 7 (seven) days.

5. SECTION C – REDEEMABLE CAPITAL

5.1 Objective of the MCGF Facility – Redeemable Capital

- 5.1.1 The MCGF Facility shall also be applicable to Redeemable Capital and accordingly SBP BSC shall issue, as part of the MCGF Facility, Partial Guarantees and First Loss Default Guarantees to secure Redeemable Capital, in accordance with the MCGF Guidelines (“**Redeemable Capital Guarantees**”).
- 5.1.2 By extending the ambit of the MCGF Facility to Redeemable Capital, it is expected that the following objectives will be achieved:
- (a) The Guarantees are expected to familiarize banks, DFIs, institutional and individual investors with the microfinance clients, which should eventually lead to the graduation of the borrower;
 - (b) The Guarantees will facilitate resolution of regulatory issues that limit unsecured lending by Banks/DFIs and would bring the loans to MFBS/MFIs under compliance with banking regulations;
 - (c) The credit facility will allow the MFBS/MFIs to offer small ticket sizes for retail investors. This would offer small retail investors an alternate channel for investing their savings and earning relatively higher returns, encouraging the concept of micro-savings.

5.2 Distribution of tasks and responsibilities

- 5.2.1 The Eligible MFB/ Eligible MFI shall be responsible for all tasks required to be undertaken prior to the issuance of the Redeemable Capital, either itself or through the advisors or arrangers, if any, appointed by the Eligible MFB / Eligible MFI in relation to the Redeemable Capital.
- 5.2.2 The Eligible MFB/ Eligible MFI shall liaise with the SBP BSC in all matters pertaining to the issuance of the Redeemable Capital Guarantee.
- 5.2.3 Upon the issuance of the Redeemable Capital Guarantee, all matters pertaining to the Redeemable Capital shall be dealt with by the Trustee, and all correspondence and communication in relation to the Redeemable Capital shall also be undertaken by the Trustee on behalf of the Bond Holders.
- 5.2.4 The Trustee shall be responsible for ensuring that the Eligible MFB/Eligible MFI complies with its obligations as set out in the instrument of trust. The Trustee shall also be responsible, in accordance with the provisions of the instrument of trust, for declaring a default in respect of the Redeemable Capital and making a claim under the Guarantee.

5.3 SBP BSC's Exclusion of Liability

- 5.3.1 SBP BSC shall only be responsible for processing the approval for the issuance of the Redeemable Capital Guarantee and shall thereafter facilitate the issuance of the instrument of the Redeemable Capital Guarantee. SBP BSC shall not be responsible for the due diligence of the Redeemable Capital, the Eligible MFB / Eligible MFI with regard to its capacity to issue and / or redeem such Redeemable Capital and / or any other aspect of the Redeemable Capital.

5.4 **Leverage and risk-sharing**

5.4.1 The Redeemable Capital Guarantee shall guarantee the payment to the Trustee, for the benefit of the Bond Holders, of the:

- (a) Partial Principal Component in cases where the Redeemable Capital is secured by the Partial Guarantee; and
- (b) the First loss of the Principal Component, in cases where the Redeemable Capital is secured by the First Loss Guarantee.

The term “**Partial Principal Component**” means, forty percent (40%) of the outstanding principal component of the Redemption Amount as on the date of default of Redeemable Capital, as further illustrated in Annex C (*Illustrations of Loss Sharing Under the Guarantee*).

The term “**First loss Amount**” means up to twenty-five percent (25%) of the Issue Amount (*Illustrations of Loss Sharing Under the Guarantee*).

5.5 **SLR eligibility**

5.5.1 In the event any bank and / or financial institution invests in the Redeemable Capital, then upon the channelization of any funds under the MCGF Facility by the SBP BSC, the same shall be deductible from Demand and Time Liabilities of such bank / financial institution for the purpose of Statutory Liquidity Requirement (SLR) and Cash Reserve Requirement (CRR) calculation.

5.6 **Profit Rate applicable to the Redeemable Capital**

5.6.1 There are no restrictions with regard to the profit rate applicable to the Redeemable Capital.

5.6.2 Eligible MFBs / Eligible MFIs can issue Redeemable Capital as floating rate instruments and / or fixed rate instruments of redeemable capital in accordance with the applicable provisions of law.

5.7 **Responsibilities of Eligible MFBs / Eligible MFIs**

5.7.1 Eligible MFBs / Eligible MFIs shall ensure that all legal formalities and requirements, including but not restricted to the requirements prescribed by the Securities and Exchange Commission of Pakistan, for the issuance of redeemable capital are duly complied with. The Eligible MFBs / Eligible MFIs shall also ensure that the requirements of the relevant Stock Exchanges are also complied with, in cases where Redeemable Capital is proposed to be listed on a national stock exchange.

5.7.2 Eligible MFBs / Eligible MFIs shall seek requisite authorization from their board of directors prior to the issuance of Redeemable Capital.

5.7.3 The Eligible MFBs/ Eligible MFIs shall ensure that the instruments of trust, in respect of each issue of Redeemable Capital contains relevant provisions reflecting that the Redeemable Capital Guarantee can only be enforced by the Trustee and that the bond holders shall not have the right to individually seek an enforcement of the Redeemable Capital Guarantee and / or have any claim against SBP BSC.

5.8 **Responsibilities of the Trustee**

5.8.1 The Trustee shall ensure that the guarantee claim in respect of the Redeemable Capital Guarantee and is lodged with the SBP BSC in the form and in the manner as specified in Annex E (*Guarantee Claim Form for Redeemable Capital*).

- 5.8.2 The payment of the guarantee claim by the SBP BSC to the Trustee shall not in any manner affect the right of the Trustee to recover the default amount from the Eligible MFB/Eligible MFI in accordance with the terms of the instrument of trust and the terms and conditions governing the Redeemable Capital.
- 5.8.3 The Trustee shall, in respect of any guaranteed amount, exercise the same diligence in recovering the dues, and safeguarding the interest of Bond Holders in all possible manner as it might have exercised in the normal course, had the Redeemable Capital not been secured by the Redeemable Capital Guarantee or by any other form of security.
- 5.8.4 The Trustee shall promptly repay to SBP-BSC, the amounts received by the Trustee from the SBP-BSC under the Redeemable Capital Guarantee and subsequently recovered by the Trustee from the Eligible MFB/ Eligible MFI.

5.9 Term of the Redeemable Capital Guarantee

- 5.9.1 The Redeemable Capital Guarantee shall come into effect on the Issue Date and shall continue to remain valid and binding till (a) the enforcement of the Redeemable Capital Guarantee; or (b) the payment of the final Redemption Amount on the final Redemption Date of the Redeemable Capital; provided however, the maximum tenor of the Redeemable Capital Guarantee shall not exceed five (5) years and one hundred and twenty (120) days, from the date on which the Redeemable Capital Guarantee comes into effect, subject to the provisions of sub-paragraph 5.9.2 of this paragraph 5.9 (*Term of the Redeemable Capital Guarantee*).
- 5.9.2 In the event the final maturity of the Redeemable Capital (final Redemption Date) is extended for any reason whatsoever, than the term of the Redeemable Capital Guarantee shall stand automatically extended to such revised / amended / extended maturity date of the Redeemable Capital plus one hundred and twenty (120) days, subject to such extension having been approved by the SBP BSC. The SBP BSC shall issue a new instrument / amendatory instrument of Redeemable Capital Guarantee in case of such extension, extending the validity of the Redeemable Capital Guarantee.

5.10 Conditions and procedures for a Claim on the Redeemable Capital Guarantee

- 5.10.1 The Redeemable Capital Guarantee may only be enforced by the Trustee, subject to the fulfillment of the following conditions:
 - 5.10.1 the Redeemable Capital Guarantee is in force and effect on the date on which it is being enforced;
 - 5.10.2 the amount being claimed in respect of the Redeemable Capital Guarantee is due, payable and outstanding as on the date on which the claim is made by the Trustee;
 - 5.10.3 the claim has been made on the prescribed form substantially in the form provided in Annex E (*Guarantee Claim Form for Redeemable Capital*).
 - 5.10.4 The SBP BSC shall pay the full amount set out in the claim, under the Redeemable Capital Guarantee on submission of an eligible claim by the Trustee, within five working days, subject to the claim being made substantially in the form provided in Annex E (*Guarantee Claim Form for Redeemable Capital*).
 - 5.10.5 On a claim being paid, the SBP BSC shall be discharged from that portion of its liabilities on account of the Redeemable Guarantee in force in respect of the Eligible MFB / Eligible MFI concerned.
 - 5.10.6 A claim in respect of Redeemable Capital Guarantee shall be deemed to be an “eligible claim” for the purpose of sub-paragraph 5.10.4 of this paragraph 5.10 (*Conditions and Procedures for a Claim on the Redeemable Capital Guarantee*) when a claim fulfills the requirements set out in sub-

paragraph 5.10.1 of this paragraph 5.10 (*Conditions and Procedures for a Claim on the Redeemable Capital Guarantee*).

5.10.7 In the event of default, the Trustee shall exercise its rights, including but not restricted to the right to take over the assets of the Eligible MFB / Eligible MFI, and the amount realized, if any, from the sale of such assets or otherwise.

5.11 **Subrogation of rights and recoveries on account of claims paid**

5.11.1 Upon the occurrence of default in respect of the Redemption Capital, the Trustee shall furnish to SBP BSC the details of actions taken by the Trustee for the recovery of the outstanding amount and the amounts realized, if any. The Trustee shall also provide to the SBP BSC all such information as may be requested by the SBP BSC in relation to the default by the Eligible MFB / Eligible MFI.

5.11.2 In the event the Redemption Capital is also secured by any security interest, than the Trustee shall continue to hold the assets subject to such security interest, on its own behalf and on behalf of SBP BSC. The recovery of outstanding amounts including the responsibility for the enforcement of the security interest, if any, and the takeover and sale of assets shall vest in the Trustee.

5.11.3 The amount recovered by the Trustee upon exercise of its rights against the Eligible MFB / Eligible MFI, shall be shared with the SBP BSC on a pro rata basis without delay. The Trustee shall ensure that the SBP BSC's share in the amounts recovered from the Eligible MFB / Eligible MFI is made available to the SBP BSC with a period of seven (7) days from the date of recovery of the same, failing which the SBP BSC's share in the recovered amount shall accrue interest at the rate of 4% above SBP Policy Discount Rate.

Annex A Form of SBP BSC Guarantee For Bi Lateral Loans

[To be -issued by DFSD, SBP BSC on its Letter Head]

_____ Bank Limited,
I.I. Chundrigar Road,
Karachi

State Bank of Pakistan Guarantee under Microfinance Credit Guarantee Facility

Whereas in order to promote and support the microfinance sector in Pakistan the State Bank of Pakistan (“SBP”) has introduced the Microfinance Credit Guarantee Facility (“MCGF”);

And Whereas pursuant to the MCGF, _____ Limited (hereinafter called the “Bank”) has granted a credit facility to _____ Limited (hereinafter called the Microfinance Provider (“MFP”) and entered into a Loan Agreement with the MFP dated _____ (hereinafter called the “Agreement”);

And whereas the SBP has nominated SBP Banking Services Corporation (“SBP BSC”) (hereinafter called the “Guarantor”) to issue the requisite guarantee to the Bank as per the terms of the MCGF.

And whereas for good and valuable consideration, the Guarantor has agree to make payment on first written demand of the Bank lodged in accordance with the terms of this Guarantee, of any and all demands lodged by the Bank within the Guaranteed Amount (as defined below);

Now, therefore the Guarantor hereby unconditionally and irrevocably guarantees, undertakes and covenants with the Bank as under:

1. That the maximum amount guaranteed under this Guarantee (“Guaranteed Amount”) shall be equivalent to 25% of the principal amount disbursed on first loss basis of the credit facility given by the Bank to the MFP under the Agreement.

Or

That the amount guaranteed under this Guarantee (“Guaranteed Amount”) shall be equivalent to 40% or 60% (as the case may be) *pari passu* of the loss suffered by the Bank on account of principal outstanding. The Bank shall, prior to the issuance of a Payment Demand, finalise the amount of the loss which it has suffered under the Agreement and provide to the Guarantor, along with the Payment Demand, a certificate of its auditor certifying to the veracity of the calculation of such loss.

2. That upon receipt of a demand for payment from the Bank in writing and delivered in the manner specified hereunder, (the “Payment Demand”), within five working days of the date of each Payment Demand, without reference to the MFP, regardless of any total or partial invalidity, illegality or unenforceability of any of the provisions of the Agreement or any dispute between the parties to the Agreement the guarantor shall pay the full amount demanded under the Payment Demand, Subject to the maximum of the Guaranteed Amount.
3. That a Payment Demand may only be made at least 90 days after the date on which the MFP defaults in the payment of any principal repayment installment under the Agreement.
4. That a Payment Demand shall be conclusive and binding on the Guarantor as to the principal amount owed on the date of such Payment Demand by the MFP to the Bank under the Agreement.
5. That it shall not be necessary for the Bank to exercise any legal remedies that may be available to it under the Guarantee and/or the Agreement before presenting the Guarantor with any Payment Demand hereunder.

6. That no Payment Demand made by the Bank hereunder shall prejudice the right of the Bank to make further or other Payment Demands under this Guarantee made on or before the Expiry Date as are within the Guarantee Amount.
7. That this Guarantee shall expire (“Expiry Date”) on the date falling 120 days after the date of the last payment to be made by the MFP to the Bank under the Agreement.
8. That this Guarantee shall be a continuing security and shall not be discharged by any Intermediate discharge or settlement reached between the Bank and the MFP. The Bank shall within three days of the commencement of discussions with the MFP with regard to any proposed intermediate discharge or settlement, inform the Guarantor in writing of the same.
9. No grant of time or other indulgence to, or in composition or arrangement with the MFP in respect of the performance of its obligations under and in pursuance of the Agreement or any clause thereof, with notice to the Guarantor shall in any manner discharge or otherwise whatsoever affect this Guarantee and/or liabilities and commitments hereunder.
10. Any exercise of discretion or judgment and demand for payment or any notice or any information which is required to be communicated to the Guarantor by the Bank under or in terms of this Guarantee (hereinafter referred to as “Notices”) shall be treated as duly given if expressed to be signed by its authorized representative. All Notices shall be in writing, shall be addressed for the attention of the officer of the Guarantor indicated below and shall be delivered personally or sent by courier or registered mail or facsimile to the address given below. Such Notices shall be deemed delivered (a) when presented personally at the address given below, or (b) when transmitted by facsimile to the Guarantor’s facsimile number specified below, or (C) when delivered by courier one (1) day after being handed to a courier duly addressed to the Guarantor at the address indicated below, or (d) five (5) days after being given into the custody of the postal service in Pakistan, postage prepaid, registered, addressed to the Guarantor, at the address indicated below. Any notice given by facsimile shall be confirmed in writing, delivered personally or sent by courier or registered mail, but the failure to so confirm shall not invalidate or make void the original notice if it is in fact received by the Guarantor. The address and details for Notices sent to the Guarantor is as follows:

The Director
Development Finance Support Department
SBP Banking Services Corporation
SBP BSC Head Office,
I.I. Chundrigar Road
Karachi
Telephone: (+92 21) 9921 3986, 3245 51 55
Facsimile: (+92 21) 9921 39 87
11. This Guarantee shall be governed by and construed in accordance with the laws of Pakistan and the Guarantor shall not be entitled as against the Bank to any right of set off whatsoever and howsoever arising.
12. This Guarantee is in addition and not in substitution or derogation of any other security which the Bank may at any time hold in respect of the obligations of the MFP under the Agreement or otherwise howsoever. The rights and remedies of the Bank under this Guarantee are cumulative and not exclusive of any right or remedy available to it under the laws of Pakistan.
13. The Guarantor agrees that no delay or failure to exercise any right or remedy under this Guarantee by the Bank shall constitute a waiver of such right or remedy. No single or partial exercise of any right or remedy shall preclude any other or further exercise thereof or of any other right or remedy. Such remedy shall be sought within the Expiry Date of this Guarantee. No waiver by the Bank shall be valid unless made in writing.

Signed and delivered by;

For and on behalf of the Guarantor
Managing Director
SBP, BSC.

WITNESSED BY:

1. _____

2. _____

Annex B Form of SBP BSC for Redeemable Capital

[To be issued by DFSD, SBP BSC on its Letter Head]

Date:

[Name and Address of the Trustee]

State Bank of Pakistan Guarantee under Microfinance Credit Guarantee Facility

Whereas:

- a. In order to promote and support the microfinance sector in Pakistan the State Bank of Pakistan (“**SBP**”) has introduced the Microfinance Credit Guarantee Facility pursuant to which the SBP Banking Services Corporation “**SBP BSC**” issues guarantees in accordance with the MCGF Guidelines (“**MCGF Facility**”).
- b. _____ (“**Issuer**”) has issued [details to be inserted] term finance certificates for an aggregate amount of PKR _____ (“**TFCs**”), being an issue of redeemable capital under Section 120 of the Companies Ordinance, 1984 (“**TFC Issue**”).
- c. _____ has been appointed as the Trustee (“**Beneficiary**”) in respect of the TFC Issue pursuant to the [Declaration of Trust / Trust Deed] dated _____ (“**Trust Instrument**”).
- d. SBP has nominated SBP Banking Services Corporation (“**SBP BSC**”) (hereinafter called the “**Guarantor**”) to issue the requisite guarantee to the Trustee in accordance with the relevant provisions of the MCGF Guidelines.

Now, therefore the Guarantor hereby unconditionally and irrevocably guarantees, undertakes and covenants with the Beneficiary as under:

1. That the maximum amount guaranteed under this Guarantee shall be:
 - a. 25% of the Issue Amount as stated in the Trust Instrument on first loss basis;OR
 - b. 40% of the principal component of the Redemption Amount outstanding and payable by the Issuer on the date of default.

(the amount payable by the Guarantor pursuant to (a) or (b) above is hereinafter referred to as “**Guaranteed Amount**”)
2. That upon receipt of a demand for payment from the Beneficiary in writing and delivered in the manner specified hereunder (the “**Payment Demand**”), within five working days of the date of each Payment Demand, without reference to the Issuer, regardless of any total or partial invalidity, illegality or unenforceability of any of the provisions of the Trust Instrument or the TFCs or any dispute in relation to the TFC Issue, the guarantor shall pay the full amount demanded under the Payment Demand, subject to the maximum of the Guaranteed Amount.
3. That a Payment Demand may only be made at least 90 (ninety) days after the date on which the Issuer defaults in the payment of the principal component of the Redemption Amount in respect of the TFCs.
4. That a Payment Demand shall be conclusive and binding on the Guarantor as to the principal amount owed on the date of such Payment Demand by the MFI to the Bank under the Agreement.

5. That it shall not be necessary for the Beneficiary to exercise any legal remedies that may be available to it under the Guarantee and/or the Agreement before presenting the Guarantor with any Payment Demand hereunder.
6. That no Payment Demand made by the Beneficiary hereunder shall prejudice the right of the Beneficiary to make further or other Payment Demands under this Guarantee made on or before the Expiry Date as are within the Guarantee Amount.
7. That this Guarantee shall expire on the date falling 120 (one hundred twenty) days after the date of the last payment to be made by the Issuer in respect of the TFC Issue (“**Expiry Date**”).
8. That this Guarantee shall be a continuing security and shall not be discharged by any intermediate discharge or settlement reached between the Issuer and the Beneficiary. The Trustee shall within three days of the commencement of discussions with the Issuer with regard to any proposed intermediate discharge or settlement, inform the Guarantor in writing of the same.
9. No grant of time or other indulgence to, or in composition or arrangement with the Issuer in respect of the performance of its obligations under and in pursuance of the Trust Instrument or any clause thereof, with notice to the Guarantor shall in any manner discharge or otherwise whatsoever affect this Guarantee and/or liabilities and commitments hereunder.
10. Any exercise of discretion or judgment and demand for payment or any notice or any information which is required to be communicated to the Guarantor by the Beneficiary under or in terms of this Guarantee (hereinafter referred to as “**Notices**”) shall be treated as duly given if expressed to be signed by its authorized representative. All Notices shall be in writing, shall be addressed for the attention of the officer of the Guarantor indicated below and shall be delivered personally or sent by courier or registered mail or facsimile to the address given below. Such Notices shall be deemed delivered (a) when presented personally at the address given below, or (b) when transmitted by facsimile to the Guarantor’s facsimile number specified below, or (C) when delivered by courier one (1) day after being handed to a courier duly addressed to the Guarantor at the address indicated below, or (d) five (5) days after being given into the custody of the postal service in Pakistan, postage prepaid, registered, addressed to the Guarantor, at the address indicated below. Any notice given by facsimile shall be confirmed in writing, delivered personally or sent by courier or registered mail, but the failure to so confirm shall not invalidate or make void the original notice if it is in fact received by the Guarantor. The address and details for Notices sent to the Guarantor is as follows:

The Director
Development Finance Support Department
SBP Banking Services Corporation
SBP BSC Head Office,
I.I. Chundrigar Road
Karachi
Telephone: (+92 21) 9921 3986, 3245 51 55
Facsimile: (+92 21) 9921 39 87
11. This Guarantee shall be governed by and construed in accordance with the laws of Pakistan and the Guarantor shall not be entitled as against the Beneficiary to any right of set off whatsoever and howsoever arising.
12. This Guarantee is in addition and not in substitution or derogation of any other security which the Beneficiary may at any time hold in respect of the TFC Issue and / or which may at any time be provided by the Issuer in respect of the TFC Issue. The rights and remedies of the Beneficiary under this Guarantee are cumulative and not exclusive of any right or remedy available to it under the laws of Pakistan.
13. The Guarantor agrees that no delay or failure to exercise any right or remedy under this Guarantee by the Beneficiary shall constitute a waiver of such right or remedy. No single or partial exercise of any right

or remedy shall preclude any other or further exercise thereof or of any other right or remedy. Such remedy shall be sought within the Expiry Date of this Guarantee. No waiver by the Beneficiary shall be valid unless made in writing.

14. .

Signed and delivered by;

For and on behalf of the Guarantor
Managing Director
SBP, BSC.

WITNESSED BY:

1. _____

2. _____

Annex C Illustrations of Loss Sharing under the Guarantee

Option 1- 25 Percent First Loss Guarantee

The first loss coverage is upfront and guarantee coverage shall not exceed 25% of:

- (a) For Bilateral Facilities: the principal amount disbursed;
- (b) For Redeemable Capital: the Issue Amount.

(for the purpose of this Option 1 the principal amount disbursed and Issue Amount is hereinafter collectively referred to as the "Principal"). The guarantee exposure will be reduced if the outstanding Principal becomes less than 25% due to normal repayment / redemption of the Principal.

The following default scenarios are developed to further clarify loss-sharing under First Loss Guarantee:

(a) For Bilateral Facilities

Scenario I:

Rs. 100 million disbursed on Day 1 with no further disbursements. Tenor is 5 Years repayable in equal annual installments of Rs. 20 million. Default is declared at the end of Year 1.

Repayment Plan		
Year	Principal Outstanding in Rs. Million	
1	100	On Default, Bank will be paid Rs. 25 Million (which is 25% of the Principal amount disbursed) by SBP BSC while the remaining loss of Rs. 75Million will be borne by the bank.
2	80	
3	60	
4	40	
5	20	

Scenario II:

Rs. 100 Million disbursed on Day 1 with no further disbursements. Tenor is 5 years repayable in equal annual installments of Rs. 20 million. Default is declared at the end of year 3.

Repayment Plan		
Year	Principal Outstanding in Rs. Million	
1	100	On Default, Bank will be paid Rs. 25 Million (which is 25% of the Principal amount disbursed) by SBP BSC while the remaining Rs.75 Million loss will be borne by the bank.
2	80	
3	60	
4	40	
5	20	

Scenario III:

Rs. 100 Million disbursed on Day 1 with no further disbursements. Tenor is 5 years repayable in equal installments of Rs.20 million. Default is declared at the end of Year 4.

Repayment Plan		
Year	Principal Outstanding in Rs. Million	
1	100	On Default, Bank will be paid Rs. 25 Million (which is 25% of the Principal amount disbursed) by SBP BSC while the remaining Rs.15 Million loss will be borne by the bank.
2	80	
3	60	
4	40	
5	20	

Scenario IV:

Rs. 100 Million disbursed on Day 1 with no further disbursements. Tenor is 5 years repayable in equal annual installments of Rs. 20million. Default is declared at the end of Year 5.

Repayment Plan		
Year	Principal Outstanding in Rs. Million	
1	100	On Default, Bank will be paid Rs. 20 Million by SBP BSC.
2	80	
3	60	
4	40	
5	20	

(b) For Redeemable Capital**Scenario I:**

Rs. 100 Million issued with a tenor of 5 Years repayable in one bullet payment of Rs. 100 million by end of the tenor. Default is declared at the end of the tenor.

Repayment Plan		
Year	Principal Outstanding in Rs. Million	
1	100	On Default, the Trustee will be paid Rs. 25 Million (which is 25% of amount in default) for payment to the bond holders by SBP BSC with the Bond holders bearing a loss of Rs. 75 Million .
2	100	
3	100	
4	100	
5	100	

Scenario II:

Rs. 100 Million issued with a tenor of 5 Years repayable in one bullet payment of Rs. 100 million by end of the tenor with an earlier redemption option. Default is declared at the end of the tenor.

Repayment Plan		
Year	Principal Outstanding in Rs. Million	
1	100	On Default, the Trustee will be paid Rs. 20 Million by SBP BSC.
2	100	
3	75	
4	50	
5	20	

Option 2 - 40 percent or 60 percent Partial Guarantee

The partial coverage is on 40% (for Tier 1 MFB/ FMI) or 60% (for Tier 2 MFBs/MFI)s loss sharing on outstanding (a) principal amount in respect of the Bilateral Facilities; or (b) the total principal component of the Redemption Amount, as the case may be.

(For the purpose of this Option 2, the principal amount outstanding in respect of the Bilateral Facilities and the total principal component of the Redemption Amount as on the date of default, is hereinafter referred to as the “**Principal Outstanding**”)

The guaranteed amount will vary according to the Principal Outstanding at the time of default on account of the Principal amount repayment and therefore the exposure of the of the lender and / or the Bond Holders, as the case may be. The following default scenarios are developed to further clarify the loss sharing:

(a) For Bilateral Facilities

- i. **Disbursement to Tier 1 MFB/ MFI** and risk coverage is 40% Partial Guarantee

Scenario I:

Rs. 100 Million disbursed on Day 1 with no further disbursements. Tenor is 5 Years repayable in equal annual installments of Rs. 20 million. Default is declared at the end of Year 1.

Repayment Plan		
Year	Principal Outstanding in Rs. Million	
1	100	On Default, Bank will be paid Rs. 40 Million (which is 40% of amount in default) by SBP BSC with the bank booking a loss of Rs. 60 Million.
2	80	
3	60	
4	40	
5	20	

Scenario II:

Rs. 100 Million disbursed on Day 1 with no further disbursements. Tenor is 5 Years repayable in equal annual installments of Rs. 20 million. Default is declared at the end of Year 3.

Repayment Plan		
Year	Principal Outstanding in Rs. Million	
1	100	On Default, Bank will be paid Rs. 24 Million (which is 40% of amount in default) by SBP BSC while the remaining loss of Rs. 36 Million will be borne by the bank.
2	80	
3	60	
4	40	
5	20	

Scenario III:

Rs. 100 Million disbursed on Day 1 with no further disbursements. Tenor is 5 Years repayable in equal annual installments of Rs. 20 million. Default is declared at the end of Year 5.

Repayment Plan		
Year	Principal Outstanding in Rs. Million	
1	100	On Default, the Bank will be paid Rs. 8 Million (which is 40% of the amount in default) by SBP BSC while the remaining loss of Rs. 12 Million will be borne by the bank.
2	80	
3	60	
4	40	
5	20	

- i. **Disbursement to** Tier 2 MFB/ MFI and risk coverage is 60% Partial Guarantee

Scenario I:

Rs. 100 Million disbursed on Day 1 with no further disbursements. Tenor is 5 Years repayable in equal annual installments of Rs. 20 million. Default is declared at the end of Year 1.

Repayment Plan		
Year	Principal Outstanding in Rs. Million	
1	100	On Default, Bank will be paid Rs. 60 Million (which is 60% of amount in default) by SBP BSC with the bank booking a loss of Rs. 40 Million.
2	80	
3	60	
4	40	
5	20	

Scenario II:

Rs. 100 Million disbursed on Day 1 with no further disbursements. Tenor is 5 Years repayable in equal annual installments of Rs. 20 million. Default is declared at the end of Year 3.

Repayment Plan		
Year	Principal Outstanding in Rs. Million	
1	100	On Default, Bank will be paid Rs. 36 Million (which is 60% of amount in default) by SBP BSC while the remaining loss of Rs. 24 Million will be borne by the bank.
2	80	
3	60	
4	40	
5	20	

Scenario III:

Rs. 100 Million disbursed on Day 1 with no further disbursements. Tenor is 5 Years repayable in equal annual installments of Rs. 20 million. Default is declared at the end of Year 5.

Repayment Plan		
Year	Principal Outstanding in Rs. Million	
1	100	On Default, the Bank will be paid Rs. 12 Million (which is 60% of the amount in default) by SBP BSC while the remaining loss of Rs. 12 Million will be borne by the bank.
2	80	
3	60	
4	40	
5	20	

(b) For Redeemable Capital**Scenario I:**

Rs. 100 Million issued with a tenor of 5 Years repayable in one bullet payment of Rs. 100 million by end of the tenor. Default is declared at the end of the tenor.

Repayment Plan		
Year	Principal Outstanding in Rs. Million	
1	100	On Default, the Trustee will be paid Rs. 40 Million (which is 40% of amount in default) for payment to the bond holders by SBP BSC with the Bond holders bearing a loss of Rs. 60 Million .
2	100	
3	100	
4	100	
5	100	

Scenario II:

Rs. 100 Million issued with a tenor of 5 Years repayable in one bullet payment of Rs. 100 million by end of the tenor with an earlier redemption option. Default is declared at the end of the tenor.

Repayment Plan		
Year	Principal Outstanding in Rs. Million	
1	100	On Default, the Trustee will be paid Rs. 20 Million by SBP BSC with the Bond holders bearing a loss of Rs. 30 Million.
2	100	
3	75	
4	50	
5	50	

Annex D Guarantee Claim Form for Bilateral Facilities

[Bank/DFI Letterhead]

MCGF Claim Form

Date: DD/MM/YY

The Director

Develop Finance Support Department (DFSD)
State Bank of Pakistan, Banking Services Corporation, Head Office
I.I.Chundrigar Road, Karachi-74000

Dear Sir/Madam,

1. We hereby make a Claim on the Microfinance Credit Guarantee Facility (MCGF) under the terms and conditions of the Guarantee dated day of issued by the SBP BSC in favour of our Bank/DFI [name].
2. We hereby confirm that the Borrower has failed to make payments in accordance with the terms of the credit facility extended to it by our Bank/DFI.
3. Therefore, we request the SBP BSC to credit our account no with the State Bank of Pakistan for an amount of Rupees (to be calculated at 25% of principal amount disbursed or 40% of the principal amount in default)
4. We provide the following details to support our claim:

TABLE 1: Details of the credit facility to MFB/MFI

Details of credit facility in default		Details of Repayments if any with respect to such credit facility		Amount in default	Period of Default
Date	Amount Disbursed	Date	Amount repaid		

TABLE 2: Information about the borrower and Expectation of recovery

(a) Name and Address of the MFB/MFI	
(b) Details of action so far taken to effect recovery of the amount in default	
© Details of action recommended to be taken	
(c) Other comments including views on the ultimate recovery of the amount in default	

5. The following documents are attached in support of the claim:
 - (a) Statement of the operations of the accounts during the period of the guarantee with details of all disbursements and repayments date wise.
 - (b) Copies of correspondences with the borrower with respect to the default.
 - (c) Auditor's certificate verifying the calculation of loss on the basis of which this claim is submitted (only in case of 40% partial Guarantee).
6. On receipt of funds under this claim, we undertake:
 - (a) To exercise the same degree of diligence in recovering funds from the borrower as we would have exercised if no guarantee had been issued to us.
 - (b) That the SBP BSC shall be discharged from that portion of its liabilities on account of the guarantee as may be equal on account of this claim. Also, the proportionate CRR and SLR incentive shall be withdrawn on payment of the claim.
 - (c) That on recovery of any amount in default we agree to pay over, promptly, to SBP BSC on a pro rata basis.
7. It is certified that the required 90 days have passed between the date of non-payment/default and the date of this Claim.
8. It is certified that the above facts and representations are correct and complete to the best of our knowledge.

Yours faithfully,

For and on behalf of Bank/DFI

Name.....

Designation.....

Authorized Signatory.....

Annex E Guarantee Claim Form for Redeemable Capital

[On the letter head of the Trustee]

MCGF Claim Form

Date: DD/MM/YY

The Director

Develop Finance Support Department (DFSD)
State Bank of Pakistan, Banking Services Corporation, Head Office
I.I.Chundrigar Road, Karachi-74000

Dear Sir/Madam,

1. We hereby make a Claim on the Guarantee dated day of issued in accordance with the MCGF Guidelines by SBP BSC in favour of [name] (“**Guarantee**”), being the Trustee in respect of the TFC Issue of ____ (“**[MFB / MFI] Issuer**”).
2. We hereby confirm that the [MFB/MFI] Issuer has failed to redeem the TFCs in accordance with the terms and conditions applicable to the TFC Issue.
3. We therefore request the SBP BSC to credit our account no with the State Bank of Pakistan with an amount of Rupees (to be calculated at up to 25% of Issue Amount or 40% of the principal component of the Redemption Amount due and payable by the Issuer).
4. The following details are provided in support of our claim:

TABLE 1: Details of the TFC Issue

Details of TFC Issue in default		Details of Redemption		Amount in default	Period of Default
Date of Issue	Issue Amount	Redemption Dates	Amount Redeemed		

TABLE 2: Information about the [MFB/ MFI] Issuer and Expectation of recovery

(a)	Name and Address of the MFB/MFI	
(b)	Details of action so far taken to effect recovery of the amount in default	
(c)	Details of action recommended to be taken	
(d)	Other comments including views on the ultimate recovery of the amount in default	

5. The following documents are attached in support of the claim:
 - (a) Statement of the operations of the accounts during the period of the guarantee with details of all disbursements and repayments date wise.
 - (b) Copies of correspondences with the Issuer with respect to the default.
 - (c) Auditor’s certificate verifying the calculation of loss on the basis of which this claim is submitted .
6. On receipt of funds under this claim, we undertake:
 - (a) To exercise the same degree of diligence in recovering funds from the [MFB/ MFI] Issuer as we would have exercised if no guarantee had been issued in respect of the TFC Issue.
 - (b) That in the event any amounts are recovered from the [MFB/MFI] Issuer, the same shall be shared with SBP BSC on a pro rata basis.
7. It is certified that the required 90 days have passed between the date of default and the date of this Claim.
8. It is certified that the above facts and representations are correct and complete to the best of our knowledge.
9. All capitalized terms used herein and not specifically defined shall have the same meaning as ascribed thereto in the Guarantee.

Yours faithfully,

For and on behalf of the Beneficiary

Name.....

Designation.....

Authorised Signatory.....