



PAKISTAN INVESTMENT BOND

**Issued by
GOVERNMENT OF PAKISTAN**

Investor Guide

Prepared by:
State Bank of Pakistan

Key Features of the Pakistan Investment Bonds (PIBs)

- Issuer: Government of Pakistan
- Issued in accordance with Public Debt Act 1944
- Denomination: Issued in multiples of PKR 100,000
- Tenors: 3, 5, 10 and 20 years
- Coupon payment: Fixed & Semi-annual
- PIBs are issued in a scrip less (without physical) form
- Auction schedule: Quarterly schedule published by SBP at the beginning of each quarter
- Income Tax: Income Tax will be deducted as per existing law
- Zakat: No compulsory deduction of Zakat at source
- Custodian: Ultimate custodian is the State Bank of Pakistan (SBP), but banks maintain these securities in the Investor Portfolio of Securities (IPS) Accounts on behalf of their customers
- Investor can find out the latest auction yields of 3, 5, 10 and 20 years PIBs at <http://www.sbp.org.pk/ecodata/Pakinvestbonds.pdf>

Investment Procedure

Investor Portfolio Securities (IPS) Account: The Investor Portfolio of Securities (IPS) account is necessary for investing in PIBs. Primary Dealers/Scheduled Banks hold PIBs in IPS accounts on behalf of their customers. Customer is the legal owner of the PIB held in the IPS account with banks in accordance with instructions of SBP.

How to Open an IPS Account: All Primary Dealers (PDs) of Government Securities, designated by State Bank of Pakistan for each financial year are required to offer these accounts to their customers. Any person or entity, which has PKR denominated account with a primary dealer or any scheduled bank offering this facility, is entitled to open an IPS account.

Investors are advised to contact the treasury department of their bank or their respective branch for the detailed guidelines for investments in the PIBs. IPS account opening branch will provide activity statements of IPS account to each investor on a quarterly basis. Charges levied by banks on IPS accounts, are explicitly mentioned in their respective schedule of charges.

How to buy PIBs: After opening the IPS account, investor can instruct its bank to buy the PIBs either from the primary market through “non-competitive bidding” process in regular auctions conducted by the SBP or from the secondary market.

Primary Market: The non-competitive bidding process allows investor to take part in the primary auction of the PIB through Primary Dealers. The quantum size of non-competitive bids for one investor is linked with auction target i.e. 0.25% of the pre-announced auction target or PKR 25 million, whichever is higher subject to a maximum of PKR 500 million. The non-competitive bids are sent to SBP separately from the normal bids before commencement of primary auction time with the name and amount of investors without quoting price. The bids of any investor can be rejected if the investor submits more than one bid for a single tenor. These bids are accepted at weighted average yield in each tenor as decided in the primary auction. In case of over subscription, non-competitive bids are accepted in order of lowest to highest amount or on pro-rata basis.

Secondary Market: The investors can also buy the PIBs through the secondary market by instructing its bank to buy the PIB through the secondary market. The prices and yields of PIBs and other Government

securities in the secondary market are available at <http://www.sbp.org.pk/ecodata/CumulativeTrdVol2.pdf>

Profit Payment: The profit on investment in PIBs is paid in the form of Coupon payments. The coupon payments are paid at a fixed rate of face value of PIBs on semi-annual basis. The amount of profit will be credited to the account of investor through its bank.

Redemption: PIBs are only redeemable at maturity. However, any investor can sell PIBs in secondary market through its bank. If an investor holds the PIB till maturity, the PKR value equivalent to face value of the PIB will be credited to the account of the investor through its bank on the maturity of PIB.

Investment by Non-Resident Investors: Like the local investors, foreign investors can invest in the PIBs by opening an IPS account. Foreign investors are also required to open a Special Convertible Rupee Account (SCRA) with any Authorized Dealer in Pakistan. The SCRA is opened by foreigners in Pakistani Rupee. The amounts are credited to these accounts after conversion of foreign currency into Pakistani Rupee, for the purpose of investment in Government Securities. Balance's in these accounts

can be sent any time outside the country after conversion into foreign currency.

Benefits

- **Guaranteed Repayment:** The repayment of face value at maturity and periodic coupon payments are guaranteed by the Government of Pakistan.
- **Higher Returns:** These securities provide higher returns to the investor, as compared to most bank deposits.
- **Investment for medium term to long term:** These securities offer investors with maturity periods from 3 years to 20 years.
- **Accepted as Collateral:** PIBs are acceptable by the banks as collateral.
- **Liquidity:** Highly liquid and tradable in the secondary market.
- **Easy Process of Investment:** Local and foreign investors can easily invest in the PIBs by opening an IPS Account in any bank offering these services. In addition to IPS account, foreign investors also have to open a Special Convertible Rupee Account (SCRA) with any Authorized Dealer in Pakistan.

Primary Dealers

Scheduled banks, DFIs, Investment Banks and listed brokerage houses are eligible to become a Primary Dealer (PD) of Government Securities. Only PDs can participate in the auction of PIBs conducted by State Bank of Pakistan. For each financial year, State Bank of Pakistan designates the financial institutions to work as primary dealer of Government Securities. The list of primary dealers for FY2019-20 is as follows:

1.	Allied Bank Limited https://www.abl.com/
2.	Habib Bank Limited http://www.hbl.com
3.	National Bank of Pakistan http://www.nbp.com.pk
4.	United Bank Limited http://www.ubldirect.com/Corporate/index.aspx
5.	Pak Oman Investment Co. Ltd http://www.pakoman.com/
6.	Bank Alfalah Limited http://www.bankalfalah.com/
7.	MCB Bank Limited http://www.mcb.com.pk/
8.	JS Bank Limited http://www.jsbl.com/
9.	Standard Chartered Bank (Pakistan) Limited http://www.sc.com/pk/
10.	Faysal Bank Limited http://www.faysalbank.com/
11.	Citibank NA http://www.citi.com/pakistan/