

10th April, 2006

Task Force on Issuance of Islamic Liquidity Management Instruments

The first meeting of the Task Force set up by the Governor, State Bank of Pakistan, Dr. Shamshad Akhtar to map out a plan for introducing short term and medium term liquidity management products based on innovative Islamic structures that would enable Islamic banking institutions in Pakistan to manage liquidity matters was held at SBP, Karachi today.

The meeting presided over by Mr. Pervez Said, Director, Islamic Banking Department, State Bank of Pakistan, was attended by members of the Task Force, which include bankers from various leading banks involved in Islamic banking operations.

The terms of reference formulated by the State Bank of Pakistan for the Task Force were discussed thoroughly with the participants. Terms of Reference included the structuring of Islamic instruments for short term liquidity management, comparative study of such Islamic instruments issued by other countries, practices of Institutions offering Islamic Financial Services (IIFS) in meeting Statutory Liquidity Requirement (SLR) by central banks, structuring of Shariah compliant instruments for money market operations, introduction of Islamic instruments using securitization techniques, examination of these instruments from regulatory, legal and operational requirements, preparation of recommendations on modes and methods for issuance of these instruments, reporting mechanism of these instruments, identifying instruments which can be used by the Government of Pakistan, etc.

It was decided in the meeting that timelines will be set for achieving the various objectives and goals of the Task Force and the activities will be carried out in a phased manner. In the first phase, three sub-groups have been formed to work on product design, treasury issues and operational & legal issues. The meeting decided that in the first phase, focus will be on structuring short term instruments to meet the liquidity requirements of banks. It was also decided that the process of development and structuring of these instruments should be done at a rapid pace.

The State Bank of Pakistan assured the bankers that it would provide support for devising these Islamic instruments which will immensely help the Islamic banks to resolve their liquidity problems.
