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SBP issues fresh instructions to facilitate investment in GoP marketable securities, create wider non-bank investor base

The State Bank of Pakistan has issued fresh instructions regarding Investor Portfolio Securities Account (IPS) making it mandatory for primary dealers to offer IPS accounts to investors while other scheduled banks can also offer such accounts to non-bank investor base including individual investors. This would widen the investor base by facilitating investment by the non-banking institutions & general public in Government of Pakistan (GoP) marketable securities.

All scheduled banks have been advised through a Circular (FSCD Circular No. 18), which was issued today, to introduce IPS account opening service to their customers and publicize the same at branch level. IPS accounts enable customers to maintain custody of their investing securities with the primary dealers & banks and also facilitate the trading of these securities with easy transfers to other accounts. The current range of GoP marketable securities includes Treasury Bills, Pakistan Investment Bonds, and Ijarah Sukuk.

With regard to opening of IPS account, the Circular said any individual or entity which has PKR denominated account with any scheduled bank will be eligible to open IPS account. The Circular said that each scheduled bank/primary dealer will devise its own internal guidelines regarding IPS account opening and develop a system for IPS account maintenance which at a minimum should have the capacity to allot account numbers, record transactions and generate activity statements. All scheduled banks/primary dealers are advised to submit copy of internal guidelines in this regard to the Financial Markets Strategy & Conduct Department (FSCD) of the State Bank before January 31, 2011.

Moreover, each scheduled bank /primary dealer will provide activity statements to IPS account holders on quarterly basis at minimum as per the prescribed format, it said and added that the customer wise holding position in each category of Government security must be reported to Public Debt Office SBP (BSC) Karachi latest by 5th of each month as per the prescribed format. Each scheduled bank /primary dealer must ensure segregation of the securities held in IPS accounts from its own holdings. The Circular advised all scheduled banks/primary dealers that IPS maintenance charges (if any) must be clearly defined in schedule of charges of scheduled banks/primary dealers.

It may be pointed that the development of a vibrant government debt market is a prerequisite for the strengthening of other sectors within the financial markets. SBP has been working actively towards the achievement of this objective. Earlier this year, an electronic trading platform for GoP debt instruments was launched which provides real-time information about market activity. It was followed by active engagement of various stakeholders whereby it was realized that a major impediment in the development of this market is the lack of awareness among the general investing institutions/public regarding GoP marketable instruments. To address this issue and to widen the investor base, the State Bank has issued these fresh instructions.
