

October 16, 2014

**State Bank of Pakistan may Outright Purchase or Sale of GOP Ijara Sukuk (GIS) as part of Open Market Operations**

In order to facilitate Islamic Banking industry in their liquidity management and more effective transmission of monetary policy, it has been decided that State Bank of Pakistan (SBP) may outright purchase or sale Government of Pakistan Ijara Sukuk (GIS) either on deferred payment basis (Bai-Muajjal) or on ready payment basis through Open Market Operations (OMOs) based on multiple price competitive bidding auction process.

Following transaction modalities will be adopted for OMOs against GOP Ijara Sukuk by SBP.

All Islamic banks and conventional banks having Islamic branches will be eligible to participate in these OMOs. Notice for OMO will be issued by SBP through Reuters/Bloomberg. To participate in the OMOs all eligible participants will send their bids as per required format through Fax/Reuters detailing face value of security and deferred price (in case of Bai-Muajjal) or price (in case of ready payment basis). Price should include accrued profit and can be quoted up to four decimal places.

Each eligible participant will be allowed to submit maximum three bids in an OMO. Minimum bid size will be Rs. 25 million and its multiple thereof. SBP reserves the right to reject all or any of the bids without assigning any reason. If the deferred payment date falls on public/bank scheduled or unscheduled holidays, then the contracts will be extended to the next business day and there will be no change in deferred payment price. SBP will have the discretion to accept the bids on a 'pro-rata volume' basis as per rules stipulated in DMMD Circular No. 02 of 2007 dated September 29, 2007.

The OMO result will be announced by SBP through Reuters/Bloomberg on the same date. Successful bidders will send a contract to SBP for confirmation and settlement. In case of purchase or sale of GIS on deferred payment basis, the GIS will be transferred to the SGLA of the buyer on deal date, while payment will be made on deferred payment date. The deal cannot be terminated before the deferred payment date. In case of Sale of GIS on deferred payment basis to SBP, banks cannot include the GIS in their SLR calculations from the deal date. In case of purchase or sale of GIS on ready payment basis, the GIS will be transferred to the SGLA of the buyer on the deal date against payment on the same date.

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