

**Documents of
Islamic Refinance Scheme for Working
Capital Financing of Small Enterprises
and Low-End Medium Enterprises
(IWCF)**



IWCF: 1
MASTER MUDARABAH AGREEMENT
BETWEEN STATE BANK OF PAKISTAN AND (NAME OF PIFI)

Under Islamic Refinance Scheme for Working Capital Financing of Small Enterprises and
Low-End Medium Enterprises (IWCF)

(To be stamped as an agreement in accordance with the law in force in each province)

THIS AGREEMENT FOR INVESTMENT ON MUDARABAH BASIS is made on _____ day of
_____ 20

Between

[Name of the PIFI] _____, having its place of business
at _____ hereinafter referred to as the PIFI (which
expression shall, where the context admits, mean and include its successors in interest and
assigns) acting as Mudarib of the ONE PART;

And

State Bank of Pakistan (SBP), incorporated under the State Bank of Pakistan Act, 1956,
having its Registered Office at I.I. Chundrigar Road, Karachi, hereinafter referred to as SBP,
(which expression shall, where the context admits, mean and include its successors in
interest and assigns) acting as Rab-ul-Maal of the OTHER PART.

In consideration of SBP agreeing to provide mudarabah investment under Section 17 (6B) of
State Bank of Pakistan Act, 1956, not exceeding Rs. _____ (Rupees
_____ only) under State Bank of Pakistan's Islamic Refinance
Scheme for Working Capital Financing of Small Enterprises and Low-End Medium
Enterprises, as may be amended from time to time (the 'Scheme') in the general pool of
assets of PIFI (referred to hereinafter as the 'Pool') for _____ years vide Letter
No. _____ dated _____.

Now, both the parties to this agreement do hereby agree to the terms and conditions as set
out herein under:-

- 1) The maximum amount of mudarabah investment that SBP shall provide to the PIFI in
the case of each customer financed by the PIFI will not exceed the amount actually
disbursed by the PIFI under the Scheme.
- 2) The PIFI agrees to undertake that it shall not seek mudarabah investment from SBP
in terms of this agreement unless it is satisfied that all parties liable thereunder are
financially sound and credit worthy.



- 3) Any demand to be made by SBP under the agreement for tendering the documents prescribed under this agreement shall be sufficiently made if it is made in writing and addressed and sent by post or otherwise to the PIFI's Head Office or its branch.

Investment Maturity/ Redemption:

- 4) At maturity, the PIFI shall redeem SBP's share in the general pool by purchasing SBP's proportionate share in the general pool as per schedule of payment under the scheme after taking into consideration profit and loss, as the case may be.
- 5) The PIFI expressly agrees that SBP is entitled to redeem or advance the date of redemption for mudarabah investment (as per "Instructions for Profit & Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)" issued vide IBD Circular No. 3 dated November 19, 2012, as amended from time to time, for profit/ loss arising from the general pool) under this agreement at any time and for any reasons without any prior notice. Further, SBP can also cancel/ alter the financing limit allocated to PIFI under the scheme. SBP is not obliged to invest in a PIFI any time and for any reason against this scheme.
- 6) The PIFI also expressly agrees that SBP has the right to vary, amend, alter or add to the terms and conditions of the scheme without any reference to the PIFI who agrees to invariably comply with the same. PIFI shall also have the right to withdraw from the scheme and redeem SBP's outstanding mudarabah investment (after taking into consideration "Instructions for Profit & Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)" issued vide IBD Circular No. 3 dated November 19, 2012, as amended from time to time, for profit/ loss arising from the general pool) till such date, if it does not agree to the amendments made by SBP.
- 7) The PIFI agrees that on delay of payment by the PIFI on any date agreed, SBP has the authority to debit without further reference to the PIFI, all of its accounts now held or held hereafter or adjust any amounts which may, howsoever, become due from SBP or come into SBP's possession or control to the extent of SBP's mudarabah investment (after taking into consideration "Instructions for Profit & Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)" issued vide IBD Circular No. 3 dated November 19, 2012, as amended from time to time, for profit/ loss arising from the general pool).



Profit Payments:

- 8) The PIFI agrees that all income of general pool of assets shall be applied in deriving the profit to the mudarabah participants in the general pool including SBP and that the profit allocation would be according to "Instructions for Profit & Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)" issued vide IBD Circular No. 3 dated November 19, 2012, as amended from time to time. The PIFI shall hold SBP's share in profit separately for and on SBP's behalf.
- 9) The PIFI will make payment of profit of the SBP's share in the profit of the pool, as per profit weightage fixed at the beginning of each month based on the SBP's expected return on similar refinance facilities. At the end of each quarter, the profitability from the pool shall be determined on the basis of the un-audited accounts of the pool, and distributed between the PIFI and depositors (alongwith SBP) according to the weightages of the funds contributed by all participants in the general pool.
- 10) Profit shall be calculated and assigned to the SBP on monthly basis but will be payable by the PIFI to SBP on quarterly basis, within 7 working days of completion of calendar quarters, each year or on maturity/ redemption of the investment, whichever is earlier. Where the above schedule date falls on a public/ weekly holiday, the PIFI shall make payment of the due amount of profit on next working day after such due date. The monthly profits assigned to SBP but not distributed till the calendar quarter or otherwise as the case may be shall be kept on account by PIFI on behalf of SBP; this amount shall not form part of the general pool and no profit shall be entitled on this amount.
- 11) IWCF - Reserve Fund (RF-IWCF):
SBP shall create a Reserve Fund (RF) at SBP BSC from its share in profits of the scheme. If in any month, SBP's share in profit is more than the expected return; such excess profits shall be transferred to the RF-IWCF. The PIFIs shall advise the SBP BSC offices accordingly, within 7 working days of close of quarter, by issuing separate advices for transfer of profit amount into 'Profit Account', and for transfer of excess amount into 'RF-IWCF'. If any profits in the subsequent quarter(s) are less than the desired returns, the shortfall in the profit may be made good by withdrawing from the amount lying in the RF-IWCF by SBP.
- 12) If, upon annual audit, SBP's share of profit is found to be less than the expected rate, such deficit amount shall be fulfilled by withdrawing from the amount in the RF-IWCF.



- 13) If at any time, the general pool of a PIFI suffers a loss, it shall be borne by all the participants of the general pool, including SBP, to the extent of their respective ratios of investments in the general pool. SBP shall meet its share of the loss from the RF-IWCF first, and where RF-IWCF is insufficient, SBP will absorb the remaining loss as per share of its investment in general pool.
- 14) The PIFI will be responsible for any loss incurred to SBP in transactions taken under this agreement, if the said loss is subsequently proved to have been caused on account of negligence/ mis-statement and/ or misrepresentation, on the part of PIFI.

Documentation, Security & Charge:

- 15) The PIFI agrees and undertakes that it shall at all times execute or maintain separate legal documentation and records including letters of credits/ inland letters of credit and further security documents, notes, indemnity bonds, agreements etc., including the assignment deed of securities now held by the PIFI or which may be obtained by the PIFI from its customers subsequently, as are adequate to safeguard the PIFI's interest against the finances for which this agreement has been executed. The PIFI also agrees and undertakes to keep all such documents in trust for a reasonable period as per provisions of the scheme. The PIFI further agrees that SBP or any official authorized by SBP shall have the right of inspection of the PIFI's records and documents for which mudarabah investment has been made by SBP. SBP shall have the right to seek and obtain full assistance and cooperation from the PIFI for discharging SBP's duties and performing SBP's functions.
- 16) The PIFI agrees to hold the securities/ security documents now held or which may be held by it as security for finance given to the customers as trust on behalf of the general pool by way of security for due redemption thereof and the PIFI undertakes to deal with the same as SBP (as regulator) may direct. The PIFI further agrees that if and when it realizes these securities or any part of it, it shall pay to the participants of the general pool, from all such realizations, in proportion to their share. Pending such payment, PIFI shall hold the same for and on behalf of the general pool.
- 17) The PIFI shall submit to SBP copies of the Demand Promissory Notes executed in the PIFI's favour by its customers, under this agreement with a certificate that (i) the same arises out of bonafide finances provided by the PIFI under the scheme (ii) all parties liable there-under are financially sound, solvent and credit-worthy and that by virtue of such endorsement and delivery, the PIFI certifies the genuineness of signatures as well as authority of all persons thereon (iii) the finances provided to parties liable have not been classified by SBP as doubtful/ loss.



- 18) In addition to clause (20), the PIFI shall hold upon trust securities/ security documents presently held by it or which may be obtained by it from its customers to whom finance is made available under this scheme, as security for due payment of finance with return/ profit thereon. Further, on SBP's (as a regulator) demand, the PIFI undertakes to assign to SBP all such securities and secured documents, and agrees that upon such assignment the provisions of clause (20) shall, mutatis mutandis, apply.

- 19) In addition to the preceding clauses, the PIFI agrees that as and when SBP demands, it shall create valid legal charge on any or all of its assets as may be demanded by SBP for payment of any amount that is due under this agreement.

- 20) The PIFI agrees to obtain an undertaking from the customers concerned to the effect that the finances provided by it to them shall be exclusively used by them for purposes prescribed under the scheme and that they would promptly furnish, at their expense, such information, in such form and at such time as the PIFI/ SBP may demand from time to time.

- 21) The PIFI agrees that notwithstanding anything contained elsewhere in this agreement, if the PIFI commits breach of any of the terms and conditions of this agreement, SBP shall have a right to immediately redeem SBP's outstanding mudarabah investment and profit (in accordance with "Instructions for Profit & Loss Distribution and Pool Management for Islamic Banking Institutions (IBIs)" issued vide IBD Circular No. 3 dated November 19, 2012, as amended from time to time) up till such date.

- 22) No indulgence or delay in exercising any of SBP's rights hereunder shall be deemed a waiver of any right and no waiver of any of SBP's right hereunder shall be construed as a waiver of any other rights you may have.

PIFI's Authorized Signatory
(with name and designation)

State Bank of Pakistan's Authorized
Signatory (with name and designation)

Witnesses:

1. _____

2. _____

MUDARABAH AGREEMENT
BETWEEN THE STATE BANK OF PAKISTAN AND (NAME OF PIFI)
Under Islamic Refinance Scheme for Working Capital Financing of Small Enterprises and
Low-End Medium Enterprises

(To be stamped as an agreement in accordance with the law in force in each province)

THIS AGREEMENT FOR INVESTMENT ON THE BASIS OF MUDARABAH is made on the _____ day of _____ 20

Between

[Name of the PIFI] _____, having its place of business at _____ hereinafter referred to as the PIFI (which expression shall, where the context admits, mean and include its successors in interest and assigns) acting as Mudarib of the ONE PART;

And

State Bank of Pakistan, incorporated under the State Bank of Pakistan Act, 1956, having its Registered Office at I.I. Chundrigar Road, Karachi, hereinafter referred to as SBP, (which expression shall, where the context admits, mean and include its successors in interest and assigns) acting as Rab-ul-Maal of the OTHER PART.

As per terms and conditions agreed between SBP and _____ (name of PIFI) in the Master Mudarabah Agreement signed between the two on ___(date)___, SBP agrees to provide Mudarabah Investment under Section 17 (6B) of State Bank of Pakistan Act, 1956, not exceeding Rs. _____ (Rupees _____ only) under State Bank of Pakistan's Islamic Refinance Scheme for Working Capital Financing of Small Enterprises and Low-End Medium Enterprises, as may be amended from time to time (the 'Scheme') on the basis of participation in the profit and loss of the general pool of Assets (referred to hereinafter as the 'General Pool') for ___ years vide Letter No. _____ dated _____.

PIFI's Authorized Signatory
(with name and designation)

SBP's Authorized Signatory
(with name and designation)

Witnesses:

1. _____

2. _____



IWCF-2

MUDARABAH INVESTMENT REQUEST FORM
under Islamic Refinance Scheme for Working Capital Financing of Small Enterprises and
Low-End Medium Enterprises

(to be submitted by the Participating Islamic Financial Institutions (PIFI))

The Chief Manager,
SBP BSC,
_____ (City)

Dear Sir,

INFORMATION MEMORANDUM & REQUEST FOR MUDARABAH INVESTMENT

With reference to letter No. _____ dated _____ issued by the (Name of Department) of State Bank of Pakistan conveying the availability of funds under the scheme, we (Name of PIFI) submit herewith details of disbursement made as per terms & conditions of the scheme and request SBP for mudarabah investment facility upto the amount already disbursed by us on (date) equivalent to Rs. (current application) (Rupees in words) only. The particulars of our above-referred financing are given hereunder: -

(i)	Facility sanctioned under	(Name of scheme & reference of Circular No. and date)
(ii)	Name of the customer/ business	
(iii)	Name of SME Sector	
(iv)	Business address of the customer	
(v)	District	
(vi)	Nature of business activity	
(vi)	Particulars of finance as per financing agreement executed with the customer	Amount _____ Date of execution _____ Rate of profit _____
(vii)	Date of the disbursement	
(viii)	Period for which finance has been sanctioned	
(viii)	Mode of financing	
(ix)	Purpose of the financing	



2. We certify that
 - a. the details of the contract(s) finalized with the above-named customer/ sponsor of the project and the financing made by us to them against the aforesaid contract has been placed in our record and shall be invariably provided to the inspection team(s) of SBP during the inspection of our bank/ branches;
 - b. the terms and conditions as stipulated in the captioned scheme have been complied with;
 - c. all the requirements of the scheme, including those at (c) and (d) below have been fully met;
 - d. the eligibility of customer and its business thereof against which mudarabah investment is requested, has been properly determined by us in accordance with the prescribed criteria/ conditions set out in the scheme in force on the date of the financing agreement/ undertaking referred to above;
3. We understand that SBP has the right to appoint independent consultants to verify cases of mudarabah investment and agree to reimburse the cost so incurred in case the report of consultants indicates any irregularities on our part. We also agree to pay back any amount of mudarabah investment provided to us by the SBP on the basis of this application if SBP subsequently concludes that such mudarabah investment was wrongfully claimed and also to immediately pay fine on such finance @ paisa 60 per day per Rs 1,000 or part thereof, or such other rate as may be announced by SBP from time to time, for the period for which such finance was availed by us.
5. We also undertake that in case irregularities are found to have been committed by the customer due to negligence of our officials/ staff to ensure compliance of the same or that such irregularities have been made by the customer with the involvement of our staff/ officer(s), besides taking appropriate action against our staff under our staff regulations or code of conduct, we indemnify and agree to indemnify and save harmless the SBP against any action, cost, loss and expense that it may incur due to litigation or otherwise on account of recovery of amount of mudarabah investment and the fine thereof for availing of mudarabah investment to which we/ the customer were not entitled otherwise.
6. We agree that notwithstanding anything contained elsewhere in this agreement, if we commit breach of any of the terms and conditions of this agreement, SBP shall have a right to immediately redeem SBP's outstanding mudarabah investment and profit amount earned (after taking into consideration any loss arising) up till such date.



Yours faithfully,

(Authorized Signature with
name and designation)

(Authorized Signature with
name and designation)

Documents enclosed with the request:

- i. Undertaking by customer as per format at IWCF-5
- ii. Copy of customer's payment schedule
- iii. Security documents (including IWCF-3) required under the captioned scheme for the purpose of availing mudarabah investment, to the extent of the amount mentioned in ____ (Name) Department's letter referred to above.
- iv. Demand Promissory Note for Rs. _____ (Rupees _____ only) signed by M/s. ____ (Name of Customer) referred to above and endorsed by the PIFI in SBP's favor (IWCF-4).

Note: Mudarabah Investment made by SBP shall constitute as acceptance and acknowledgement on its behalf.



(On the Letterhead of the issuing Participating Islamic Financial Institution)

IWCF- 3

Debit Authority

In consideration of the State Bank of Pakistan having deposited/ invested in (Name of the PIFI) the sum of Rs. _____ (Rupees _____ only) under the Islamic Refinance Scheme for Working Capital Financing of Small Enterprises and Low-End Medium Enterprises, we hereby authorize SBP to debit our current account being maintained with SBP BSC, _____ (City) for any amount due, as per the rules of Mudarabah, under the schedule¹.

This authority is irrevocable and effective from (date) and will remain valid and in force till the time it is released in writing by SBP.

For & on behalf of (Name of the PIFI):

_____ Authorised Signatory

¹ Schedule of redemption to be attached with this debit authority(s)



DEMAND PROMISSORY NOTE

(To be submitted by the PIFI's Customer)

(To be stamped in accordance with the law in force in respective province)

Place: _____

Date _____

Rs. _____

On demand, we (Name of Customer) _____ promise to pay to (Name of the PIFI) or order the sum of Rs. _____ (Rupees _____ only) for value received plus the profit accruing to (Name of the PIFI) in respect of finances made available to us and fine, if any, as laid down in the Islamic Refinance Scheme for Working Capital Financing of Small Enterprises and Low-End Medium Enterprises.

(Authorized signature of the Customer)

(Name & Seal)

Note: - Demand Promissory Note required to be endorsed by the PIFI concerned in favour of its head office/ principal office through which mudarabah investment is being claimed.

Witnesses:

1. _____

2. _____



UNDERTAKING TO BE SUBMITTED BY THE CUSTOMER
under the Islamic Refinance Scheme for Working Capital Financing of Small Enterprises
and Low-End Medium Enterprises

(to be stamped in accordance with the law in force in each province)

(Place) _____

Date _____

The Manager,
(Name of PIFI)
(City).

1. I/ We do hereby certify and confirm that a finance of Rs. _____ (Rupees _____ only) has been allowed to me/ us by you under Islamic Refinance Scheme for Working Capital Financing of Small Enterprises and Low-End Medium Enterprises of the State Bank of Pakistan on the basis of _____ (Islamic modes of financing), it being understood that return/ profit to be derived by the PIFI shall not exceed _____% when converted into annual percentage terms.

2. I/ We further confirm and undertake that the aforesaid finance will be/ has been obtained by me/ us as per provision of the schemes under reference, Further, I/ we, confirm that afore-said finance or any part thereof shall not be utilized except for the purpose spelt out in the scheme.

3. I/ We do certify that the finance is being obtained by me/ us against bonafide transaction and I/ we submit the requisite documents along-with this application for your consideration of extension of finance facility to me/ us from (name of the PIFI) under Islamic Refinance Scheme for Working Capital Financing of Small Enterprises and Low-End Medium Enterprises.

4. I/ We, hereby confirm and agree that in the event of my/ our failure to make payment on due date, you have our Irrevocable Authority without reference to me/ us, to recover from me/ us and debit my/ our Account No. _____ maintained with you along-with charity, if any, as prescribed under the scheme. I/ We authorize you to recover the fine amount even if I/ we have made a representation to SBP against imposition of fine under the scheme.

5. I/ We agree and understand that in the event that either SBP or PIFI avail their right of withdrawal from the scheme for any reasons, all financing made as per the terms of the



scheme shall convert to mutually agreed regular terms and conditions of the concerned PIFI and in case of no agreement this will constitute an event of termination.

6. I/ We agree that notwithstanding anything contained elsewhere in this undertaking, the amount of this finance along-with profit due thereon due to you will become due and payable immediately, if I/ we commit breach of any of the terms and conditions hereof.

Yours faithfully,

Authorized Signature of the Customer

Signature verified by the Authorized
Officials of Branch of the PIFI

Witnesses:

1. _____

2. _____
