

MASTER MUDARABAH AGREEMENT
BETWEEN STATE BANK OF PAKISTAN AND (NAME OF PIFI)
under Islamic Financing Facility for Low Cost Housing for Special Segments
(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 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, means and includes 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, means and includes 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 Financing Facility For Low Cost Housing, as may be amended from time to time (the 'Facility') 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 would be in line with the provisions of the facility and will be 100% of the amount actually disbursed by the PIFI under the Facility.

- 2) The PIFI undertakes that it shall not seek Mudarabah investment from SBP in terms of this agreement unless it is satisfied that all parties liable there under 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.
- 4) The PIFI shall extend financing under this scheme, only for construction of new housing units (including purchase of plot).
- 5) The PIFI shall neither sanction nor permit any of its customers to use the finances for any purpose other than those prescribed under the Facility. Further, the PIFI will obtain a declaration from customers to the effect that he shall not utilize the finances or any part thereof except for the purpose spelt out in the Facility.
- 6) No financial assistance shall be given by PIFI to any of its Directors.

Investment Maturity/Redemption:

- 7) At maturity(ies) the PIFI shall redeem SBP's share in the general pool by purchasing SBP's proportionate share in the general pool as per terms and conditions of the facility i.e. month on month basis.
- 8) 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 facility. SBP is not obliged to invest in a PIFI any time and for any reason against this facility.
- 9) The PIFI also expressly agrees that SBP has the right to vary, amend, alter or add to the terms and conditions of the facility without any reference to the PIFI who agrees to invariably comply with the same. The PIFI shall also have the right to withdraw from the facility 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) up till such date, if it does not agree to the amendments made by SBP.

- 10) 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:

- 11) 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.
- 12) The PIFI will make payment of profit of the SBP’s share in the profit of the pool, as per Profit Sharing Ratio (PSR) and weightage fixed at the beginning of each month based on the SBP’s expected rate of return on this facility. At the end of each month, 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 pre-announced PSR and weightages, in line 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.
- 13) Profit shall be calculated and SBP’s share of profit on its Mudarabah investment under the Facility will be payable by the PIFI to SBP on monthly basis, not later than the 7th working day of the following month.
- 14) If at any time, the general pool of the PIFI suffers a net 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.

- 15) The PIFI will be responsible for any loss incurred to SBP under this facility, if the said loss is subsequently proven to have been caused on account of negligence/mis-statement and/or misrepresentation, on the part of PIFI.

IHF - Reserve Fund (RF-IHF):

- 16) 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-IHF. The PIFI shall advise the SBP-BSC office accordingly, within 7 working days of close of month, by issuing separate advices for transfer of excess amount into 'IHF Reserve Fund'. If any profits in the subsequent month(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-IHF by SBP.
- 17) If at any time, the general pool of the PIFI suffers a net 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-IHF first, and where RF-IHF is insufficient, SBP will absorb its remaining share of loss.
- 18) 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-IHF.
- 19) The PIFI will be responsible for any loss incurred to SBP under this scheme, if the said loss is subsequently proven to have been caused on account of negligence/mis-statement and/or misrepresentation, on the part of PIFI, determined by internal auditor, external auditor and/or SBP inspection team.

Documentation, Security & Charge:

- 20) PIFI agrees and undertakes that the PIFI shall at all times execute or maintain separate legal documentation and records including but not limited to Property documents, security documents, notes, indemnity bonds, agreements etc., including the assignment deed of securities 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. 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.

- 21) 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 customer 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.
- 22) 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 facility, as security for due payment of finance with return/profit/rent 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.
- 23) 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.
- 24) The PIFI agrees to obtain an undertaking from the customer concerned to the effect that the finances provided by it to them, shall be exclusively used by them for purposes prescribed under the Facility and that they would promptly furnish, at their expense, such information, in such form and at such time as the PIFI or SBP may demand from time to time.
- 25) 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.

26) 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 INVESTMENT REQUEST FORM

Under Islamic Financing Facility for Low Cost Housing for Special Segments
(TO BE SUBMITTED BY THE PARTICIPATING ISLAMIC FINANCIAL INSTITUTION (PIFI))

The Chief Manager,
SBP Banking Service Corporation (SBP BSC),
_____ (City)

Dear Sir,

INFORMATION MEMORANDUM & REQUEST FOR MUDARABAH INVESTMENT

With reference to the Limit of Rs. (total) sanctioned by Infrastructure, Housing & SME Finance Department (IH&SMEFD) of State Bank of Pakistan vide its Letter No. _____ dated _____ under the captioned scheme for the Financial Year _____; we submit herewith details of disbursement(s) made as per terms & conditions of the facility and request SBP for Mudarabah investment facility for (100% of disbursements) of the amount already disbursed by us during the Month of (Month and year) equivalent to Rs. (current application) (Rupees in words) only to our Customer(s), as per particulars given hereunder:

- | | | |
|-------|--|---|
| (i) | Name(s) of the customer(s) ¹ | _____ |
| (ii) | Residential address of the customer | _____ |
| (iii) | Address of housing unit/flat ² to be financed | _____ |
| | (street, lane, area, city) | _____ |
| (iv) | Particulars of finance as per financing agreement executed by bank/DFI with the customer | Amount _____
Date of Agreement _____
Mark-up Rate _____ |
| (v) | Mode of financing | _____ |
| (vi) | Tenor of financing | _____ |

2. We certify that the details of the financing arrangements made for construction of new housing units with the Customer mentioned in above and the payments made by us to them have been placed in our record and shall be invariably provided to the inspection team(s) of SBP during inspection.

¹ Name(s) of customer(s) include co-customer if any.

3. We have already submitted/ submit herewith the securities documents required under the captioned Facility for the purpose of availing Mudarabah investment, to the extent of the amount mentioned in IH&SME Finance Department's letter referred to above, to your office vide our letter No. _____ dated _____.

4) We hereby certify that:-

- i. the terms & conditions as stipulated in the captioned Facility have been complied with;
- ii. all the requirements of the Facility including those at (iii), (iv), (v) & (vi) below have been fully met;
- iii. the eligibility of customers and the housing unit/flat for which financing is being availed has been properly determined by us in accordance with the prescribed criteria/ conditions set out in the facility in force on the date of the Agreement/ undertaking as required under the facility;

5. We understand that State Bank of Pakistan 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 the SBP subsequently concludes that such Mudarabah investment was wrongfully claimed and also to immediately pay fine on such investment @ paisa 60 per day per Rs. 1,000 or part thereof, or such other rate as may be announced by the SBP from time to time, for the period for which such investment was availed by us.

6. 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 shall 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.

7. 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 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 TO BE ENCLOSED WITH THE REQUEST:

IHFS: 3 - Debit Authority

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

(On the Letterhead of the issuing Participating PIFI)

IHFS: 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 financing Facility for Low Cost Housing for Special Segments, 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 schedule².

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

² Schedule of redemption to be attached with this debit authority(s)

**UNDERTAKING TO BE SUBMITTED BY THE CUSTOMER
UNDER FINANCING FACILITY FOR LOW COST HOUSING FOR SPECIAL SEGMENTS (Scheme)**

(TO BE STAMPED AS AN AGREEMENT IN ACCORDANCE WITH THE
 LAW IN FORCE IN EACH PROVINCE)

(Place) _____

Date _____

The Manager,

_____ Bank Limited/DFI,
 _____ Branch,
 _____ (CITY)

Dear Sir,

I/We do hereby certify and confirm that a finance of Rs. _____ (Rupees _____ only) has been allowed to me/us by you under Financing Facility for Low Cost Housing for special segments of 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 5 % 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 for construction (including purchase of plot) of new housing unit in line with the conditions of the Facility under reference. I/We confirm that aforesaid finance, or any part thereof, shall not be utilized except for the purpose spelt out in the facility.

3. I/We, do hereby confirm that I/We do not own any housing unit/flat, nor have I/We availed any financing from bank/DFI for the purpose. I/We further confirm that no support or concession of Government of Pakistan has been made available for purchase / construction of a housing unit/flat. I/We also undertake that after availing financing under the facility, I/We will not apply for financing under this facility or any other support, against the same housing unit.

4. 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 your PIFI under Financing Facility for Low Cost Housing for special segments of State Bank of Pakistan.

5. 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 us, to recover from me/us and debit my/our Account No. _____ maintained with you along-with charity if any as prescribed under the facility. 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 facility.

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

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

Yours faithfully,

Signature of the Customer (s) (including co-customer)

Signature verified by the authorized
Officials of Branch of PIFI

Witnesses:

1. _____

2. _____
