DMMD Circular No. 02 of 2016 **February 03, 2016**

All Banks/DFIs/NBFIs

Fixed Rental Rate Government of Pakistan Ijara Sukuk (FRR-GIS)

Pursuant to the Government of Pakistan Ijara Sukuk Rules 2008, it has been decided to introduce Fixed Rental Rate GOP Ijara Sukuk (FRR-GIS). This instrument will be in addition to the Variable Rental Rate GOP Ijara Sukuk (VRR-GIS) already introduced vide FSCD Circular No. 13 date September 6, 2008. The detailed instructions and guidelines regarding issuance and other operational details of FRR-GIS are as under:-

1. The FRR-GIS will be issued at face value with a maturity period of three years from the date of issue.
2. The FRR-GIS will be scrip-less and held in the SGLA. These Sukuk can be traded in the secondary markets and are transferrable through SGLA.
3. The FRR-GIS will be sold via competitive auctions held by State Bank of Pakistan. All Islamic banks and Commercial banks with Islamic Banking Branches are designated as primary dealers for the purpose of participating in the auction of FRR-GIS to be announced by the State Bank of Pakistan. Islamic Banking Branches will not be allowed to separately place bids in the auction.
4. A tender notice inviting sealed bids from the primary dealers would be broadcasted on SBP's REUTERS page SBPK33 and will give details of the auction program.
5. Primary Dealers will be required to bid rental rate (% p.a.) and amount (face value) as per format provided as Annexure "B". Minimum bid size will be PKR 100,000 and in multiples thereof. Primary dealers will be free to place multiple bids. Rental rate (% p.a.) has to be specified up to a maximum of two decimals points.
6. Bids can be rejected without assigning any reason thereof.
7. The auction process will be uniform based, where cut-off rental rate will be awarded to all successful bidders.
8. The auction result would be announced through SBP's REUTER Page SBPK34.
9. The rental rate decided in the auction will be applicable to the entire tenor of FRR-GIS and will be paid to FRR-GIS holders on semi-annual basis.
10. In order to ensure that there is no over concentration, holding limits prescribed vide DMMD Circular No. 2 dated April 22, 2011 and any subsequent change therein, will also apply on FRR-GIS.
11. The legal structure of the FRR-GIS (with Jinnah International Airport Karachi as underlying asset) and the related documentation is explained in Annexure "C".
12. Successful bidders would be required to duly execute, within one day of announcement of auction result, a Certificate Subscription Undertaking through their authorized signatories at the premises of the State Bank of Pakistan, Karachi (specimen of Certificate Subscription Undertaking is enclosed as Annexure "D").
13. The settlement date will be the date of issue of the FRR-GIS.
14. All other rules and regulations applicable to variable rental rate GOP Ijara Sukuk will also be applicable to fixed rental rate GOP Ijara Sukuk.

Enclosed:

Annexure "A" – Copy of Government of Pakistan Ijara Sukuk Rules
Annexure "B" – Specimen Tender Form
Annexure "C" – Structure and Documentation Brief
Annexure "D" – Specimen "Certificate Subscription Undertaking"
Annexure "E" – Specimen "Certificate Issuance Undertaking"

Yours Sincerely,

(Athar Ghafoor)
Additional Director

Best view Screen Resolution : 1024 * 768
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