Circulars/Notifications - Domestic Market & Monetary Management Department

DMMD Circular No. 06 of 2020 **April 14, 2020**

The Presidents/Chief Executive Officers
All Banks/DFIs/NBFIs

Dear Sirs/Madams,

Government of Pakistan Ijara Sukuk

Please refer to FSCD Circular No. 13 dated September 06, 2008, FSCD Circular No. 10 dated July 08, 2010 and DMMD Circular no 02 dated February 03, 2016 regarding Government of Pakistan (GOP) Ijara Sukuk (GIS).

In accordance with provisions of the notification of the GOP Ijara Sukuk Rules, 2008 ('**Annexure-A**'), GIS will be issued as per the Structure and Asset described in '**Annexure- B**'. The GIS auction details such as target amount, tenor, rental rate (variable or fixed), auction schedule etc. will be announced by SBP on Reuter's/Bloomberg SBPK pages. The details covering the structure, documentation and sample tender form ('**Annexure- C**' for Variable Rental Rate GIS and '**Annexure- D**' for Fixed Rental Rate GIS) are enclosed for information. In addition, following instructions are being issued in respect of GIS auction:

A. Introduction of Non-Competitive Bids in GIS Auction:

In terms of aforesaid structure of GIS, Non-Competitive Bids (NCBs) will also be accepted in the auction of GOP Ijara Sukuk (GIS) as per the rules and procedures given below:

1. All investors, except banks (scheduled, specialized and microfinance), DFIs, Investment Banks and Individuals, shall be eligible to submit NCBs in the GIS auction.
2. Eligible investors will submit NCBs through designated Primary Dealers (PDs) for the GIS auction.
3. PDs will submit the NCBs via an email at **money.market@sbp.org.pk** one day prior to the competitive auction date as per stipulated time given for NCBs in the auction tender notice.
4. PDs will submit NCBs with the name/account title of investor (in Block Letters) and amount of investment without quoting the margin/rate on the format given at '**Annexure-G**' (in excel form) as per para-3 above.
5. Each investor will be allowed to submit one bid in single tenor of each GIS offered in the auction; in case of submission of multiple bids in an auction by a single investor, all such bids would be treated as void. Further, the ceiling for one investor will be linked with pre-auction target i.e. 0.25% of the auction target of each GIS subject to minimum of Rs. 25 million and maximum of Rs. 500 million.
6. The NCBs will be accepted at rental rate determined through cut-off in uniform competitive price auction.
7. PDs will sign the documents on behalf of NCB subscribers. For this purpose, NCB subscribers will sign an undertaking and authorization form before auction date as per format provided in Sukuk Subscription Undertaking.
8. Any NCB not complying with the above instructions will be rejected without any prior notice.

B. Acceptance of Competitive Bids on Pro-rata Volume Basis:

The completive bids in the GIS auction may also be accepted in full or on pro-rata volume basis as per following:

1. If the amount of bids submitted up to the cut-off (margin/rental rate), in a particular tenor, is more than the required amount; an amount lower than the total amount offered at the cut-off can be accepted.
2. In case it is decided to accept bids on a pro-rata volume basis, PDs will be allocated an amount equivalent to their proportion in the total bids submitted at the given cut-off (margin/rental rate).
3. Amounts allocated to PDs on pro-rata volume basis will be rounded off to the nearest Rs. 50 million (face value).
4. The pro-rata rule will not be applicable on any bid equal to or less than Rs. 50 million (face value). In such an instance, PD will be allocated 100% of the bid amount.

All other instructions on the subject will remain unchanged.

Enclosed:

Annexure-A: Copy of Government of Pakistan Ijara Sukuk Rules

Annexure-B: Transaction Structure

Annexure-C: Sample Tender Form-Variable Rental Rate

Annexure-D: Sample Tender Form-Fixed Rental Rate

Annexure-E: Specimen Sukuk Subscription Undertaking

Annexure-F: Specimen Sukuk Issuance Undertaking

Annexure-G: NCBs Format for PDs

Yours truly,

(Rizwana Rifat)
Senior Joint Director

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