

## **Guidelines for investment in Government Securities:**

**Investor Portfolio Securities (IPS) Account:** IPS account is essential for investing in government securities. Primary Dealers (PDs)/ scheduled banks hold securities in IPS accounts on behalf of their customers. Customer is the legal owner of the securities however the possession of securities remains with banks in accordance with instructions of SBP.

**How to Open an IPS Account?** Any individual or entity, which has PKR denominated account with any scheduled bank, is eligible to open an IPS account. Customers will contact the respective branches for the opening of IPS account and submit the IPS account opening form (Annexure A) along with the requisite documents (mentioned in Annexure A). Branch will forward the customer request to treasury division which will open an IPS account for customers.

### **Process for the PURCHASE/ SALE OF SECURITIES:**

1. After opening IPS account, customer, through his/ her branch, will ask the treasury dealer to quote the price of the government securities (T-Bills, PIBs & GOP Ijarah Sukuks) on an email.
2. Dealer will quote the price for customer transaction through email along with the transaction details.
3. In case the price is accepted by the customer, the branch/ customer will provide the transaction form (Annexure B) duly filled with the transaction details provided by the treasury dealer.
4. The customers branch will be required to collect all the requisite documents and verify the customers signature/s and after proper authentication of the form.
5. Treasury Operations (TROPs) will verify the transaction details by the customer transaction form and the fixed income desk confirmation copy.
6. TROPs will debit the customer account and generate an automated deal confirmation “IPS Statement” which will be sent to the branch/ customer through an email.
7. Upon maturity of the security, the maturity amount, net of IPS Service Charges and withholding tax, will be credited directly to the customer’s account at his branch by TROPs.

### **Placement of NON-COMPETITIVE BIDS:**

1. SBP allows customers to place non-competitive bids in government securities auctions whereby the securities are sold by SBP on a weighted average rate of the accepted bids of the respective tenor.
2. Customer will request the branch or treasury division for the placement of non-competitive bids by filling the bid placement form (Annexure C) and send the forms to TROPs and Treasury Dealer via email.
3. Branches will ensure that the balance is available in customer account and separate it from customer other transactions as “Reserve Balance” for the settlement of the security, against the bids placed, after two days of bids placement.
4. On auction settlement day, the branch will remove the “reserve balance’ condition and TROPs will debit the customer account against the bids placed.
5. Upon settlement, TROPs will generate an automated deal confirmation which will be sent to the customers/ branches via email for their record.

*Please note that a particular customer can only place one non-competitive bid in one tenor. Duplication of non-competitive bids in single tenor can result in cancellation of all bids by SBP.*

### **Placement of COMPETITIVE BIDS:**

1. SBP allows customers to place competitive bids in government securities auctions whereby the securities are sold by SBP at a rate on which the bid/s is placed if the bid is accepted by SBP.
2. Customer will request the branch or treasury division for the placement of competitive bids by intimating the Treasury Dealer via email.
3. Branches will ensure that the balance is available in customer account and separate it from customer other transactions as “Reserve Balance” for the settlement of the security, against the bids placed, after one day of bids placement.
4. On auction settlement day, the branch will remove the “reserve balance’ condition and TROPs will debit the customer account against the bids placed.
5. Upon settlement, TROPs will generate an automated deal confirmation which will be sent to the customers/ branches via email for their record.

*Please note that all these processes are applicable in case the competitive bids are accepted by SBP. Upon non-acceptance, no transaction process will be followed.*

### **Process for the TRANSFER OF SECURITIES:**

1. Customer will request, by filling the application form (Annexure D), the branch for the transfer of securities. The branch will further forward customer request to TROPs via email while keeping the original.
2. TROPs will process the request via RTGS.
3. TROPs will debit customer’s account for **IPS** Transfer of securities charges as per SOC and generate a confirmation, which will be sent to the concerned branch for onward handing-over to the customer.

### **Process for IPS ACTIVITY STATEMENT:**

1. Upon customer request (Annexure E), TROPs will provide activity report to the customers through respective branches for onward handing-over to customer, free of charge.

### **Investment by Non-Resident Investors:**

Transaction procedure is similar as stated above, whereas foreign investors are required to open a Special Convertible Rupee Account (SCRA) with any scheduled bank/authorized dealer. SCRA is opened by foreign investors in PKR. Investment amount is credited into account after converting foreign currency into PKR. Investment can be redeemed and taken back any time after converting PKR into foreign currency.

*For any further guideline and understanding, customers can contact the respective branch or treasury division at [money.market@habibmetro.com](mailto:money.market@habibmetro.com).*

## GLOSSARY:

1. **IPS:** Investor Portfolio Securities Account.
  2. **Primary Market:** Investors through PDs may participate in auctions, conducted by SBP, by placing competitive or non-competitive bids.
    - a. **Competitive Bids:** Under competitive bids, investors' bids along with name of investors, amount of investment and quoted price (based on quoted yield) are forwarded to SBP on auction date. Competitive bids contain execution uncertainty as the bids may be selected or rejected depending upon the cutoff yield decided by SBP. Competitive bids less than or equals to cutoff yield are selected upon which SBP is willing to sell the securities to participants.
    - b. **Non-Competitive Bids:** The non-competitive bid is placed one day prior to the auction date and the bids are accepted at the weighted average rate of all accepted bids. The quantum size of non-competitive bids for one investor is linked with auction target i.e. 0.25% of the pre-announced auction target or PKR 25 Mn, whichever is higher subject to a maximum of PKR 500 Mn. The bids of any investor can be rejected if the investor submits more than one bid for a single tenor. In case of over subscription, non-competitive bids are accepted in order of lowest to highest amount or on pro-rata basis.
  3. **Secondary Market:** In secondary market, securities already issued by SBP are traded. Customers will ask the branch/ treasury division to quote the price of government securities and then give instructions to buy/ sale from secondary market.
- 1) **MTBs:** Security is only redeemable at maturity and investor is entitled to receive face value at the time of redemption. However, investor has an option of selling the security at secondary market through its bank prior to maturity date of the security. Investor may have capital gain or loss from this transaction depending upon the prevailing yield of the respective security. If investor decides to hold the security till the maturity than investor is entitled to receive face value of the security; and amount equivalent to face value less tax amount will be credited to investors PKR dominated account.
  - 2) **PIBs:** Investor is entitled to receive fixed coupon amount as profit payment. Coupon payment is paid at fixed rate (decided by SBP at the time of auction) of Face Value on semiannually basis. Amount of profit will be credited to investor PKR dominated account by its bank on prescribed date.

Security is redeemable at maturity and investor is entitled to receive face value at the time of redemption. However, investor has an option of selling the security at secondary market through its bank prior to maturity date of the security. Investor may have capital gain or loss from this transaction depending upon the prevailing yield of the respective security. If investor decides to hold the security till the maturity than investor is entitled to face value of the security and amount equivalent to face value less tax amount will be credited to investors PKR dominated account.

- 3) **GoP Ijara Sukuk:** Investors are entitled to receive coupon amount as rental payment. Rental payment is paid at semiannually on the basis of rental rate decided by SBP at the start of every six months (one day prior to start of 6 months rental tenor) Amount of profit will be credited to investor PKR dominated account by its bank on prescribed date.

Security is redeemable at maturity and investor is entitled to receive face value at the time of redemption. However, investors have an option of selling the security in secondary market through its bank prior to maturity date of the security. Investor may have capital gain or loss from this transaction depending upon the prevailing yield of the respective security. If investor decides to hold the security till the maturity than investor is entitled to face value of the security and amount equivalent to face value less tax amount will be credited to investors PKR dominated account.

Investor may instruct its bank to buy and sell Ijara Sukuk from secondary market only. Price and yields are readily available at [HMB's Bloomberg trading Portal](#).

## Key Features of Government Securities:

### 1) **Market Treasury Bills (MTBs)**

- **Issuer of MTBs:** Government of Pakistan
- **Denomination of MTBs:** Issued in multiples of PKR 5,000
- **Tenors of Securities:** 3, 6 and 12 months
- **Cash Flow Stream:** Balloon Payment – Face Value at the end of Tenors / at maturity
- **Price:** Issued and trade at Discount (amount less than the Face Value)
- **Profit:** Redeemed at Face Value which incorporate the profit and principal amount
- **Auction schedule:** Auctions of MTBs are held on fortnightly basis. Calendar of auctions is published by SBP at the beginning of each quarter at (<https://www.sbp.org.pk/ecodata/auction-treasurybills.pdf>)
- **Income Tax:** Income Tax will be deducted as per existing law at the time of maturity.
- **Custodian of MTBs:** Ultimate custodian is SBP, but banks also maintain these securities in the Investor Portfolio of Securities (IPS) Accounts on behalf of their customers.
- **Yield:** Investor can find out the latest auction yields of 3, 6 and 12 months MTBs at (<http://www.sbp.org.pk/ecodata/tb.pdf>)

### 2) **Pakistan Investment Bonds (PIBs)**

- **Issuer of PIBs:** Government of Pakistan
- **Applicable Regulation:** Public Debt Act 1944
- **Denomination of PIBs:** Issued in multiples of PKR 100,000
- **Tenors of Securities:** 3, 5, 10 and 20 years
- **Cash Flow Stream:** Bullet Payments – Fixed Coupon on semiannual basis till the maturity of PIBs and Face Value at the time of maturity
- **Price:** Varies - traded at Discount / Premium
- **Profit:** Coupon Payment and Capital Gain (if sold prior to maturity – and depends on trading yield)
- **Auction schedule:** Auctions of PIBs are held monthly. Calendar of auctions is published by SBP at the beginning of each quarter at (<https://www.sbp.org.pk/ecodata/Auction-Bond.pdf>)

- **Income Tax:** Income Tax will be deducted as per existing law at the time of maturity.
- **Custodian of PIBs:** Ultimate custodian is SBP, but banks also maintain these securities in the Investor Portfolio of Securities (IPS) Accounts on behalf of their customers.
- **Yield:** Investor can find out the latest auction yields of 3, 5, 10 and 20 years PIBs at (<http://www.sbp.org.pk/ecodata/Pakinvestbonds.pdf>)

### 3) GoP Ijara Sukuk

- **Issuer of PIBs:** Government of Pakistan
- **Applicable Regulation:** Public Debt Act 1944
- **Denomination of PIBs:** Issued in multiples of PKR 100,000
- **Tenors of Securities:** 3 years
- **Cash Flow Stream:** Bullet Payments – Coupon on semiannual basis till the maturity of GoP Ijara Sukuk and Face Value at the time of maturity
- **Profit:** Coupon Payment – Floating & Semiannually
- **Auction schedule:** Auctions of PIBs are held once in a month. Calendar of auctions is published by SBP at the beginning of each quarter at (<https://www.sbp.org.pk/ecodata/Auction-Sukuk.pdf>)  
Auction follows the uniform-based system, where all the bids accepted by Government of Pakistan, get the same profit.
- **Income Tax:** Income Tax will be deducted as per existing law at the time of maturity.
- **Custodian of PIBs:** Ultimate custodian is SBP, but banks also maintain these securities in the Investor Portfolio of Securities (IPS) Accounts on behalf of their customers.
- **Yield:** Investor can find out the latest auction yields of Ijara Sukuk at (<http://www.sbp.org.pk/ecodata/Auction-Ijara-VRR.pdf> & <http://www.sbp.org.pk/ecodata/Auction-Ijara-FRR.pdf>)





**Annexure C:**

Date: \_\_\_\_\_

**To,**  
**Treasury Manager**  
Habib Metropolitan Bank Ltd.

**Subject: Placement of Non-Competitive Bid**

Dear Sir,

I want to place a non-competitive bid for an amount of PKR \_\_\_\_\_/- in \_\_\_\_\_ (months/years) tenor in the upcoming \_\_\_\_\_ (T-Bill/PIBs) auction expected to be held on \_\_\_\_\_.

I hereby give you my consent to debit my account (Account No: \_\_\_\_\_) against the settlement of this transaction only.

Best Regards,

\_\_\_\_\_  
**Customer Name & Signature**



**Annexure D:**



**Habib Metropolitan Bank Ltd**

(Subsidiary of Habib Bank AG Zurich- Incorporated in Switzerland)

**FORM (D) - Investor Portfolio Securities (IPS) - Transfer of Security (DvF)**

Date						
		-		-		

The Manager,  
Habib Metropolitan Bank Ltd  
Treasury Division

2)	Bank Account Number														

3)	IPS Account No									

4)	Title of Account																													

5)	Branch Name																													

Dear Sir,  
You are requested to transfer undermentioned security lying in my IPS account maintaed with yourselves as per detail given below without the movement of funds..

1)	Deatals of Secutiry (DvF)	
	Counter Party	
	Transaction Date	
	Security Type	
	Tenor	
	Issue Date	
	Maturity Date	
	Holding (Face value)	
	Count Party Bank	
	Bank IPS Charges	

I / We request you to please execution of above deal delivery vers Free (DvF) basis and debit my above mentioned accounts for IPS Security as well as your charges.

Thanking You

Yours faithfully

\_\_\_\_\_  
Authorised Signature (s)

\_\_\_\_\_  
Authorised Signature (s)

Signature Verified by the branch		
Stamp		
<table border="1"> <thead> <tr> <th>Name of Person Verified</th> </tr> </thead> <tbody> <tr> <td> </td> </tr> </tbody> </table>	Name of Person Verified	
Name of Person Verified		

For Bank Use Only		
Processed By	Autorised By	Autorised By
_____	_____	_____

## Annexure E:

### HABIB METROPOLITAN BANK LTD

A/C TITLE

ABC Limited

BRANCH NAME

MAIN BRANCH KARACHI

A/C TYPE

BUSINESS

A/C NUMBER

06-01-01-20311-714-111111

IPS ACCOUNT NUMBER

6-9-92-37044-714-111

CURRENCY

PAK RUPEE

PRINTED ON

30-Jun-22

#### Confirmation of IPS Account

This is to clarify that we are holding following securities on behalf of ABC limited in our IPS SGL Account maintained with State Bank of Pakistan Karachi as on 30-Jun-22

#### Outright Purchase

#### Outright Pakistan Investment Bonds

Deal Date	Amount	Issue Date	Tenor	Maturity Date	Yield
30-Jun-22	1,000,000.00	30-Jun-22	PIB 3 Years	29-Jun-25	15%

PIB Total: 1,000,000.00

Please confirm and return to us duly signed / sealed by your authorized signatory.

if you have any discrepancy please inform us with in 3 working days, otherwise we will assume that the above information is correct.