

Frequently Asked Questions (FAQs)

Primary Auction of GoP IJARA Sukuk (GIS)

1- What is Auction?

Auction is a process in which Buyers participate in the bidding process in order to get the asset at a certain cut-off rate decided by the Ministry of Finance (MoF).

2- What is Primary Auction at the Stock Exchange?

The Ministry of Finance (MoF) issue Government Debt Securities (GDS) through Primary auction conducted by the Pakistan Stock Exchange (PSX).

3- What is the role of PSX in Auction Process?

The role of PSX is to provide Auction System to its eligible participants for placement of bids during the auction process.

4- What is the Government of Pakistan (GoP) IJARA Sukuk (GIS)?

GIS are Shariah compliant Islamic instruments based on Shariah guidelines structured and approved by Meezan Bank Limited, Bank Islami Pakistan Limited, Dubai Islamic Bank (Pakistan) Limited and Bank Alfalah Limited (through its Islamic window).

5- Who are Joint Financial Advisors of the Sukuk?

Meezan Bank Limited, Bank Islami Pakistan Limited, Dubai Islamic Bank (Pakistan) Limited and Bank Alfalah Limited (through its Islamic window) are appointed as Joint Financial Advisors to Ministry of Finance for the Government Sukuk Program.

6- Which product is offering for upcoming auction?

The Sukuk will be issued by using discount methodology from the face value. This means that the investors will be asked to bid for the investment value which would be lower than the face value. The Sukuk will be redeemed at face value. The difference between investment value and face value will be Ijarah Rental.

7- What will be the auction date and timings?

PSX shall notify the auction calendar along with all relevant details 5 days before the auction.

8- Who are eligible to participate in the competitive auction of GIS?

All Broker Clearing Members (BCMs) and Non-Broker Clearing Members (NBCMs) of NCCPL by themselves and on behalf of their investors are eligible to participate in the auction.

9- Who are eligible to participate in the non-competitive auction of GIS?

All Broker Clearing Members (BCMs) and Non-Broker Clearing Members (NBCMs) of NCCPL are allowed to submit non-competitive bids for their investors other than prop. A/c of Commercial Banks, Investment Banks, DFIs, Specialized and Microfinance Banks.

10- How eligible participants can participate in the auction?

After issuance of auction calendar notice by PSX, participants can show their expression of interest to NCCPL via email or provided URL at NCCPL website.

11- What details need to be provided by the eligible participants to NCCPL for participant registration process by PSX?

Participants to provide following mandatory details to NCCPL via email:

- a) Participant / CM ID
- b) Participant / CM Name
- c) Contact Person Name
- d) Contact Person Email ID
- e) Contact Person Mobile#
- f) Allocation % in case of branch

12- Who will provide credentials to the eligible participants?

PSX will register the eligible participants in the PSX Auction System and the credentials shall be received by the contact person of eligible participants on their registered email address and mobile number.

13- How eligible participants can register their investors in the auction system?

Investor can be created by the eligible participants through following path of PSX Auction System:

Operations → Create Investor

Second step is to assign the instrument and assign cash balance to the investor by simply clicking on “Create Symbol Mapping” menu.

Operations → Create Symbol Mapping

14- What mandatory information require by the eligible participants from their investor?

- a) Investor Name
- b) CNIC No. / Company Registration No.
- c) CDC Participant ID
- d) IBAN
- e) Email Address
- f) Mobile #
- g) NTN (In case of Corporates)
- h) Sub account / facilitation account

15- How Participant confirm investment amount to NCCPL?

Through GDS Margin Deposit Screen provided by NCCPL on their NCSS terminals.

16- Can a Participant or an investor invest beyond its assigned limit?

No. These are pre-validations checks implemented on PSX Auction System.

17- Is it necessary that an investor should have CDC Sub Account/IAS Account before participating in the auction?

It is not mandatory requirement for the bid placement. For those new investors, who don't have CDC sub account, can participate in the bidding process through Facilitation account created by CDC for this purpose. However, within 40 days the investor should open a CDC account, so that Sukuks can be credited into their respective CDC Sub Account.

18- What is a Competitive bid?

A competitive bid is one wherein an investor specifies the price or yield at which he/she wishes to purchase GIS. In competitive bidding, bids are accepted in order, starting with the price higher than the minimum acceptable price or the yield.

19- What is a Non-Competitive bid?

A non-competitive bidding is an offer to purchase GIS made by the smaller investors. Non-competitive bidders do not specify the price or terms of the security. Instead, the terms are set by a competitive bidding process among large institutional buyers.

20- What is the difference between competitive and non-competitive bids?

Competitive bidding rewards the highest bidder with the security, whereas non-competitive bidding allows investors to purchase securities at a price that is decided by competitive bidding, which tends to be the fair market price of the security.

21- What is the minimum amount of investment/participation in an auction?

An investor can participate by investing a minimum amount of PKR. 5,000 or any amount specified accordingly in GIS.

22- Is there any maximum amount per investor for the auction?

For competitive bidding, there is no maximum amount an investor can place.

For non-competitive bidding, the upper limit is 0.25% of target auction amount with no minimum value but maximum value as communicated by Ministry of Finance.

23- Can an investor place multiple bids?

In competitive auction, an investor can place multiple bids across all participants.

In non-competitive auction, an investor can place single bid in one tenor.

24- What would be the allocation mechanism for this Sukuk?

This Sukuk shall be allocated to the successful bidders on single cut-off price.

25- What If the total bidding amount is greater than the target amount set by Ministry of Finance?

At this stage, the pro-rata allocation methodology shall follow.

26- How will Participants and Investor know that their bids are successful?

Participants and Investors shall be informed via their registered email or mobile#.

27- When Sukuk will be settled after completion of Auction?

The Sukuk shall be settled as per settlement date communicated in the auction calendar.

28- What is the withholding tax calculation on GoP IJARA Sukuk (GIS) with no coupons?

Profit on debt will be computed for each investor of GIS based on their holding period and NCCPL will compute and deduct withholding tax on Profit on debt in accordance with the requirements prescribed under Income Tax Ordinance, 2001 at investor level either on disposal of GIS in secondary market or at Maturity.

29- Is Zakat applicable in maturity of GoP IJARA Sukuk (GIS)?

There shall be no compulsory deduction of *Zakat* at source and a *sahib-e-nisab* may pay *Zakat* on his / her own according to *Shariah*.

30- Can I get GIS in physical form?

No. GoP IJARA Sukuk (GIS) are script-less securities and are electronically available in a CDS Account.

31- What is the repayment guarantee?

The Sukuk would be redeemed by Government of Pakistan at maturity. The underlying asset of Sukuk would be purchased by the Government of Pakistan at the issue price in accordance with the purchase undertaking, while the profit component would be paid as Ijarah Rental by Government of Pakistan (GoP).

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