



MARKET TREASURY BILLS

Issued by
GOVERNMENT OF PAKISTAN

INVESTOR GUIDE

Prepared by:
State Bank of Pakistan



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Key Features of the Market Treasury Bills (MTBs)

- Issuer: Government of Pakistan
- Issued in accordance with Public Debt Act 1944
- Denomination: Issued in multiples of PKR 5,000
- Tenors: 3, 6 and 12 months
- Issued at discount
- MTBs are issued in a scrip less (without physical) form
- Auction schedule: Regular auctions of MTBs are held on fortnightly basis. A quarterly schedule is published by SBP at the beginning of each quarter
- Income Tax: Income Tax will be deducted as per existing law
- Zakat: No compulsory deduction of Zakat at source
- Custodian: Ultimate custodian is the SBP, but banks maintain these securities in the Investor Portfolio of Securities (IPS) Accounts on behalf of their customers
- Investor can find out the latest auction yields of 3, 6 and 12-month tenors in the auction at <http://www.sbp.org.pk/ecodata/tb.pdf>

Investment Procedure

Investor Portfolio Securities (IPS) Account: The Investor Portfolio of Securities (IPS) account is necessary for investing in MTBs. Primary Dealers/Scheduled Banks hold MTBs in IPS accounts on behalf of their customers. Customer is the legal owner of the MTB held in the IPS account with banks in accordance with instructions of SBP.

How to Open an IPS Account: All Primary Dealers (PDs) of Government Securities, designated by State Bank of Pakistan for each financial year are required to offer these accounts to their customers. Any person or entity, which has PKR denominated account with a primary dealer or any scheduled bank offering this facility, is entitled to open an IPS account.

Investors are advised to contact the treasury department of their bank or their respective branch for the detailed guidelines for investments in the MTBs. IPS account opening branch will provide activity statements of IPS account to each investor on a quarterly basis. Charges levied by banks on IPS accounts, are explicitly mentioned in their respective schedule of charges.

How to buy MTBs: After opening the IPS account, investor can instruct its bank to buy the MTBs either from the primary market through “non-competitive bidding” process in regular auctions conducted by the SBP or from the secondary market.

Primary Market: The non-competitive bidding process allows investor to take part in the primary auction of the MTB through Primary Dealers. 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 million, whichever is higher subject to a maximum of PKR 250 million. The non-competitive bids are sent to SBP separately from the normal bids before commencement of primary auction time with the name and amount of investors without quoting price. The bids of any investor can be rejected if the investor submits more than one bid for a single tenor. These bids are accepted at weighted average yield in each tenor as decided in the primary auction. In case of over subscription, non-competitive bids are accepted in order of lowest to highest amount or on pro-rata basis.

Secondary Market: The investors can also buy the MTBs through the secondary market by instructing

its bank to buy the MTB through the secondary market. The prices and yields of MTBs and other Government securities in the secondary market are available at <http://www.sbp.org.pk/ecodata/CumulativeTrdVol.pdf>

Redemption: MTBs are only redeemable at maturity. However, any investor can sell MTBs in secondary market through its bank. If an investor holds the MTB till maturity, the PKR value equivalent to face value of the MTB will be credited to the account of the investor through its bank on the maturity of MTB.

Investment by Non-Resident Investors: Like the local investors, foreign investors can invest in the MTBs by opening an IPS account. Foreign investors are also required to open a Special Convertible Rupee Account (SCRA) with any Authorized Dealer in Pakistan. The SCRA is opened by foreigners in Pakistani Rupee. The amounts are credited to these accounts after conversion of foreign currency into Pakistani Rupee, for the purpose of investment in Government Securities. Balance's in these accounts can be sent any time outside the country after conversion into foreign currency.

Benefits

- **Guaranteed Repayment:** The repayment of face value is guaranteed by the Government of Pakistan.
- **Investment for short term:** The MTBs are available in short-term maturity periods of 3, 6 and 12 months.
- **Higher Returns:** These securities provide higher returns to the investor, as compared to most bank deposits.
- **Accepted as Collateral:** MTBs are acceptable by the banks as collateral.
- **Liquidity:** Highly liquid and tradable in the secondary market.
- **Easy Process of Investment:** Local and foreign investors can easily invest in the MTBs by opening an IPS Account in any bank offering these services. In addition to IPS account, foreign investors also have to open a Special Convertible Rupee Account (SCRA) with any Authorized Dealer in Pakistan.

Primary Dealers

Scheduled banks, DFIs, Investment Banks and listed brokerage houses are eligible to become a Primary Dealer (PD) of Government Securities. Only PDs can participate in the auction of MTBs conducted by State Bank of Pakistan. For each financial year, State Bank of Pakistan designates the financial institutions to work as primary dealer of Government Securities. The list of primary dealers for FY2012-13 is as follows:

1.	JS Bank Limited http://www.jsbl.com/
2.	Habib Bank Limited http://www.hbl.com
3.	Faysal Bank Limited http://www.faysalbank.com/
4.	NIB Bank Limited http://www.nibpk.com/
5.	National Bank of Pakistan http://www.nbp.com.pk
6.	Bank Alfalah Limited http://www.bankalfalah.com/
7.	Pak Oman Investment Co. Ltd http://www.pakoman.com/
8.	United Bank Limited http://www.ubl.com.pk/
9.	Citibank NA http://www.citi.com/pakistan/
10.	MCB Bank Limited http://www.mcb.com.pk/
11.	Standard Chartered Bank (Pakistan) Limited http://www.standardchartered.com.pk/