

Islamic Naya Pakistan Certificates

FAQs

1. What are Islamic Naya Pakistan Certificates (INPC)?

Islamic Naya Pakistan Certificates (NPCs) are Shariah compliant sovereign instruments denominated in USD and PKR, issued by Government of Pakistan (GoP) through Islamic NPC Company Limited for overseas Pakistanis.

2. What is the underlying agreement between investors and Islamic NPC Company Limited (SPV)?

For all Islamic Naya Pakistan Certificate (INPC) whether in PKR or USD or any other foreign currency as notified by the MoF/Finance Division, the relationship between the SPV and Investor(s) shall be based on the principles of Mudarabah, where the Investor(s) is the Raab-ul-Maal and the SPV is the Mudarib.

SPV as the Mudarib may invest or disinvest, at its sole discretion, monies/funds received by it from the Investors only in Shariah Compliant activities/assets (The “Business”) of the SPV.

The terms and conditions for Mudarabah can be accessed from:

PKR (<https://www.sbp.org.pk/acc/2020/C7-Annex-C.pdf>)

USD (<https://www.sbp.org.pk/acc/2020/C7-Annex-C2.pdf>)

3. How will the profit or loss be calculated on INPCs?

Profit will be calculated as per the periodically announced Profit Sharing Ratio and weightages of INPCs by Islamic NPC Company Limited. Further details are provided at:

<https://www.sbp.org.pk/acc/2020/C7-Annex-A.pdf>

<https://www.sbp.org.pk/acc/2020/C7.pdf>

4. What is the mechanism of Islamic Naya Pakistan Certificates (INPC)?

GoP has established a wholly-owned special purpose vehicle, namely Islamic NPC Company Limited (INPCCL), which shall be managed under the mandate of its Board of Directors (BoDs).

For the purpose of issuing USD and PKR denominated INPCs, the INPCCL shall establish two Mudaraba pools in the above referred currencies. The agent banks shall make initial investment aggregating USD 20 million and PKR 5,000 million in respective pools by subscribing special INPCs reserved for agent banks.

The funds by INPCCL in each pool shall be used for extending Shariah compliant financing to the federal government. The agent banks investment will be of transitory nature liable to be retired or withdrawn on receipt of investments from individual investor(s). Similarly, the agent banks shall be responsible to make available liquidity to the Mudaraba pools in the event of redemption or premature withdrawal of funds by investors, by re-subscribing the special INPCs reserved for agent banks.

INPCCL shall enter in to Agency Agreement with agent banks for sale of INPCs to their clients maintaining Roshan Digital Accounts with them. INPCCL shall also communicate the expected rates, Profit Sharing Ratio (PSR) and weightages applicable to different tenors and categories of INPCs and Agent Banks' investment in the USD and PKR pools to be maintained by INPCCL for the issuance of INPCs.

Shariah structure can be accessed from:

<https://www.sbp.org.pk/acc/2020/C7-Annex-A.pdf>

5. Who is eligible to invest in Islamic Naya Pakistan Certificates (INPC)?

Individual Non-Resident Pakistanis can either individually or jointly purchase the Certificates through their Roshan Digital Accounts.

Resident Pakistanis who have declared assets abroad with FBR can also invest in USD-denominated INPCs. To do so, they can open a Roshan Digital Account in foreign currency by visiting a bank branch in Pakistan

6. What currencies are INPC available in?

The Certificates are issued in both USD and PKR.

7. What are the different tenors of INPC?

The Certificates are issued for three (03), six (06), twelve (12) months, three years (3) and five (5) years maturity.

The profit on three (03), six (06) and twelve (12) months shall be paid on maturity alongwith principal or on premature encashment. Whereas, profit on three years (3) and five (5) years maturity shall be paid on half-yearly basis.

8. What is the minimum amount required to invest in INPCs?

The minimum investment amount for the respective INPCs is as follows:

USD denominated: USD 5,000 and integral multiples of USD 1,000

PKR denominated: PKR 100,000 and integral multiples of PKR 10,000

9. How can I invest in INPC?

The INPCCL shall issue the INPCs in a scrip-less format, which shall be subscribed by eligible individuals (as defined in Rule 3 of NPC Rules, 2020) through Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA).

The funds for investment in INPCs must be remitted from abroad in the investor's FCVA or NRVA after 30th day of June, 2020.

10. Is INPC transferrable?

The Certificates are not transferrable except if required under the relevant laws.

11. Is rollover facility provided?

The Certificates cannot be auto reinvested or rolled over after maturity date.

12. Can the INPC be pledged for financing?

The Certificates shall be pledgeable as security for raising financing in Pakistan subject to such conditions as may be prescribed by SBP.

13. Can the investment in INPC be encashed before maturity?

Early encashment is allowed after one month. In case of early redemption/pre-mature encashment:

- a) After one month and before three months, the investor's share shall be redeemed at a discounted price by applying a discount on the announced profit rates for that category of investor and;
- b) After three months, the investor shall be given profit of the nearest shorter tenor e.g. if a thirty six (36) month INPC is prematurely encashed before twelve (12) months, the profit shall be calculated at actual profit rates announced for six month INPCs during that period, whereas twelve (12) month rate shall be applicable for INPCs redeemed after twelve (12) months.

14. Is there Tax applicable on the INPC?

The profit of the Certificate is subject to deduction of 10% (ten) Withholding Tax on profit at source as a full and final discharge of tax liability. There is no requirement for submission of income tax return filings in Pakistan for NRPs in respect of profit earned on these certificates.

15. Is Zakat applicable on the INPC?

The Certificates are exempt from compulsory deduction of zakat under section 3, Chapter II (Charge and collection of Zakat) of Zakat and Ushr Ordinance, 1980.

16. How will the INPC funds be used?

The Islamic NPC Company Limited (SPV) shall use these funds to provide financing to the Federal Government through sale and lease back of identified assets in USD for USD pool and in PKR for PKR pool. The rental rate shall be mutually agreed between the SPV and the Federal Government enabling the SPV to have sufficient profits to remunerate the INPCs holders at the rate equivalent/close to the expected rates.

17. Can Islamic Roshan Digital Account holders invest in INPCs?

Yes. Islamic Roshan Digital Account holders can invest in INPCs. Details can be accessed from HBL website.