



FINANCIAL MARKETS ASSOCIATION OF PAKISTAN

C/o Financial Markets & Country Treasury
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Affiliated with ACI

March 19, 2004

FMAP/GS/SBP/KIBOR-0001/2004

President

SALMAN A. USMANI

Senior Executive Vice President
Head of Treasury & FX Group
Muslim Commercial Bank Ltd.

General Secretary

ASAD QURESHI

Head of Financial Markets & Treasurer
American Express Bank Ltd.

Assistant Secretary

ARIF RAZA

Chief Dealer MM/FX
Soneri Bank Ltd.

Treasurer

MASOOD A. S. WAHEDNA

SVP & Chief Dealer Treasury
Saudi Pak Commercial Bank Ltd.

MEMBERS EXECUTIVE COMMITTEE

ASAD ALI MULJI

AVP & Treasurer
First Standard Investment Bank Ltd.

MUHAMMAD RIZWAN MALIK

Dealer Money Market
Habib Bank Ltd.

PERVEZ SHAHBAZ KHAN

VP & Senior Dealer Money Markets
ABN AMRO Bank N.V.

ZAFAR HUSSAIN

Senior Dealer FX
Prime Commercial Bank Ltd.

ZARAK MOORAJ

Head of ALM & Senior Dealer MM
Union Bank Ltd.

To
Treasurers / Chief Dealers and
Head of Money Market Desks
All KIBOR Contributing Banks
Karachi.

Subject: Amendments / Addition in KIBOR Rules

A Meeting of all KIBOR Contributing Banks was held on January 27, 2004 on the above subject with reference to SBP Letter EDMD/GS/5(25)Misc/475/2004. This meeting was attended by Treasurers, Chief Dealers & Head of Money Markets of KIBOR Contributor Banks.

The issues related to KIBOR rules were discussed in light of BPD Circular # 1 and the meeting of all banks' CEOs held at State Bank of Pakistan chaired by Deputy Governor Mr. Tawfiq A. Husain. Following guidelines were agreed upon by contributing banks with the view to further expand & deepen the KIBOR Benchmark as an effective standard for Corporate Lending purpose.

- To increase current tenors of KIBOR to include 9-months & 12-months tenors.**
All KIBOR Contributor Banks will also start quoting 9 & 12-months tenors. The Bid/Offer spread for the above two tenors would not exceed 50BP (basis points) at any time.
- To increase the minimum lot size from PKR 50million to PKR 100million.**
All KIBOR Contributor Banks would be required to quote their two-way prices for minimum PKR 100million, within the allowable maximum Bid/Offer spreads for the relevant tenor. These prices would remain valid between 11:30AM-11:45AM. If the bank is hit on its KIBOR price once, it can then change the next price. This requirement has been imposed to ensure that banks do not quote out-of-market prices.
- KIBOR Contributor Banks should have Call Limits available for at least 25% of other Contributing Banks.**
To ensure reliability of quotes it was decided that each contributing bank should have Call Limits on at least 25% of the other KIBOR Contributing Banks. Banks are expected to show their professional responsibility in this regard.
- Other Guidelines**
Any KIBOR Contributor Bank failing to comply with the above stated rules or deviating from other previously communicated guidelines will be asked to leave the KIBOR Contributors Page. Adherence to guidelines will be monitored regularly by FMA and if required can be revalidated from SBP's Money Market CRS.

The above changes are to be implemented with effect from **March 31, 2004**. Any suggestions or comments on the above guidelines, should be communicated to the undersigned no later than **March 25, 2004**. Your cooperation is requested as usual.

Thank you,

Asad Qureshi
Secretary – FMAP