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1 ORGANISATION AND MANAGEMENT

ORGANISATION AND MANAGEMENT

1.1 Chairman's Report

The year 2007-2008 was an important year for the Commission and also for myself. It was a year for producing results and achieving completion for the initiatives that were either taken last year or were taken couple of years back and were awaiting implementation and execution. It was a year to provide a new modern and contemporary legal basis to

because substantive laws had been enacted in certain cases but comprehensive enabling rules and regulations were still required to be framed. The Commission during the past three years has provided a solid foundation for protection of investors' interest and reduction of systemic risks within the markets. The regulations and systems that have been put in place ensures that markets remain fair, efficient and above all transparent; simultaneously not losing sight of



Mr. Razi-ur-Rahman Khan, Chairman SECP

Pakistan's Capital Markets and move towards a knowledge-based system and aligning it with international best practices. Efforts were made to fill up the legislative gaps that existed

the developmental role of the markets. Various processes have been initiated for creation of a transparent and orderly market place. The KSE-100 index touched an all time high of



15,676.34 points on April 18, 2008, a market capitalization of US\$ 7.232 billion, but closed at 12,289.03 points on June 30, 2008, a decrease of about 10.77 percent when compared to last year. The market capitalization closed at Rs.3,777 billion, in dollar terms to US\$ 55.64 billion, a much sharper decline because US\$ 11.35 billion were lost due to currency depreciation, and was six percent below last June's figure of US\$66.9 billion. The sharp downturn witnessed in the stock market during the end of the period and thereafter was due to major political & economic turmoil at home and abroad that played an important role in shaking the investors' sentiments in the local bourses so that both local and foreign investors moved to the sidelines.

Notwithstanding the volatility and upheaval witnessed in the market place, the Commission continued with its agenda of reforms in an attempt to bring the capital market and the sectors under its regulatory ambit in accordance with the best international practices. These reforms, briefly discussed hereunder, are expected to yield positive results on all fronts in medium and long term especially as the dust settles.

Demutualization of Stock Exchanges

In line with the global financial marketplace, the Commission has been vigorously pursuing to delink the membership and ownership of the stock exchanges through demutualization of exchanges. This would remove the inherent conflicts arising out of a member-dominated organization and enable the exchanges to become forward-thinking and powerful financial organizations within the international capital markets. Cognizant of the significance of this long cherished progressive measure, the Commission has been single-handedly pursuing the process of demutualization of stock exchanges with the result that a draft law and rules have been prepared and are awaiting enactment.

CFS MK-II

CFS Mk-II Market, which was fully implemented in July 2008, is a paradigm shift from the previous CFS or Badla system. It removes the broker as the sole provider of finance to the weak holders with attendant malpractice of a dominant monopoly position. Institutions now directly provide financing to the equity market instead of the broker. The new financing system has broken the broker monopoly and ensured certainty of funding in a transparent and acceptable manner. CFS MK-II market operates under an enhanced risk management regime which is being managed independently by NCCPL. The system has been designed to support ease of transactions and hassle-free execution whereby financial institutions and brokers can provide financing to the stock market directly through the NCSS platform. A steady and assured source of liquidity at competitive rates, becoming available to all market players, has caused overall market activity to increase. Financiers are facilitated as managers and mark-to-market losses were collected automatically by NCCPL and held for their benefit. The mechanism effectively helps reduce the systemic risk in the market. During this year, it was made mandatory for financees to place the margins directly with NCCPL.

Introduction of T+2 Settlement Cycle

It is universally agreed that shorter settlement cycles mitigate overall settlement risks in the marketplace and also provide brokers a relief in their capital adequacy and margining requirements. The stock exchanges were encouraged to adopt a shorter settlement period and be in line with international best practices. The exchanges successfully introduced T+2 settlement cycle with effect from August 6, 2007 replacing the T+3 system.

Automated Systems

In order to make the process of handling corporate actions in a more effective,

transparent and efficient manner, the Commission in consultation with the stakeholders implemented a completely automated mechanism for handling corporate actions from January 2008. This system replaces the earlier practice of forced release of securities in CFS transactions in case of bonus and/or right issue in a security. The automated system ensures that the ultimate beneficial owner receives the benefits of the said corporate actions directly in his name.

Debt Capital Market

A well developed and efficient primary & secondary market is crucial for resource mobilization by companies to raise funds for expansion and growth plans. For the development of corporate debt market in Pakistan, a Debt Capital Market Committee (DCMC), was constituted in June 2006 that was assigned the task of identifying key reforms required to facilitate growth of the debt capital market, which, unfortunately still, remains at a nascent stage. The Committee identified a number of factors which impede growth. High cost of raising money including high rates of stamp duties was identified as one of the major impediments hindering the growth of debt capital market. The Commission has been able to persuade the provinces have reduced the stamp duties with the result that reductions were made by the Punjab and NWFP governments in the year 2007 and Islamabad Capital Territory on April 4, 2008.

Awareness / Education: Improvement of Skills

During the year, the Commission continued its comprehensive investor educational campaign aimed at creating awareness among investors about securities market, which include the following steps:

- Publication of a series of booklets for imparting valuable information/ knowledge to the general public.

- Placement of all the rules regulations and securities laws on the official website of the Commission for easy access by general public.
- Placement of a list of member-brokers and their agents registered with the Commission on the website and updated on regular basis. The exchanges have been advised to place list of their members and agents on their websites.
- Road shows, both nationally and internationally in collaboration with CDC.
- Besides seminars on corporatization & demutualization of stock exchanges and role of derivatives in emerging capital markets, a media campaign for investors as well as general public awareness has also been conducted.
- In order to warn the general public against losses through investments with phoney concerns, advertisements were published in various local and nation-wide newspapers in Urdu and English in respect of illegal brokerage houses/agents and other ponzy schemes.

Establishment of Institute of Capital Markets

With a view to improving the skill levels in the Market, the Commission has established an Institute of Capital Markets that will provide a permanent platform for development of skilled and certified professional intermediaries to meet the emerging needs of capital markets and also create standards for market professionals and intermediaries. The institute will develop a pool of trained and certified professionals to deal in conventional instruments and who can also develop and trade new and complex capital market products, like Options, Index Futures, Exchange Traded Funds, and Commodity Futures.

The Institute will develop curriculums and conduct various licensing examinations leading to certifications for different segments of the





capital market. ICM will provide a platform for research & development, exchange of ideas and consulting services on capital markets issues. The Commission has contributed Rs.10 million as seed capital of the Institute, while other stakeholders have subscribed Rs.1.0 million each. Through mid course adjustments of ongoing programs, the Commission has been able to get some support for the ICM from the World Bank and some Technical Assistance support from Asian Development Bank. An affiliation and alliance for Mutual Recognition Agreement with a reputed international university or institute is also on the cards.

Scholarships for the Analyst Certification Program

ICM has launched the Analyst Certification Program (ACP), in collaboration with CFA Association Pakistan, which will be applicable to individuals working as research analysts, investment managers and advisors in the capital markets. The ACP is a two component program, one of which is completion of Level 1 of the CFA examination while the other component is a local module based on elements of local practice and appropriate regulations.

The Commission has also approved extending the following scholarships for both modules of ACP;

- i. 100 scholarships to cover 70% examination cost for the Pakistan domestic law module having an approximate cost of Rs. 1,750,000/- (One million seven hundred and fifty thousand); and
- ii. 50 scholarships for CFA Level 1 module having total cost of Us \$ 30,000.

Chairs of Excellence

There is a definite gap between the needs of the markets and the availability of skills. The international markets are fast becoming integrated. New and innovative products are

being introduced which call for creation of new brand of "Specialists" for Pakistan's market. The Commission has therefore initiated a process to provide for creation of "chairs of excellence" in reputed educational institutions like IBA and LUMS.

National Commodity Exchange Limited

National Commodity Exchange Limited (NCEL) is Pakistan's first electronic commodities futures exchange that commenced its operations in May 2007. During the current year the Commission approved contract specifications of NCEL Kilo Gold (1kg) Futures contract and NCEL Mini Gold (10gms) Futures contract. Once launched these products will provide investment opportunities to a larger segment of our population and provide impetus for the introduction of gold backed savings and investment schemes in the country. Contracts for IRRI-Rice and exchange rates and Interest rates have also been approved.

Establishment of Islamic Index at KSE

The Commission had earlier proposed introduction of an Islamic Index at the stock exchanges for the purpose of promoting listing of Sharia-compliant companies on the Pakistani stock markets and encouraging international and local players to list and trade their Shariah-based shares/instruments on an Islamic index. The KSE in collaboration with Al-Meezan Investment Management Ltd. has made considerable progress in this regard. A Shariah Board under the chair of a learned scholars has been formed and an Index Policy Committee and a Technical Committee have also been constituted for the purpose.

Dissemination of Price Sensitive Information

Keeping in view the importance of disseminating price sensitive information simultaneously on all the three stock exchanges, the Commission has advised the three exchanges to develop a mutually

coherent and homogenous system. KSE implemented an Automated Corporate Announcement System on January 1, 2008 whereby all listed companies have been provided, dedicated UAN fax numbers for corporate announcements. The system ensures that upon receipt of fax, the machine automatically uploads the announcement to the KSE website and emails the information on the addresses of all KSE members, while audio announcements are made concurrently. The LSE and ISE have been advised to update their existing automated system in collaboration with the KSE.

Book - Building Process

Book Building is now a common practice followed in many countries. The process minimizes the chances of over/under pricing of issued shares, since the price of shares is determined on the basis of market demand. In order to facilitate the issuers/offers of shares to get fair price for their shares offered, the Commission has introduced Book - Building Process by making it a part of the listing regulations of the Stock Exchanges and duly amending the capital issues laws.

New Derivative Products

The Commission has desired of the Exchanges to develop new derivative products for the capital market in order to broaden the scope of trading activity at the bourses. The KSE is currently working on Index options and Stock options which are expected to be introduced in 2008-09. The Commission is also carrying out research on international practices, so that the product design of options is feasible for the local market.

Stock Borrowing and Lending Mechanism

The Commission in consultation with concerned stakeholders has started working on the development of a working mechanism for Stock Lending and Borrowing. The mechanism is aimed at further enhancing settlement

efficiency together with hedging default risk faced by NCCPL.

Introduction of eServices

Through an eServices project, Commission has launched the provision of online services to facilitate the corporate sector, practitioners, consultants and general public at large, in formation of companies and submission of returns to SECP. The project would facilitate the functions of online availability of name, incorporation of companies and filing of statutory returns. The project has gone live in September, 2008. During the year 4781 new companies were registered and it is hoped that registration would pick up further with eServices facility.

Facilitating Holding of General Meetings of Companies

Companies have been agitating for increasing the time limit for holding Annual General Meetings from three months to four months following the closure of company's financial year, to provide adequate time for audit, printing and circulation of financial statements. This has been allowed and is expected not only to ease the pressure on corporates and professionals but also improve compliance with statutory requirements and supply of important company information to shareholders.

Voluntary Pension System

The Voluntary Pension System Rules have been issued to ensure that the pension funds are managed strictly as per the law. This has increased the interest of Pension Funds Managers in this new scheme.

Real Estate Investment Trust (REITs)

The REITs are subject to compliance with the provisions of REIT Regulations 2008, NBFC Rules and relevant provisions of Companies Ordinance, 1984.

Takaful Rules, 2005

Many practical issues had been highlighted by





professionals, takaful operators, and Shariah scholars from time to time. In order to look into the issues not adequately taken care of in the Takaful Rules, 2005, a Committee has been formed to look into the deficiencies which hamper growth of this Islamic scheme and suggest appropriate amendments/modifications in these Rules.

Draft Group Companies Registration Regulations, 2008

The draft Regulations have been formulated in order to provide an enabling framework to the companies contemplating to avail group relief or group taxation benefits from Federal Board of Revenue through prior designation from SECP as well as to provide a reporting framework for holding companies. The draft Regulations were placed on the Commission's website for eliciting public opinion in September, 2008. After receipt of feedback from the stakeholders, the provisions of the draft have been amended, where deemed appropriate, and the amended draft is being reviewed by the Legal Department before placing for final approval from the Commission.

Efforts to Improve Quality of Audit Services

As part of its efforts to improve the quality of audit services and ensure that the auditors appointed have the requisite knowledge and experience of the related sectors of business, the Commission intends to develop and issue a panel of auditors from which the companies in the financial sector and the listed companies, may choose their auditor subject to general procedure of approval. This would, on the one hand, facilitate the companies to make choice out of a bigger pool of professionals and, on the other hand, provide impetus to improve the audit procedure followed by the audit forms. The quality of audit reports emerging there from would also get better. The panel of auditors proposed to be issued would be in addition to the one applicable to banking sector issued by SBP. Objective criteria on matters to

be taken into account for inclusion in the panel has been developed in consultation with ICAP to eliminate any subjective consideration.

The Companies Cost Accounting Records (General Order) 2008

Pursuant to the provisions of section 230 read with section 246 of the Companies Ordinance, 1984, and the Companies (Audit of Cost Accounts) Rules, 1998, the General Order has been issued so as to prescribe maintenance of cost accounting records by companies in the following industries for financial years commencing on or after October 1, 2008, and cost audit thereof:-

1. Fertilizer
2. Natural gas
3. Thermal power
4. Petroleum refining
5. Polyester fiber

The General Order has also prescribed circulation of cost auditors' report along with reconciliation between cost and financial accounts to the members and shareholders of the company or dissemination thereof by placing the same on the company's website. The period of filing of the cost auditors' reports to the Commission and the registrar concerned has also been relaxed from four months to six months from the close of the financial years of the companies.

COST ANALYSIS OF CEMENT AND SUGAR INDUSTRIES

A consolidated analysis of the cost accounting information reported by the cost auditors of the companies in the cement and sugar industries in their reports to the directors for the year ended June 30, 2007 and September 30, 2007, respectively filed with the Commission pursuant to the provisions of the Companies (Audit of Cost Accounts) Rules, 1998 was undertaken. The analysis was sent to the concerned ministries and government

departments for information and further action.

Conclusion/Acknowledgements

Efforts have been made to introduce the internationally accepted best practices in the capital market and also the corporate sector by improving the legal basis along with the enforcement mechanisms. Though a lot has yet to be done but on the whole we did move forward in the year by creating an improved regulatory and enabling environment that will augur well for our markets in the long term.

I am convinced that the reforms introduced may not have been possible without the valuable assistance provided by the stakeholders.

Before concluding, I wish to place on record special thanks for the members of the

committees and commission set up by SECP for their support and profound input. Their efforts and contribution to take forward the agenda are invaluable.

I would also like to express my appreciation for the staff and officers of the Commission whose services have made the Commission's efforts successful. I would like to remember Mr. Rashid Irfan Malik who died in a tragic accident on July 17, 2008. He had innumerable services for the Commission and his contributions will always be remembered. May Allah rest his soul in eternal peace.

Razi-ur-Rahman Khan



1.2 Policy Board of the Commission

The Securities and Exchange Commission of Pakistan Act, 1997 (the Act) provides that the Federal Government shall appoint a Securities and Exchange Policy Board (the Board) consisting of nine members, of which five shall be from the public sector and four from the private sector. The ex-officio members are Secretary, Finance Division; Secretary, Law and Justice Division; Secretary, Commerce Division, Chairman SECP and a Deputy Governor of the State Bank of Pakistan nominated by its Governor.

Under the Finance Act, 2007, the number of the Policy Board members was increased from nine to ten and its Chairmanship was given to the Federal Finance Minister, or in his absence, Advisor to the Prime Minister on Finance. However, through necessary amendments in the Act, the number of members was again reduced to nine and the Federal Government empowered to designate one of the members to be the Chairman of the Board. Consequent upon the said amendment, Secretary Finance has been designated as Chairman of the Policy Board effective from August 26, 2008.

During the year under review, Dr. Salman Shah, Adviser to Prime Minister on Finance remained Chairman of the Board till April 8, 2008. Subsequently, Senator Ishaq Dar and Syed Naveed Qamar being Finance Ministers remained Chairmen of the Policy Board from April 9, 2008, to May 13, 2008 and from May 15, 2008 to June 30, 2008, respectively. Mr. Zubyr I. Soomro resigned from membership of the Board on July 30, 2007 while Dr. Mohammad Zubair Khan and Dr. Shahida Jaffrey retired from the Board membership on December 19, 2007 on the completion of their four years term. Dr. Bashir Ahmad Khan was appointed as a Member of the Board on July 31, 2007 who subsequently joined the Board of Askari Bank and resigned w.e.f. June 6, 2008.

As on June 30, 2008, the Policy Board consisted of:

1. Syed Naveed Qamar, Chairman, Finance Minister;
2. Mr. Razi-ur-Rahman Khan, Member, Chairman, SECP;
3. Mr. Farrakh Qayyum, Member, Secretary Finance, Finance Division;
4. Mr. Justice Agha Rafiq Ahmed Khan, Member, Secretary Law, Justice, Human Rights and Parliamentary Affairs;
5. Syed Asif Shah, Member, Secretary Commerce Division;
6. Mr. Mansur-ur-Rehman Khan, Member, Deputy Governor.

1.2.1 Powers and Functions of the Policy Board

The powers and functions of the Policy Board, defined in the Act, are given hereunder:

(1) Subject to the provisions of the SECP Act, the Board shall:

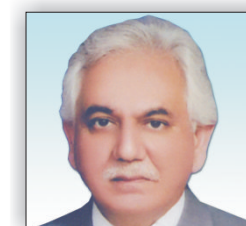
- (a) when so asked to do and after consultation with the Commission, advise the Federal Government on all matters relating to-
 - (i) the securities industry and insurance industry;
 - (ii) regulation of companies and corporate sector and protection of the interests of investors;
 - (iia) regulation of the insurance sector and protection of the interests of insurance policy holders;
 - (iii) measures to encourage self-regulation by the Stock Exchanges, insurers, insurance intermediaries, insurance surveyors and NBFI's by specifying the standards for such self regulatory organizations;
 - (iv) measures to promote the development of and to regulate the securities market and the insurance market; and
 - (v) other related matters;
- (b) consider and approve (with or without modification) any regulations with respect

Members of the Securities and Exchange Policy Board



Syed Naveed Qamar
Chairman
Securities & Exchange Policy Board
Federal Minister for Finance

Mr. Razi-ur-Rahman Khan
Member
Chairman, SECP



Mr. Farrakh Qayyum
Member
Secretary Finance, Finance Division

Mr. Justice Agha Rafiq Ahmed Khan
Member
Secretary Law, Justice, Human Rights and
Parliamentary Affairs



Syed Asif Shah
Member
Secretary Commerce Division

Mr. Mansur-ur-Rehman Khan
Member
Deputy Governor State Bank of Pakistan



to implementation of policy decisions, proposed to be made by the Commission under the Act;

- (c) consider and approve (with or without modification) the budget for each financial year of the Commission prepared and submitted to it pursuant to the provisions of sub-section (2) of section 24;
 - (d) express its opinion in writing on any policy matter referred to it by the Federal Government or the Commission;
 - (e) oversee the performance of the Commission to the extent that the purposes of this Act are achieved;
 - (f) exercise all such powers and perform all such functions as are conferred or assigned to it under this Act; and
 - (g) specify fees, penalties and other charges chargeable by the Commission for carrying out the purposes of this Act.
- (2) All policy decisions, including any change in previously established policy, in respect of all and any matters within the jurisdiction of the Commission shall be made only by the Board. The Board may make policy decisions suo moto or adopt such policy recommendations of the Commission, with or without modification, as the Board may deem fit in its sole discretion.



Meeting of SECP Policy Board in progress under the chairmanship of Mr. Razi-ur-Rahman Khan

1.2.2 Policy Board Meetings

During the year under review, six meetings of the Policy Board were held. In these meetings detailed briefings were given to the Board about the establishment of Disaster Recovery Centre, eServices Project of the Commission

and embezzlement of Commission's funds. The Board was also updated about the performance of the Stock Market and National Commodity Exchange. Besides, the Board was informed about the measures being taken for the developments of Local Bonds Market, effective regulation of Mutual Funds, Leasing Industry and establishment of Capital Market Institute of Pakistan. Approvals of Draft Stock Exchanges (Corporatisation, Demutualization and Integration) Ordinance, 2007 and annual budget of the Commission for the financial year ending June 30, 2009 were obtained. During the year, following major issues came under discussion of the Board and appropriate decisions were taken;

- Update on Stock Market
- Update on National Commodity Exchange
- Presentation on eServices Project
- Briefing on establishment of Disaster Recovery Centre
- HR Presentation
- Approval for raise in salaries of support staff
- Review of the Annual Audited Accounts of the Commission for the year ended June 30, 2007
- Constitution of Internal Audit Committee
- Approval of Draft Stock Exchanges (Corporatisation, Demutualization and Integration) Ordinance 2007
- Revised offer of conversion to NTCs to employees having service of more than 10 years and less than 25 years
- Briefing on the matter of embezzlement of Commission's funds
- Briefing about the concept of Book Building Process and the requisite regulatory framework
- Allotment of Plot for SECP Building at Islamabad
- Presentation on Mutual Funds & Leasing Industry
- Progress in connection with setting up the

proposed Capital Market Institute of Pakistan

- Approval of Budget of the Commission for the year 2008-2009
- Consideration of report submitted by a Committee of the Board on offer of conversion to new terms and conditions of employment to Officers of the Commission having service 10 to less than 25 years
- Grant of annual increments & bonuses on July 1, 2008
- Amendment in the Commission's Human Resource Hand Book – 2007
- Amendment in SECP Service Manual
- Amendment in the Securities & Exchange Commission (Insurance) Rules, 2002

1.3 The Commission

The Commission is a collegiate body with collective responsibility. Operational and executive authority is vested in the Chairman who is the Commission's Chief Executive Officer (CEO). He is assisted by Commissioners in overseeing the working of various operational units.

Mr. Razi-ur-Rahman Khan is the Chairman of the Commission since January 12, 2006. Mr. Khan is a Fellow of Institute of Chartered Accountants of England and Wales and possesses extensive experience in corporate and capital market operations during his career spanning over 33 years in multinationals and international financial institutions. As of June 30, 2008, the Commission consisted of two Commissioners in addition to the Chairman.

Mr. Salman Ali Shaikh, who is overseeing the

Specialised Companies Division (SCD), is a senior emerging markets banker, having over thirty-two years experience with various leading banks in the country including Citibank.



Mr. Salman Ali Shaikh

He was also the Managing Director of an investment bank and part of the senior management team that led the turnaround of Habib Bank Limited.



Mr. Rashid I. Malik

Mr. Rashid I. Malik, who passed away as a result of a tragic accident in July 2008, was overseeing the Company Law-Division (CLD) and the Securities Market Division (SMD). A Chartered Accountant by profession, Mr. Malik possessed over thirty years experience in business operation, management, finance and accounting in Pakistan and UK.

During the financial year, Mr. S. Tariq Asaf Husain joined the Commission as Commissioner (Law). Mr. Husain is a Lawyer by



Mr. S. Tariq Asaf Husain

profession and possesses over 35 years of experience. The key expertise of Commissioner (Law) include practice in the High Courts and Supreme Courts of Pakistan, adjunct professor of law at Sindh Muslim Law College, Karachi and senior counsel abroad with big multinational companies.

1.3.1 Powers and Functions of the Commission

The key powers and functions of the Commission are provided in section 20 of the Act. The size of the corporate sector at the time when the Act was promulgated was very small as compared to today. Since the establishment of the Commission, its mandate has also enormously, been enhanced that covers bringing the Insurance and non-bank financial institutions under its regulatory purview.

The powers and functions of the Commission include:

- (1) All such powers as may be necessary to perform its duties and functions under the Act.
- (2) Identify the matters requiring the Board to make policy decisions and may also make recommendations regarding policy to the Board for its consideration.
- (3) The Commission is responsible for the performance of the following functions:
 - (a) regulating the issue of securities;
 - (b) regulating the business in Stock Exchanges and any other securities markets;
 - (c) supervising and monitoring the activities of any central depository and Stock Exchange clearing house;
 - (d) registering and regulating the working of stock brokers, sub-brokers, share transfer agents, bankers to an issue, trustees of trust deeds, registrars to an issue, underwriters, portfolio managers, investment advisers and such other intermediaries who may be associated with the securities markets in any manner;
 - (e) proposing regulations for the registration and regulating the working of collective investment schemes, including unit trust schemes;
- (f) promoting and regulating self-regulatory organizations including securities industry and related organizations such as Stock Exchanges and associations of mutual funds, leasing companies and other NBFIs;
- (g) prohibiting fraudulent and unfair trade practices relating to securities markets;
- (h) promoting investors' education and training of intermediaries of securities markets;
- (i) conducting investigations in respect of matters related to this Act and the Ordinance and in particular for the purpose of investigating insider trading in securities and prosecuting offenders;
- (j) regulating substantial acquisition of shares and the merger and take-over of companies;
- (k) calling for information from and undertaking inspections, conducting inquiries and audits of the Stock Exchanges and intermediaries and self-regulatory organizations in the securities market;
- (l) considering and suggesting reforms of the law relating to companies and bodies corporate, securities markets, including changes to the constitution, rules and regulations of companies and bodies corporate, Stock Exchanges or clearing houses;
- (m) encouraging the organized development of the capital market and the corporate sector in Pakistan;
- (n) conducting research in respect of any of the matters set out in this sub-section;
- (o) performing such functions and exercising such power of the Authority, including any powers of the Federal

- Government delegated to the Authority, (other than the power to make any rules or regulations) under the provisions of the Ordinance, the Securities and Exchange Ordinance, 1969 (XVII of 1969), the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and under any other law for the time being in force under which any function or power has been conferred on the Authority including, but not limited to, the functions and powers set out in the Schedule to this Act;
- (p) performing such functions and exercising such powers (other than the power to make any rules or regulations) under the Ordinance or any other law for the time being in force as may, after the commencement of this Act, be delegated to it by the Federal Government and exercising any power or performing any function conferred on it by or under any other law for the time being in force;
 - (q) proposing regulations in respect of all or any of the aforesaid matters for the consideration and approval of the Board;
 - (r) exercising all powers, discharging all duties and performing all functions assigned to the Commission under, and generally administering, the Law of Insurance;
 - (s) ensuring and monitoring compliance by insurers, insurance surveyors and insurance intermediaries of all laws, rules and regulations pertaining to insurance for the time being in force;
 - (t) regulating professional organizations connected with the insurance business; and
 - (u) encouraging the organized

- development of the insurance market in Pakistan;
- (4) Without prejudice to the provisions of sub-section (4), the approval of the Commission shall be required by
 - (a) all public companies incorporated in Pakistan which intend to issue or offer for sale securities in markets outside Pakistan or to list such securities on a Stock Exchange outside Pakistan, in each case, whether directly or through an intermediary;
 - (b) all bodies corporate incorporated outside Pakistan which or persons who intend to issue or offer for sale, securities to the public in Pakistan or to list such securities on a Stock Exchange;
 - (c) all bodies corporate incorporated outside Pakistan which are already listed on a Stock Exchange, for the listing of and quotation for any additional securities;
 - (5) In performing its functions and exercising its powers, the Commission shall strive
 - (a) to maintain facilities and improve the performance of companies and of securities markets, in the interest of commercial certainty, reducing business costs, and efficiency and development of the economy;
 - (b) to maintain the confidence of investors in the securities markets by ensuring adequate protection for such investors;
 - (c) to achieve uniformity in how it performs those functions and exercise those powers;
 - (d) to administer laws effectively but with a minimum of procedural requirements;
 - (e) to receive, process, and store, efficiently and quickly, the documents lodged with, and the information given to, it under this Act, the Ordinance or any other law;

- (f) to ensure that the documents, and the information referred to in clause (e) are available as soon as possible for access by the public;
- (fa) to maintain the confidence of holders of insurance policies by protecting the interests of policy holders and beneficiaries of insurance policies in all matters, including assignment of insurance policies, nomination by policy holders, insurable interest, surrender value of policies of life insurance, and other terms and conditions of contracts of insurance;
- (fb) to improve existing methods and devise new options for the expeditious settlement of claims and disputes between insurers and policy holders and between insurers and intermediaries;
- (fc) to promote efficiency in the conduct of insurance business;
- (fd) to promote the establishment and development of professional and educational organizations connected with insurance business with a view to improving the quality of insurance services in the country;
- (fe) to promote awareness among consumers with respect to the benefits of insurance and the existence of measures to safeguard the interests of mortgagers, mortgagees and potential policy holders;
- (g) to take whatever action it can take, and is necessary, in order to enforce and give effect to the Act, the Ordinance, the Law of Insurance or any other law.
- (6) The Commission, and the Commissioner or officer to whom any of the functions or powers have been delegated under section 10 may, for the purposes of a proceeding or enquiry require anyone;

- (a) to produce before, and to allow to be examined and kept by, an officer of the Commission specified in this behalf, any books, accounts or other documents in the custody or under the control of the person so required, being documents relating to any matter the examination of which may be considered necessary by the Commission or such Commissioner or officer;
- (b) to furnish to an officer of the Commission specified in this behalf such information and documents in his possession relating to any matter as may be necessary for the purposes of the proceeding or enquiry.

1.4 Laws Administered by the Commission

S# Statutes

2002

- 1 The Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002

2000

- 2 The Insurance Ordinance, 2000

1984

- 3 The Companies Ordinance, 1984

1980

- 4 The Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980

1969

- 5 The Securities and Exchange Ordinance, 1969

1997

- 6 The Securities and Exchange Commission of Pakistan Act, 1997

Chairman Mr. Razi-ur-Rahman Khan with Commissioners



Chairman Mr. Razi-ur-Rahman Khan (second from left) with Commissioners Mr. Salman Ali Shaikh (second from right), Mr. Rashid I. Malik (extreme left) and Mr. S. Tariq Asaf Husain (extreme right)

Chairman Mr. Razi-ur-Rahman Khan with Senior Management of the Commission



(From left front row): Mr. Mansur Ahsan (ED HR&TRG), Mr. Rashid I. Malik (Commissioner, (SMD&CLD)), Mr. Razi-ur-Rahman Khan (Chairman), Mr. Salman Ali Shaikh (Commissioner SCD), Mr. Tariq Asaf Husain (Commissioner Law), Mr. Abdul Rehman Qureshi (Advisor to the Commission), Dr. Mumtaz Hashmi (Advisor to the Commission on Insurance). (From left back row): Mr. Akif Saeed (ED SCD), Mr. Gulrez Yazdani (ED CS), Mr. Nazir Ahmad Shaheen (ED RD), Mr. Arshad Javed Minhas (ED IS&T), Mr. Javed Siddiqui (ED F&A), Mr. Tahir Mehmood, (ED Enf. D)

1974

- 7 The Companies (Appointment of Legal Advisers) Act, 1974

Rules/regulations/Guidelines

2005

- 1 The Takaful Rules, 2005
- 2 The Clearing Houses (Regulation and Registration) Rules, 2005
- 3 The Voluntary Pension System Rules, 2005

2004

- 1 The Margin Trading Rules, 2004

2003

- 2 The Single Member (Private Limited Companies) Rules, 2003
- 3 The Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003
- 4 The Non-Banking Finance Companies Rules, 2003

2002

- 1 The Securities and Exchange Commission (Insurance) Rules, 2002

2001

- 1 The Balloters Transfer Agents and Underwriters Rules, 2001
- 2 The Brokers and Agents Registration Rules, 2001
- 3 The Public Companies (Employees Stock Option Scheme) Rules, 2001
- 4 The Stock Exchange Members (Inspection of Books and Record) Rules, 2001
- 5 The Members' Agents and Traders (Eligibility Standards) Rules, 2001
- 6 The Venture Capital Companies and Venture Capital Funds Rules, 2001

2000

- 1 The Leasing Companies (Establishment

and Regulation) Rules, 2000

- 2 The Companies' Share Capital (Variation in Rights and Privileges) Rules, 2000

1999

- 1 The Companies (Asset-Backed Securitization) Rules, 1999
- 2 The Companies (Buy-Back of Shares) Rules, 1999
- 3 The Companies (Rehabilitation of Sick Industrial Units) Rules, 1999

1998

- 1 The Companies (Audit of Cost Accounts) Rules, 1998

1996

- 1 The Central Depository Companies (Establishment and Regulation) Rules, 1996
- 2 The Companies (Issue of Capital) Rules, 1996
- 3 The Employees' Provident Fund (Investment In Listed Securities) Rules, 1996

1995

- 1 The Credit Rating Companies Rules, 1995
- 2 The Asset Management Companies Rules, 1995

1987

- 1 The Companies (Invitation and Acceptance of Deposits) Rules, 1987

1985

- 1 The Companies (General Provisions And Forms) Rules, 1985

1981

- 1 The Modaraba Companies and Modaraba Rules, 1981

1975

- 1 The Companies (Appointment of Legal

Advisers) Rules, 1975

1971

- 1 The Investment Companies and Investment Advisers Rules, 1971
- 2 The Securities and Exchange Rules, 1971

1.5 Human Resources

The Commission maintains a human resource bank that comprises of highly competent professionals serving in its different divisions actively regulating key sectors of the country's economy. The Commission's human resource policy is geared to attract the best professionals from market and integrate them in the organization for utilizing their skills and capacities to the optimum level. Necessary steps are taken to hire, train and retain these professionals who contribute with their full capabilities and motivation towards achieving the goals of the organization. The policy aims to administer equitable administration of policies and procedures thereby improving performance and increasing job satisfaction.

1.6 Legal Affairs

The Commission has a Law Division, which is divided into three wings Advisory Wing, Litigation Wing and Legislation Wing. The Advisory Wing provides legal advice on all issues arising from the performance of

functions and duties by the Commission. The Litigation Wing handles all legal proceedings whether for or against the Commission in the courts of law. The Legislation Wing drafts laws, rules and regulations and amendments therein.

1.7 Communications and Advocacy

Communications and advocacy have taken centre stage in the Commission as it seeks opportunities to make a strong case for investor protection, the development of transparent capital markets that promote Pakistan as a viable option for both domestic and foreign direct investment, and the promotion of its successful experiences and programmes. The Commission has an Internal and External Communications Department which reports to the Chairman.

2 SECP POLICIES ON REGULATION

SECP POLICIES ON REGULATION

2.1 Vision, Mission and Strategy

Vision

The development of modern and efficient corporate sector and capital market, based on sound regulatory principles, that provide impetus for high economic growth and foster social harmony in the country.

Mission

To develop a fair, efficient and transparent regulatory framework, based on international legal standards and best practices, for the protection of investors and mitigation of systemic risk aimed at fostering growth of a robust corporate sector and broad based capital market in Pakistan.

Strategy

To develop an efficient and dynamic regulatory body that fosters principles of good governance in the corporate sector, ensures proper risk management procedures in the capital market and protects investors through responsive policy measures and effective enforcement practices.

2.2 Primary Securities Market

A well developed primary market is crucial for resource mobilization by companies to raise funds for expansion and growth plans. The prospectus/offer for sale document of any company inviting public subscription of its securities under the Companies Ordinance is required to be approved by the Commission prior to its issue, circulation, and publication. In order to facilitate the issuers and offerers of securities, the Commission has issued various

Guidelines which includes Guidelines for the Preparation of Prospectus, Guidelines for the Issue of Term Finance Certificates and Guidelines for the Issue of Commercial Papers. Prospectus/offers for sale which meet the requirements are approved by the Commission expeditiously without any changes. It is the Commission's policy to encourage new floatation so that the depth of the market is increased and investment opportunities are available to more and more investors.

2.3 Secondary Securities Market

The Commission's regulatory policy/strategy is based on the following main principles:

- Consultative rule making
- Facilitate implementation and
- Stringent enforcement

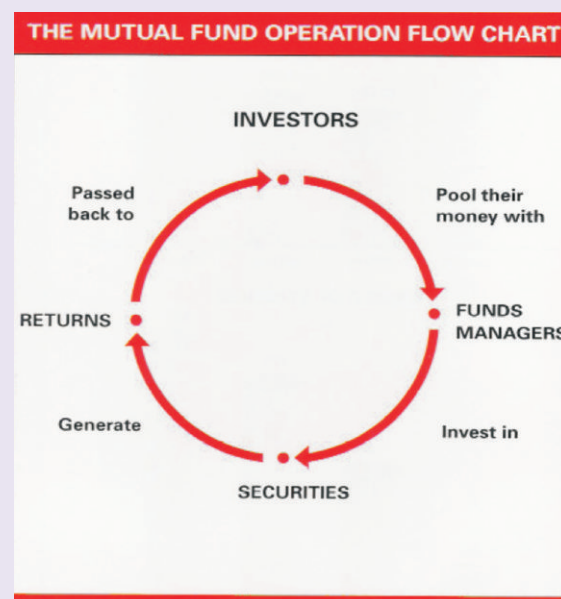
The Commission endeavours to base its regulatory philosophy on the principle of developmental regulation and places great emphasis on investor protection, improved risk management, market development and creating market conditions which boost up investor confidence, transparency and foster growth of the Pakistani Capital Market.

2.4 NBFIs

The Commission is engaged in framing of policies, regulation and innovations in the products and services of NBFIs for providing a conducive regulatory environment for development and promotion of a robust NBFI sector, while protecting the interests of the stakeholders. In order to effectively address the

growing needs of the NBFI sector to give legal effect to the new financial products, the Commission prepared and incorporated various amendments vide Finance Act, 2007 and included the same in the concept of notified entities. Pursuant to this policy the real estate sector has been included into the ambit and operation of the NBFI sector.

The Commission is responsible for the regulation and monitoring of the Non-Banking Finance Companies (NBFCs), engaged in the businesses of asset management, leasing, investment finance services, housing finance services, venture capital investment, asset management services, investment advisory services, pension funds and REITs as well as the Modaraba management companies and Modarabas. The main regulatory objectives of the Commission in the sector are to provide a conducive regulatory environment to foster growth in the non-banking financial sector,



safeguard the financial system, and to protect the interests of the shareholders, depositors, and pensioners under the relevant regulatory framework. The Commission has a policy to encourage horizontal and vertical expansion of this sector and to effectively monitor the

activities of these entities in a professional manner.

2.4.1 Regulation of Mutual Funds

A Mutual Fund is an investment vehicle that pools the savings of a number of investors who share a common financial goal. The money collected is invested by the fund manager in different types of securities, ranging from shares to bonds to money market instruments depending upon the objective of the mutual fund. The income earned through these investments and the capital appreciation realized by the funds is shared by the unit holders in proportion to the number of units owned by them. Mutual Funds are being regulated by the Specialized Companies Division of the Commission. The Commission encourages the development of this sector to help the small investors without in any manner compromising their interests through strict monitoring.

Against the backdrop of an ever increasing integration of global financial markets, the Commission continued its efforts to come out with regulations to meet the challenges posed by domestic and global developments. The Commission during the period under review has come up with the following policies with respect to regulating the mutual fund industry more effectively and efficiently:

2.4.1.1 Introduction of Capacity Review Inspection:

In order to ensure the transparency, efficiency, fairness and integrity of the mutual fund industry, the Commission has introduced the capacity review inspection of the asset management companies before registration of their first fund.

2.4.1.2 Defining Responsibilities of Investment Committee:

The Commission has prescribed roles and responsibilities of the investment committees of asset management companies for the smooth functioning and strengthening the

corporate governance culture in the asset management companies.

2.4.1.3 Segregating the Investment Advisory Function from Fund Management:

The investment advisory function has been segregated from the fund management and allowed investment advisors to manage discretionary and non-discretionary portfolio.

2.4.1.4 Revised Disclosure Requirements for Mutual Funds:

The Commission has also revised the disclosure requirements for the mutual funds in the annual accounts in order to incorporate the best international practices and to give a more clear and transparent picture to the unit/certificate holders and to safeguard the interests of investors.

2.4.1.5 Fund Managers Associated Companies Allowed to Invest in Mutual Funds:

The Commission has allowed associated companies of the non-banking finance companies (NBFCs) licensed to undertake asset management services for making investment (other than seed capital) in the open-end mutual funds managed by such NBFCs without obtaining the authority of a special resolution as per requirement of Section 208 of the Companies Ordinance for the best interest of the capital market and to bring the mutual funds at par with the commercial banks.

2.4.2 Policies on Regulation of Investment Banking, Leasing and Housing Finance

2.4.2.1 Investment Finance Services (Investment Banking):

The concept of investment banking as a separate functional entity began to take shape in Pakistan in 1987 when the private sector was allowed to set up investment banks. The first investment bank commenced operations in 1989. The scope of activities of investment

banks include money market operations, capital market activities, project financing, corporate financial services and discount services along with other multifarious activities. Generally investment banks focus on equity investments rather than credit expansions. Unlike commercial banks, they tend to have little or no long-term stake in a transaction. Investment banks generate revenue by charging a fee for transactions. The Commission encourages provision of the aforesaid services.

2.4.2.2 Leasing:

Leasing is a contract between two parties where one party provides an asset for usage to another party for a specified period of time, in return for specified. Leasing, in fact separates the legal ownership of an asset from the economic use of that asset, it is least concerned with the title of the asset. Following are two common types of leases:

(i) Operating Lease: the term in this type of lease is shorter than the expected useful life of the asset and the payments received by the lessor are usually not enough to allow the lessor to fully recover the cost of the asset. This type of lease is popular for high-tech equipment, because shorter term leases help equipment users stay ahead of equipment obsolescence. The lessor uses its equipment remarketing expertise to subsequently find another user for the returned equipment, something the typical equipment user does not have time or skill to do so.

(ii) Finance Lease or Capital Lease: The term in finance lease is longer or nearly covering the useful life of the asset and payments made under finance lease (plus the anticipated residual, or salvage, value) are usually sufficient to fully cover the lessor's cost of purchasing. Under financial lease, the lessee typically acquires or retains the asset. The Commission in the revised regulation has allowed leasing companies to enter into lease agreements of commercial properties.

2.4.2.3 Housing Finance Services:

Housing Finance is essentially available through three major sources, i.e. state-owned House Building Finance Corporation (HBFC), NBFCs in the private sector and some commercial banks. Over the past few years, growth in the NBFCs engaged in Housing Finance Services has remained stagnant due to various reasons including low capital, non-availability of low cost funds and entry of the Banking sector in the Housing Finance. The Commission in the latest regulations has reviewed minimum equity requirements for Housing Finance Companies which was substantially low i.e. at Rs: 100 million, which has been enhanced to Rs: 700 million by giving time line to June 30, 2010.

The principal activity of housing companies is to provide mortgage finance facilities against the property for the purpose of constructing, purchasing or making any addition, alterations to or improvement in any property. Housing finance companies are required to invest seventy percent of assets in the business of housing facilities. It is hoped that the reforms would give a fillip to investments in this important sector.

2.4.3 Voluntary Pension System

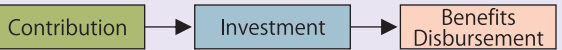
2.4.3.1 Pension Funds:

Pension Funds launched under the Voluntary Pension System (VPS) Rules, 2005, as part of the Commission's efforts to promote the Private/Voluntary Pension schemes in Pakistan, provide a comprehensive framework for the employed and self-employed individuals to contribute into the Pension Fund during their working life to provide regular income after retirement to enable them to maintain a reasonable standard of living. While developing these rules international best practices were followed and reforms in the neighbouring countries were taken into account. These funds are a saving as well as an investment vehicle for retirees and good managers are encouraged to float pension funds.

2.4.3.2 Portable Individual Pension Accounts:

The Participants can make contributions on their own or through their employers into their Individual Pension Account (IPA), offering a unique IPA number for every individual enrolled under the Pension Fund. The Individual has the option of transferring the balance in his IPA from one Pension Fund Manager to another Pension Fund manager of his choice, without any fees from the preceding/succeeding fund manager.

2.4.3.3 Stages in VPS:



VPS can be divided into 3 stages, i) Contribution, ii) Investment & iii) Benefits Disbursement.

• Contribution:

Contributions can be made by individuals as well as employers on behalf of their employees. All Pakistani nationals over the age of 18 years (salaried or self-employed), who have a valid National Tax Number (NTN) are eligible to participate. The Pension Fund Manager shall open and maintain an Individual Pension Account (IPA) in the name of each Participant who starts to contribute to the Pension Fund. Each Individual Pension Account is assigned a unique identity number.

• Investment:

All contributions made by the participant are immediately credited to his/her IPA and used to purchase the Units of the sub-funds according to the allocation scheme selected by him/her. Investment is allowed in equity, debt and money market sub-funds. The allocation schemes are chosen by the participant depending upon preference, age and risk appetite.

• Benefit Disbursement:

On retirement, the participants can withdraw up to 25 per cent of the amount in their individual pension accounts as cash without incurring any

tax expense. The rest (75%) can either be used to purchase an annuity from a life insurance company or an Income Payment Plan from a Pension Fund Manager, offering monthly annuity/income.

2.4.4 Real Estate Investment Trust (REITs)

Real Estate Investment Trust is a mutual fund that invests in properties and derives income from such investments for its unit holders. In Pakistan REITs are launched under the Real Estate Investment Trust Regulations 2008 (Regulations), as part of the Commission's efforts to develop a new asset class for investors. Given the complex stakeholders map including representatives of federal and provincial governments, valuers, real estate developers, contractors, designers and other financial market participants, a number of people were consulted and detailed discussions were held prior to the promulgation of the REIT Regulatory framework. The objective of REITs is to introduce an alternative asset class which will add depth to the capital market and provide transparency to the real estate sector in the form of comprehensive disclosures and accountability through a trust mechanism engrained in the REIT Regulations.

In Pakistan, REITs will be in the form of a closed-end trust structure. The REIT Management Company will be incorporated as an NBFC with minimum paid-up capital of Rs. 50 million. However, the RMC is required to raise the capital to Rs. 500 million within 30 days of the date of registration of the REIT scheme by the Commission. The minimum fund size for a REIT is Rs. 5 billion. The REITs will be exempted from taxes upon distribution of 90% income as dividends. The unit holders will be able to trade the units in the secondary market for capital gain purposes. A REIT can undertake two types of projects - developmental or rental. The developmental projects are those wherein a REIT will develop/construct a property and then

sell it on profit and distribute the proceeds among the unit holders as dividends. However, rental projects would focus on income generating properties where the rental income of the property will be used as dividends for the unit holders.

The REITs are expected to improve price discovery for both rental and sale transactions of real estate properties and will help in promoting development of long-term rental market. It will also help in building the capacity in the areas of valuation, professional fund management and trusteeship.

For capital market participants, REITs will provide an alternative asset class which will increase the supply of securities with the combined benefits of an 'equity security' and 'real estate'. Since the units will be listed and traded on the stock exchange, it will broaden and diversify the mutual fund industry. Initially, REITs are limited to Islamabad, Rawalpindi, Karachi, Lahore, Peshawar and Quetta.

2.5 Modarabas

The Islamic finance initiative started in the decade of 80s in Pakistan with the introduction of the Modaraba product as a tool for formation of Modaraba Companies. Modaraba provides attractive Shariah-Compliant business opportunities for investors according to the injunctions of Islam and provides a statutory framework for organizing business enterprises under the Modaraba Companies and Modaraba (Floatation & Control) Ordinance which was promulgated in 1980.

The Commission has established a legal framework for Modarabas so as to provide flexible business opportunities and help in nurturing the Islamic financial services industry in Pakistan. A Modaraba can be formed either for a fixed or for an indefinite period of time. Modarabas raise funds through equity as well as through facilities from banks and financial



institutions under the various Islamic financing arrangements. As the Modaraba has vast avenues for investment, it normally utilizes its funds in Ijarah (Leasing), Musharaka/ Murabaha (Running Finance) facilities as well as investment in shares of listed companies but within the norms and tenets of the injunctions of Islam. Most Modarabas in Pakistan are financial while a few have been formed for industrial, trading or other service sector purposes.

2.6 Insider Trading

The provisions relating to insider trading were deemed insufficient for the past couple of years; the Commission was finding it difficult to establish a case for insider trading and prosecute any person involved therein as per existing laws. Therefore, on the recommendation of the Commission, provisions relating to insider trading were substituted by more comprehensive provisions through the Finance Act, 2008.

The newly inserted provisions extended the scope of definition of 'insider trading', broadened the definition of 'inside information' and clarified and provided a broader view as to the persons that may be involved in the offense of insider trading. The newly inserted provisions held listed companies responsible to disclose inside information which directly relates to listed securities. Moreover, the amount of penalty which the Commission may impose for contravention of the provisions is increased to ten million rupees or three times the amount of gain made or loss avoided or loss suffered by another person, whichever is higher. In addition to this, the Commission may also remove an executive officer, director, auditor, advisor and consultant of a listed company and debar him from providing auditing and other services to a listed company. In case an insider discloses the inside information to any other person, who is

not required to possess this information for any reason, the amount of penalty for the insider may be extended up to thirty million rupees. The Commission would take a serious view of violations for use or disclosure of inside information.

2.7 Corporate Sector

In its role both as an emerging market regulator as well as a facilitator to the corporate sector, the Commission has developed a two pronged strategy that not only facilitates an easy entry of the entities into the corporate sector, but also ensures their continuous growth and development, for the benefit of economy and the public at large.

In recent years, the Commission has supported Pakistan's corporate sector through a variety of facilitation and market development reforms. The reforms are mainly aimed at further strengthening the Commission's presence and effectiveness, to play a proactive role in improving the regulatory and facilitative regime applicable to various business sectors and other stakeholders.

One of the focus areas has been to enhance corporatization to endure the progressive development of the corporate sector and create an enabling environment for the growth and success of corporate entities. This has resulted in a rise in registration of companies over the years and the trend would be encouraged by the Commission.

The Commission has taken great strides in developing an effective regulatory environment, in which the businesses can grow and succeed through adoption of corporate legal status rather than working as partnerships or sole proprietors which expose the entrepreneurs to unlimited liability and deny other privileges of a corporate legal status.

The Commission also endeavors to ensure statutory compliance by registered companies

and has undertaken various initiatives to infuse a sense of regulatory compliance in corporate entities to the benefit of all stakeholders.

2.8 Insurance Sector

The Commission has a strategic priority and commitment to strengthen and maintain an effective regulatory environment in which insurance and takaful business can thrive and flourish on sound financial footings. The insurance industry, until August 2000, was regulated through the obsolete Insurance Act, 1938. Minimum capital adequacy requirements for general insurance companies were grossly inadequate, registration/supervision fees for insurers were modest, and the statutory solvency margins were based on outdated principles. Whilst repealing of the outdated Insurance Act 1938, by Insurance Ordinance 2000 was a milestone, a number of elements which are vital to a modern risk based supervisory regime were overlooked in the new law. However, in the subsequent period (including 2007-2008) quite a few of them have been addressed by the Commission via amendments/modifications in the legal/regulatory framework governing the insurance industry. Also, the Commission, as an ongoing practice, issues directives/circulars not only for effective monitoring/supervision of the insurance sector thereby but also for ensuring protection of the interests of insurance policyholders and promotion of sound development of the insurance industry.

Insurance/Takaful Companies: As on June 30, 2008, 47 insurance/takaful companies were actively transacting business, out of which 40 (including 3 general takaful, National Insurance Company Limited and Pakistan Reinsurance Company Limited) and 7 (including 2 family takaful and State Life Insurance Corporation of Pakistan) belong to non-life and life sectors, respectively.

During the period under review, three companies were issued licences to transact takaful business (two family and one general).

Further, 4 applicants were granted permission to form companies (one each for general insurance, life insurance, health & life insurance, and general takaful).

Though the insurance industry in Pakistan is underdeveloped relative to its potential (Insurance Penetration: 0.75%), over past few years it has shown significant growth from Rs46 billion to Rs65 billion.

2.9 Corporate Governance

There is a consensus that good corporate governance is linked to sound businesses and also opens the roads to sources of finance. The Commission provides the foundations of good corporate governance by building institutional, legal and regulatory framework for the better management of the corporate sector entities. To strengthen the regulatory mechanism, the Commission introduced the Code of Corporate Governance for listed companies in 2002 and also established Pakistan Institute of Corporate Governance (PICG). The Commission has a policy to expand the scope of code of corporate governance and to make it more effective.

2.10 Coordination with National & International Organizations

Due to increasing integration of the global financial markets and with a view to encourage maintenance of high regulatory standards, the Commission interacts extensively in national and international arena. In the international context, the Commission's objectives are to develop cooperation and linkages with counterpart regulatory agencies for capital markets, corporate, NBFC and insurance sectors. On the national scene it works in tandem with organizations like SBP, ICAP,

ICMAP and PICG etc. to develop and maintain standards for domestic systems. In line with the requirement of international institutions like IOSCO and IAIS, it is the policy of the Commission to extend bilateral and multilateral cooperation on regulatory and enforcement issues.

2.11 Donor Assisted Projects

The Commission maintains liaison with multilateral and international organizations such as the World Bank, Asian Development Bank (ADB) and International Finance Corporation (IFC) for financial and technical assistance for projects in the sectors under the Commission's purview. The thrust of the donors' funded projects is on infrastructural, institutional, legal and regulatory reforms and to develop the supervised sectors to bring them in conformity with international best practices.

2.12 Stakeholder Complaints

Cognizant of the need to quickly address the complaints of stakeholders against the Commission, the companies, the stock exchanges, brokers and other regulatees, the Commission maintains a central complaints redressal system to vigilantly monitor individual complaints handled by different departments of the Commission. Stakeholders are encouraged to use this system.

2.13 Promote Development of Professional Service Providers

The Commission provides for an oversight of the accountancy profession in relation to services provided by auditors and development of relevant financial reporting framework for companies to bring greater transparency and independence in the activities of auditors and

accountants so as to narrow the gap between the financial statements certified by them and the international best practices.

2.14 Tax Reforms

The Commission is committed to promote investment climate in the country that is conducive for the growth and development of capital markets and the corporate sector. Excessive taxation results in outflow of corporate resources, discourages investment and curtails growth. On the other hand, tax anomalies result in inefficient distribution of resources. The Commission, cognizant of its responsibility, endeavors to strike a balance i.e. makes efforts to rationalize taxes to boost growth of the sectors under its purview.

The Commission adopts a three fold strategy which encompasses (i) continuation of reforms in the capital markets and corporate sector (ii) deepening of structural reforms by removing anomalies that constrain economic activity and (iii) providing a level playing field to all the stakeholders.

2.15 Finance, Accounts and Audit

The Commission's accounting policies are well defined and documented. These policies and operational procedures are regularly reviewed and improved upon, and consistently adhered to. The relevant requirements of the SECP Act are followed in processing payments, recording transactions, and preparing and maintaining books of accounts.

The Commission's payment processes for authorized transactions are managed under established policies and procedures and profitable & secure investment of surplus funds are managed in accordance with approved policies. The financial statement are prepared,

in accordance with international accounting standards, audited and approved for submission to the Federal Government in a proper and timely manner.

2.16 Information Systems and Technology

The Commission has an information system supported by the information technology that enables the Commission in reaching its goals in

an efficient manner. More and more emphasis is being placed on in-house development of software packages tailor-made according to the requirements of the Commission in regulating different sectors. Use of outside services providers is also not discouraged.

4 COMMISSION'S FINANCIAL STATEMENTS



KPMG Taseer Hadi & Co.
Chartered Accountants

Securities and Exchange Commission of
Pakistan

Financial Statements
For the year ended 30 June 2008



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**INDEPENDENT AUDITOR'S REPORT TO THE FEDERAL GOVERNMENT OF
PAKISTAN ON THE FINANCIAL STATEMENTS OF SECURITIES AND EXCHANGE
COMMISSION OF PAKISTAN.**

We have audited the accompanying financial statements of Securities and Exchange Commission of Pakistan ("the Commission"), which comprise the balance sheet as at 30 June 2008, and income and expenditure account, cash flow statement and statement of changes in funds for the year then ended, and a summary of significant accounting policies and other explanatory notes ("the financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the policies given in note 3. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG Taseer Hadi & Co., a partnership firm registered in Pakistan
and a member firm of the KPMG network of independent member
firms affiliated with KPMG International, a Swiss cooperative



KPMG Taseer Hadi & Co.



Opinion

As stated in note 21.2, no provision has been made in these financial statements for tax amounting to Rs. 900 million relating to tax years 2003 through 2007 since the Commission is of the view that such demands will not materialize.

In our opinion, except for the effect of the matter discussed in above paragraph, the financial statements give a true and fair view of the financial position of Securities and Exchange Commission of Pakistan as of 30 June 2008, and of its financial performance and its cash flows for the year then ended, in accordance with the policies given in note 3.

ISLAMABAD

20 NOV 2008


KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS


COMMISSION'S FINANCIAL STATEMENTS

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Securities and Exchange Commission of Pakistan
Balance Sheet
As at 30 June 2008

	Note	2008 (Rupees '000)	2007
Property, plant and equipment	4	205,685	164,471
Capital work in progress	5	21,699	22,442
Long term investments - held to maturity	6	3,075,410	2,084,045
Long term loans to employees	7	12,753	2,356
Current assets			
Advances, deposits, prepayments and other receivables	8	259,120	141,218
Short term investments - held to maturity	9	-	436,257
Cash and bank balances	10	62,492	104,286
		321,612	681,761
Current liabilities			
Accrued and other liabilities	11	(209,490)	(56,531)
Net current assets		112,122	625,230
Deferred tax liability	12	(1,476)	-
Deferred liability for employees' retirement benefit	13	(21,741)	(25,696)
Deferred grant	14	(1,936)	(2,211)
Net assets		<u>3,402,516</u>	<u>2,870,637</u>
Represented by:			
Funds	15	3,402,516	2,870,637
		<u>3,402,516</u>	<u>2,870,637</u>
Contingencies and commitments	16		

The annexed notes from 1 to 26 form an integral part of these financial statements.
These financial statements were approved by the Commissioners in their meeting held on

20 NOV 2008


CHAIRMAN


COMMISSIONER

Securities and Exchange Commission of Pakistan
Income and Expenditure Account
For the year ended 30 June 2008

	Note	2008 (Rupees '000)	2007
Income			
Fees and other recoveries	17	1,439,026	1,216,923
Other income	18	248,275	192,672
		1,687,301	1,409,595
Expenditure			
Salaries, allowances and other benefits	19	542,103	387,283
Operating expenses	20	255,899	238,237
Depreciation	4	61,954	27,653
Amortization of premium on Pakistan Investment Bonds		8,280	7,305
Bank charges		1,065	1,246
		869,301	661,724
Excess of income over expenditure		818,000	747,871
Transferred from deferred grant		275	275
Surplus of income over expenditure before tax		818,275	748,146
Taxation			
- Current	21	284,920	-
- Deferred	21	1,476	-
		286,396	-
Surplus of income over expenditure after tax		531,879	748,146
Surplus of income over expenditure brought forward		270,637	322,491
Accumulated surplus		802,516	1,070,637
Transferred to assets (land and building) acquisition reserve		(800,000)	(800,000)
Surplus of income over expenditure carried forward		<u>2,516</u>	<u>270,637</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.


CHAIRMAN


COMMISSIONER

Securities and Exchange Commission of Pakistan
Cash Flow Statement
For the year ended 30 June 2008

Cash flows from operating activities

Surplus of income over expenditure before tax

Adjustments for:

- Depreciation for the year
- Amortization of premium on Pakistan Investment Bonds
- Provision for pension
- Provision for gratuity
- Provision for leave encashment
- Interest income
- Gain on sale of property, plant and equipment

Operating income before working capital changes

Increase in loans, advances, deposits, prepayments and other receivables
Increase in accrued and other liabilities

Contribution to pension fund
Contribution to gratuity fund
Leaves encashed

Tax paid

Net cash generated from operating activities

Cash flows from investing activities

Capital expenditure

Proceeds from sale of property, plant and equipment

Net increase in investments

Interest received on investments and bank deposits

Net cash used in investing activities

Net decrease in cash and cash equivalents

Cash and cash equivalents at beginning of the year

Cash and cash equivalents at end of the year

The annexed notes from 1 to 26 form an integral part of these financial statements.

2008 2007
(Rupees '000)

818,000	747,871
61,954	27,653
8,280	7,305
69,027	24,502
24,560	16,265
2,829	3,475
(244,523)	(192,313)
(3,374)	(164)
(81,247)	(113,277)
736,753	634,594
(105,178)	(36,887)
74,457	7,130
706,032	604,837
(10,669)	(42,306)
(4,416)	(21,208)
(6,784)	(2,722)
(290,974)	-
393,189	538,601
(105,652)	(107,015)
6,601	184
(563,388)	(680,784)
227,456	189,954
(434,983)	(597,661)
(41,794)	(59,060)
104,286	163,346
62,492	104,286

Razim Raza Khan
CHAIRMAN

Shahid
COMMISSIONER

Securities and Exchange Commission of Pakistan
Statement of Changes in Funds
For the year ended 30 June 2008

	General reserve	Assets (land and building) acquisition reserve	Surplus of income over expenditure	Total
	(Rupees '000)			
Balance as at 30 June 2006	800,000	1,000,000	322,491	2,122,491
Surplus of income over expenditure for the year	-	-	748,146	748,146
Transfer to assets (land and building) acquisition reserve	-	800,000	(800,000)	-
Balance as at 30 June 2007	800,000	1,800,000	270,637	2,870,637
Surplus of income over expenditure for the year	-	-	531,879	531,879
Transfer to assets (land and building) acquisition reserve	-	800,000	(800,000)	-
Balance as at 30 June 2008	800,000	2,600,000	2,516	3,402,516

The annexed notes from 1 to 26 form an integral part of these financial statements.

Razim Raza Khan
CHAIRMAN

Shahid
COMMISSIONER

Securities and Exchange Commission of Pakistan

Notes to the Financial Statements

For the year ended 30 June 2008

1. LEGAL STATUS AND OPERATIONS

Securities and Exchange Commission of Pakistan ("the Commission") was established as a body corporate under the Securities and Exchange Commission of Pakistan Act, 1997 ("the Act") for the beneficial regulation of capital markets, superintendence and control of corporate entities and for matters connected therewith and incidental thereto.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These financial statements have been prepared under the historic cost convention. The accounting policies adopted in the preparation of these financial statements, as stated in the note 3, significantly comply with the applicable International Accounting Standards. However, the Commission is not required to comply with the requirements of the International Accounting Standards.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any except for leasehold land and capital work in progress that are stated at cost.

Depreciation is calculated on a straight line method to write off the depreciable amount of each asset over its estimated useful life. Rates of depreciation are specified in Note 4 to the financial statements. Depreciation on additions during the year is charged from the date of acquisition or the date the asset is available for use and on disposals upto the date of disposal.

During the year, the Commission has changed the rate of depreciation on computers from 20% to 33.33%. This change in accounting estimate has been applied prospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". This change has resulted in decreasing the surplus for the year before tax by Rs. 10.922 million with corresponding decrease in property, plant and equipment. This change will decrease the surplus for the future period by Rs. 10.853 million.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposals of property, plant and equipment are included in the income currently.

3.2 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all major taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of tax. The amount of deferred tax recognised is based on expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax liabilities are generally recognized for all major taxable temporary differences and deferred tax assets are recognized to the extent that is probable that taxable income will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Securities and Exchange Commission of Pakistan

Notes to the Financial Statements

For the year ended 30 June 2008

3.3 Receivables

These are stated at cost less allowance for any uncollectible receivables. Provision for doubtful receivable is included in income currently.

3.4 Payables

These are carried at cost which is the fair value of the consideration to be paid in the future.

3.5 Employee benefits

Defined contribution plan

The Commission maintains an approved defined Contributory Provident Fund. Commissioners and employees are entitled to provident fund and gratuity, while contractual employees are entitled for gratuity only. The Commission's contribution to defined Contributory Provident Fund is charged to income and expenditure account for the year.

Defined benefit plans

The Commission maintains approved funded defined pension plan and approved funded defined gratuity fund. Commissioners and regular employees are entitled for pension. Annual contributions are made to pension and gratuity fund on actuarial recommendations using "Projected Unit Credit Method". The most recent valuation was conducted on June 30, 2008.

The Commission's policy with regard to actuarial gains / losses is to follow a minimum recommended approach under IAS 19: Employee benefits. Transitional liability is recognized on a straight line basis over a period of five years.

The future contribution rate of these plans includes allowance for deficit or surplus. Principal actuarial assumptions at the reporting date are as follows:

	2008	2007
Discount rate	11% p.a.	10% p.a.
Expected rate of return on plan asset	11% p.a.	10% p.a.
Expected rate of increase in salary	11% p.a.	10% p.a.

Compensated absences

The Commission recognizes provision for compensated absences payable to employees at the time of retirement/ termination of service. The provision is determined on the basis of last drawn basic salary and accumulated leaves at reporting date.

3.6 Deferred grant

Grant related to fixed assets are accounted for by setting-up the grant as deferred grant. The grant is recognized as income on a systematic basis over the useful life of the assets.

Securities and Exchange Commission of Pakistan
Notes to the Financial Statements
For the year ended 30 June 2008

3.7 Revenue recognition

Fees and other recoveries are recognized on accrual basis other than fees which significantly includes filing fees, fees under Insurance Ordinance, 2000 and fee from Non Banking Finance Companies that are recognized on receipt basis.

Penalties are recognized on receipt basis.

Income on held to maturity investments and bank deposits is recognized on time proportion basis.

3.8 Administered projects

The Commission is the executing/ implementing agency under various donor assisted projects. Transactions and balances relating to these projects are reported under Administered Projects. The summary information is presented in the notes to these financial statements. Fixed assets acquired in these projects and transferable to the Commission are recognized and are subject to the policies adopted by the Commission for such items.

3.9 Impairment

The carrying amounts of the Commission's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the income and expenditure account.

3.10 Investments

Investments with fixed or determinable payments and fixed maturity, that the Commission has the positive intent and ability to hold to maturity are classified as held to maturity investments and are carried at amortized cost. less impairment losses. Premium paid on purchase of investments is amortized using effective interest method.

3.11 Provisions

Provisions are recognized when the Commission has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.12 Financial instruments

Financial assets and financial liabilities are recognized when the Commission becomes a party to contractual provisions of the instrument. These are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value and amortized cost as the case may be. The Commission derecognizes financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments.

3.13 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand and bank balances.

Securities and Exchange Commission of Pakistan
Notes to the Financial Statements
For the year ended 30 June 2008

Property, plant and equipment

Statement of operating assets as of 30 June 2008 is as follows:

	Leasehold land	Building on leasehold land	Leasehold improvement	Other equipment	Office equipment	Computers	Furniture and fixtures	Vehicles	Total
RUPEES IN 000's									
Cost	2,053	33,213	22,502	-	23,034	109,095	22,216	93,379	305,492
Accumulated depreciation	-	(11,616)	(15,014)	-	(18,001)	(62,969)	(13,195)	(20,226)	(141,021)
Opening net book value as at 30 June 2007	2,053	21,597	7,488	-	5,033	46,126	9,021	73,153	164,471
Additions during the year	-	761	450	7,830	6,508	17,243	1,104	60,398	94,294
Transferred from capital work in progress	-	-	3,810	-	-	8,291	-	-	12,101
Disposals	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	(128)	(34)	-	(9,855)	(10,017)
Depreciation	-	-	-	-	128	34	-	6,628	6,790
Depreciation during the year	-	(1,682)	(2,374)	(998)	(3,817)	(27,555)	(2,281)	(23,247)	(61,954)
Closing net book value as at 30 June 2008	2,053	20,676	9,374	6,832	7,724	44,105	7,844	107,077	205,685
Cost	2,053	33,974	26,762	7,830	29,414	134,595	23,320	143,922	401,870
Accumulated depreciation	-	(13,298)	(17,388)	(998)	(21,690)	(90,490)	(15,476)	(36,845)	(196,185)
Net book value as at 30 June 2008	2,053	20,676	9,374	6,832	7,724	44,105	7,844	107,077	205,685
Depreciation rate (%) per annum	-	5%	20%	20%	30%	33.33%	10%	20%	

Statement of operating assets as of 30 June 2007 is as follows:

	Leasehold land	Building on leasehold land	Leasehold improvement	Office equipment	Computers	Furniture and fixtures	Vehicles	Total
RUPEES IN 000's								
Cost	2,053	33,213	14,840	19,961	83,371	22,020	46,554	222,012
Accumulated depreciation	-	(9,955)	(14,116)	(15,333)	(52,007)	(10,990)	(12,040)	(114,441)
Opening net book value as at 30 June 2006	2,053	23,258	724	4,628	31,364	11,030	34,514	107,571
Additions during the year	-	-	7,662	3,073	25,724	196	47,918	84,573
Disposals	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	(1,093)	(1,093)
Depreciation	-	-	-	-	-	-	1,073	1,073
Depreciation during the year	-	(1,661)	(898)	(2,668)	(10,962)	(2,205)	(9,259)	(27,653)
Closing net book value as at 30 June 2007	2,053	21,597	7,488	5,033	46,126	9,021	73,153	164,471
Cost	2,053	33,213	22,502	23,034	109,095	22,216	93,379	305,492
Accumulated depreciation	-	(11,616)	(15,014)	(18,001)	(62,969)	(13,195)	(20,226)	(141,021)
Net book value as at 30 June 2007	2,053	21,597	7,488	5,033	46,126	9,021	73,153	164,471
Depreciation rate (%) per annum	-	5%	20%	30%	20%	10%	20%	

Cost of property, plant and equipment includes fully depreciated office equipment, leasehold improvements, computers and vehicles of Rs. 17,657 thousand, Rs. 14,531 thousand, Rs. 72,114 thousand and Rs. 6,227 thousand (2007 : Rs. 11,996 thousand, 13,281 thousand, Rs. 52,265 thousand and Rs. 4,140 thousand) respectively that are still in use at the year end.

Securities and Exchange Commission of Pakistan
Notes to the Financial Statements
For the year ended 30 June 2008

		2008	2007
	Note	(Rupees '000)	
5. Capital work in progress			
Renovation of office premises		17,099	11,392
Development of software		4,600	11,050
		<u>21,699</u>	<u>22,442</u>
6. Long term investments - held to maturity			
Pakistan Investment Bonds	6.1	275,765	284,045
National Savings Account	6.2	2,799,645	1,800,000
		<u>3,075,410</u>	<u>2,084,045</u>
6.1 Pakistan Investment Bonds			
Face value		235,000	235,000
Unamortized premium		40,765	49,045
		<u>275,765</u>	<u>284,045</u>

These represent investment in ten year's Pakistan Investment Bonds (PIBs) having face value of Rs. 235 million. Profit is receivable semi-annually at the rates ranging between 9% to 12% per annum. Fair value of these PIBs at the year end was Rs. 217.180 million (2007 : Rs. 243.439 million).

		2008	2007
		(Rupees '000)	
6.2 National Savings Account			
Principal		2,625,000	1,800,000
Mark up reinvested		174,645	-
		<u>2,799,645</u>	<u>1,800,000</u>

This represents investment in special savings account under National Savings' scheme. This carries mark-up at the rate of 9% per annum and is receivable within 6 months and in case mark-up is not withdrawn it automatically stands reinvested and is added to the principal amount. Maturity period of this investment is three years and the Commission intends to hold the investment to maturity. Mark-up has been revised from 9% to 11% effective from 24 June 2008 on fresh investment and reinvestment. The Commission will be advising National Saving Centre to reinvest the mark-up accrued on next profit accrual date to gain maximum benefit of revised rates.

		2008	2007
		(Rupees '000)	
7. Long term loans to employees-secured, considered good			
Long term loans to employees		19,554	7,670
Less: Current portion of long term loans		(6,801)	(5,314)
		<u>12,753</u>	<u>2,356</u>

These represent loans given to employees' and commissioners' for various purposes as per employment terms. These are secured against retirement benefits and respective asset. These loans carry mark-up at 9% per annum except for house repair and purchase which carry mark-up at 4.5% per annum. Principal is recoverable on a monthly basis and mark-up after complete recovery of principal.

		2008	2007
	Note	(Rupees '000)	
8. Advances, deposits, prepayments and other receivables			
Current portion of long term loans to employees-considered good		6,801	5,314
Short term loans to employees - secured, considered good	8.1	8,688	1,314
Advances		15,598	31,879
Deposits		2,806	2,578
Prepayments		7,378	6,962
Advance tax - net		18,019	11,965
Fee receivable - considered good		14,953	19,663
Receivable against projects-considered good		11,154	4,439
Mark up receivable on long term investments		69,587	20,801
Mark up receivable on short term investments		-	31,848
Mark up receivable on loans to employees		486	357
Other receivables - considered good	8.2	103,650	4,098
		<u>259,120</u>	<u>141,218</u>

Securities and Exchange Commission of Pakistan
Notes to the Financial Statements
For the year ended 30 June 2008

8.1 This represents house rent advance and miscellaneous loans given to employees which does not carry mark-up. Principal is recoverable/adjustable on a monthly basis and mark-up after complete recovery of principal.

8.2 This includes Rs. 100 million (under lien) lying with Zarai Taraqiati Bank Limited ("ZTBL") in consequence of a fraudulent transfer of this amount by one of the employees (under suspension) of the Commission to the credit of his wife's personal account maintained with ZTBL. As a result of persistent and strenuous efforts of the Commission by approaching State Bank of Pakistan, National Accountability Bureau, ZTBL and the court of law, this amount was subsequently received back from ZTBL and credited to the Commission's bank account on 18th October 2008 on court's intervention, which instructed ZTBL to return the money through its order passed on 25th September 2008.

9. Short term investments - held to maturity

These represent investments in Term Deposit Receipts placed with different banks for a period of three months. Profit was receivable on maturity at rates ranging between 8.15% to 9.75% per annum. These investments were encashed during the year.

		2008	2007
	Note	(Rupees '000)	
10. Cash and bank balances			
Cash in hand		24	4
Cash at bank on:			
- current accounts	10.1	(15,480)	(8,534)
- deposit accounts		77,948	112,816
		<u>62,468</u>	<u>104,282</u>
		<u>62,492</u>	<u>104,286</u>

10.1 This represents excess amount of cheques drawn over available balance in the bank account.

11. Accrued and other liabilities

Accrued expenses		32,191	22,844
Bonus payable		38,714	15,140
Accounts payable		13,791	31
Withholding tax payable		4,010	141
Payable to staff retirement funds	11.1	85,027	6,525
Unearned income	11.2	13,546	3,601
Fee refundable		3,500	-
Provident fund payable		5,298	51
Other liabilities		13,413	8,198
		<u>209,490</u>	<u>56,531</u>

Securities and Exchange Commission of Pakistan
Notes to the Financial Statements
For the year ended 30 June 2008

	Note	2008 (Rupees '000)	2007
11.1 Payable to staff retirement funds			
Pension fund	11.1.1	62,526	4,168
Gratuity fund	11.1.2	22,501	2,357
		<u>85,027</u>	<u>6,525</u>
11.1.1 Pension fund			
<i>Reconciliation of the amount recognized in balance sheet is as follows:</i>			
Net present value of defined benefit obligation		231,831	147,480
Fair value of plan assets		(75,230)	(86,886)
Deficit in the fund		156,601	60,594
Net unrecognized actuarial losses		(94,075)	(56,426)
Net liability recognized in the balance sheet		<u>62,526</u>	<u>4,168</u>
<i>Movement in net liability recognized</i>			
Opening net liability		4,168	21,972
Expense for the year		69,027	24,502
Payments during the year		(10,669)	(42,306)
Closing net liability		<u>62,526</u>	<u>4,168</u>
<i>Charge for the year</i>			
Current service cost		10,089	18,521
Past service cost (For employees' opted out of the scheme)		47,863	
Interest cost		21,315	18,047
Expected return on plan assets		(8,689)	(6,080)
Interest on transferable amount		(6,567)	(7,086)
Actuarial loss recognized		<u>5,016</u>	<u>1,100</u>
		<u>69,027</u>	<u>24,502</u>
11.1.2 Gratuity fund			
<i>Reconciliation of the amount recognized in balance sheet is as follows:</i>			
Present value of defined benefit obligation		91,305	70,145
Fair value of plan assets		(33,444)	(35,356)
Deficit in the fund		57,861	34,789
Net unrecognized actuarial losses		(35,360)	(32,432)
Net liability recognized in the balance sheet		<u>22,501</u>	<u>2,357</u>
<i>Movement in net liability recognized</i>			
Opening net liability		2,357	7,300
Expense for the year		24,560	16,265
Payments during the year		(4,416)	(21,208)
Closing net liability		<u>22,501</u>	<u>2,357</u>
<i>Charge for the year</i>			
Current service cost		17,564	14,197
Interest cost		6,846	4,021
Expected return on plan assets		(3,481)	(2,512)
Actuarial losses recognized		3,631	459
Recognized transitional asset		-	100
		<u>24,560</u>	<u>16,265</u>

Securities and Exchange Commission of Pakistan
Notes to the Financial Statements
For the year ended 30 June 2008

	Historical information	2008	2007	2006 (Rupees '000)	2005	2004
Present value of the defined benefit obligation		323,136	217,625	149,821	117,905	93,258
Fair value of plan assets		(108,674)	(122,242)	(85,913)	(85,537)	(31,556)
Deficit in the plan		<u>(214,462)</u>	<u>(95,383)</u>	<u>(63,908)</u>	<u>(32,368)</u>	<u>(61,702)</u>
Assumption regarding future mortality are based on EFU 1961-66 ultimate mortality tables. As per the actuary this is the latest data available in the country and it is being used for most actuarial calculations.						
11.2	This represents amount received in advance from companies for various transactions under Companies Ordinance, 1984.					
				2008 (Rupees '000)	2007	
12. Deferred tax liability						
Taxable temporary difference						
Excess of accounting book value of fixed assets over their tax base				<u>1,476</u>	-	
13.	This represents the Commission's liability towards employees' compensated absences which is payable at the time of separation of eligible employees.					
				Note	2008 (Rupees '000)	2007
14. Deferred grant				14.1		
Opening balance					2,211	2,486
Less depreciation for the year					<u>275</u>	<u>275</u>
					<u>1,936</u>	<u>2,211</u>
14.1	This represents the grant related to assets received from dissolved Corporate Law Authority. re-appropriation of funds by GOP and technical assistance from Asian Development Bank. The depreciation for the year on these assets is adjusted from deferred grant.					
					2008 (Rupees '000)	2007
15. Funds						
General reserve					800,000	800,000
Assets (land and building) acquisition reserve					2,600,000	1,800,000
Surplus of income over expenditure					<u>2,516</u>	<u>270,637</u>
					<u>3,402,516</u>	<u>2,870,637</u>
16. Contingencies and commitment						
16.1 Contingencies						
Certain parties have filed suits against the Commission in respect of punitive damages out of which Rs. 100 million, Rs. 1.4 million and Rs. 1,000 million relate to damages claimed by M/s Biznas.Com Pakistan (Pvt) Limited, Shahmir Solangi and Nadeem Ahmed Khan respectively. The Commission is hopeful that there will be no financial impact of these cases as there is no possibility of decision of these cases against the Commission.						
Further, the Commission has been made party in various cases against which it believes that the outcome of these cases would not result any exposure on the Commission.						
16.2 Commitment						
Aggregate commitment for contracted capital expenditure at end of the year amounted to Rs. 59,416 million. (2007 : Rs. 86,408 million).						

Securities and Exchange Commission of Pakistan
Notes to the Financial Statements
For the year ended 30 June 2008

	2008 (Rupees '000)	2007
17. Fees and other recoveries		
Fees under Companies Ordinance, 1984	840,829	736,746
Fees under Modaraba Ordinance, 1980	5,270	1,234
Fees under Insurance Ordinance, 2000	59,689	49,573
Fees on transactions executed at stock exchanges and other companies	289,379	243,612
Brokers' registration fees	4,431	3,897
Fee from Non Banking Finance Companies	239,428	181,861
	<u>1,439,026</u>	<u>1,216,923</u>
18. Other income		
Income on bank deposits	3,965	9,354
Income on long term investments	218,326	25,300
Income on short term investments	21,637	157,006
Interest on loans to employees	595	653
Other income	378	195
Gain on sale of property, plant and equipment	3,374	164
	<u>248,275</u>	<u>192,672</u>
19. Salaries, allowances and other benefits		
Salaries	193,380	152,581
House rent allowance	114,383	90,910
Medical allowance	25,223	18,877
Conveyance allowance	9,828	10,794
Utilities	19,028	15,190
Other allowance	56,100	37,891
Pension	69,027	24,502
Provident fund contribution	14,296	6,695
Gratuity	24,560	16,265
Leave encashment and allowance	16,278	13,578
	<u>542,103</u>	<u>387,283</u>
20. Operating expenses		
Repairs and maintenance	28,288	14,366
Traveling and conveyance	53,602	38,653
Telephone, postage and courier	27,532	20,405
Utilities	10,022	6,597
Rent and rates	49,224	45,644
Printing and stationery	21,444	8,816
Legal and professional charges	17,866	11,605
Fees and subscription	3,648	2,754
Human resource development	16,888	7,154
Seminars and conference	971	2,030
Inspection cost	5,416	64,678
Insurance	4,736	2,392
Advertisement	10,687	4,378
Entertainment	769	1,498
Audit fee	200	200
Others	4,606	7,067
	<u>255,899</u>	<u>238,237</u>

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Notes to the Financial Statements
For the year ended 30 June 2008

	Note	2008 (Rupees '000)	2007
21. Taxation			
Current	21.1	284,920	-
Deferred		1,476	-
		<u>286,396</u>	<u>-</u>

21.1 This represents provision for current tax at the rate of 35% according to the newly inserted section 49(4) in the Income Tax Ordinance, 2001 through Finance Act 2007. The following is the relationship between the tax charge and surplus income for the year ended 30 June 2008:

	2008
	(Rupees '000)
Surplus of income over expenditure	818,275
Applicable tax rate	35%
Income tax at applicable rate	<u>286,396</u>

21.2 The Commission has been brought under tax net effective 01 July 2007 consequent to the insertion of sub-section (4) to section 49 of the Income tax Ordinance, 2001 through Finance Act, 2007. Previously, the Commission was not subjected to income tax.

The tax authorities have issued notices to the Commission for filing of return of total income for the year 2003 onwards. As per estimated workings, tax incidence for these years will be approximately Rs. 900 million. The Commission is contesting this through a writ petition in Islamabad High Court on the grounds that since sub-section (4) to section 49 was inserted in the Income Tax Ordinance in 2007 only, this cannot be applied retrospectively. The Commission believes that the retrospective application of section 49(4) by ITO is without any legal authority; accordingly no tax demand for prior years will materialize. The Islamabad High Court has admitted the writ petition for hearing and granted a stay against any adverse action of ITO while issuing notice to him for responding.

Securities and Exchange Commission of Pakistan
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22. Financial instruments and related disclosures

22.1 Interest rate risk exposure

The Commission's exposure to interest rate risk on its financial assets and liabilities are summarized as follows: -

FINANCIAL INSTRUMENTS	Interest bearing				Non interest bearing	
	Due within one year		Due after one year			
	2008	2007	2008	2007	2008	2007
	(Rupees '000)					
Financial Assets						
Long term investments	-	-	3,075,410	2,084,045	-	-
Long term loans to employees	3,286	5,314	10,650	2,356	5,618	1,314
Advances and other receivables	-	-	-	-	229,343	97,063
Short term investments	-	436,257	-	-	-	-
Cash and bank balances	77,948	112,816	-	-	(15,456)	(8,530)
Total	81,234	554,387	3,086,060	2,086,401	219,505	89,847
Financial Liabilities						
Accrued and other liabilities	-	-	-	-	110,917	46,405
Total	-	-	-	-	110,917	46,405
Excess of financial assets over financial liabilities	81,234	554,387	3,086,060	2,086,401	108,588	43,442

22.2 Credit risk

The Commission believes that it is not exposed to major concentration of credit risk.

22.3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Commission believes that it is not materially exposed to foreign exchange risk.

22.4 Fair value of financial assets

The carrying amount of all financial instruments reflected in the financial statements approximate their fair value except for long-term investments as stated in note 6.

23. Fund management

Policy board monitors the Commission's performance along with fund required for sustainable operations of the Commission. There were no changes to the Commission's approach to the fund management during the year. The Commission is not subject to externally imposed fund requirements.

Securities and Exchange Commission of Pakistan
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24. Administered projects

24.1 Banking Sector Technical Assistance Project - Anti Money Laundering

The World Bank approved technical assistance for banking sector reforms (TABS) to the State Bank of Pakistan (SBP) under Development Credit Agreement. SBP is the executing agency for the said program and one of the components of program, Anti Money Laundering/ Financial Fraud, has been assigned to the Commission. An amount of US\$ 350,000 (approximately equivalent to Rs. 23,800,000) has been allocated for this component and out of this, a sum of Rs. 9,941,626 (approximately equivalent to US\$ 146,200) has been expended upto 30 June 2008. An amount of Rs. 7,453,721 (approximately equivalent to US\$ 109,614) is receivable from the World Bank on account of short recovery of funds. The project completion date has been extended to December 2008.

24.2 Capacity Building for Capital Market Development and Corporate Governance

Asian Development Bank has provided technical assistance under which Asian Development Bank has to provide US\$ 635,000 (approximately equivalent to Rs. 43,180,000) and Government of Pakistan has to provide US\$ 1.4 million (approximately equivalent to Rs. 95,200,000) for Capacity Building for Capital Market Development and Corporate Governance. Out of this, a sum of Rs. 96,552,720 (approximately equivalent to US\$ 1,419,893) has been expended upto 30 June 2007. An amount of Rs. 995,008 (approximately equivalent to US\$ 14,632) is receivable from ADB on account of short recovery of funds. The project completed on 30 June 2007.

24.3 Capacity Building of the Commission

The World Bank approved a grant of US \$ 454,000 (approximately equivalent to Rs. 30,872,000) to the Commission under Institutional Development Fund. The Commission will contribute US \$ 25,000 (approximately equivalent to Rs. 1,700,000) in cash and provide support, mainly in terms of office space, research support, key personnel and other logistic support to the project. The objectives of this grant are to strengthen the Commission's abilities to build a facilitative and cohesive legal framework and develop independent and high quality professional service providers. A sum of Rs. 11,686,421 (approximately equivalent to US\$ 171,859) has been expended upto 30 June 2008. The project will be completed by the end of September 2008.

25. Related party transactions

The Commission operates in an economic regime currently dominated by entities directly or indirectly controlled by the Government of Pakistan ("State-controlled entities") through its government authorities, agencies, affiliates and other organisations. Transactions with these state-controlled entities are not very significant and hence impracticable to quantify for disclosure in these financial statements.

26. General

26.1 Figures have been rounded off to the nearest thousand of rupee.

Razwan Latuman Laras
CHAIRMAN

Shamir
COMMISSIONER



5

STAKEHOLDER CONSULTATIONS ON REFORMS

STAKEHOLDER CONSULTATIONS ON REFORMS

5.1 Regulatory issues

5.1.1 Revision of the Companies (Issue of Capital) Rules, 1996

The Companies (Issue of Capital) Rules, 1996 (the CI Rules) notified on February 10, 1996 vide SRO 110(I)/96 dated February 8, 1996 mainly contain a set of requirements and procedures for compliance by the companies and offerers at the time of issue/offer of shares to the general public, issue of right shares, bonus shares and issue of shares for consideration otherwise than in cash. Since their notification, no amendments had been carried out in the CI Rules.

Pursuant to the amendments in the listing regulations of KSE, LSE and ISE for issue/offer of shares through book building process it was felt necessary to make certain amendments in the CI Rules. The purpose of these amendments is to streamline the book building process as some of the requirements and procedures of the CI Rules are superfluous and irrelevant to the issue/offer of shares through book building process.

While reviewing the CI Rules, the difficulties reported by the issuers from time to time in compliance with various requirements of the CI Rules have also been addressed through the proposed amendments. The amended Rules were circulated among various stakeholders and their input was considered.

5.1.2 Formulation of the Listed Companies Substantial Acquisition of Voting Shares and Takeovers) Regulations 2008

The Listed Companies (Substantial Acquisition

of Voting Shares and Takeovers) Ordinance, 2002 (Takeovers Ordinance) seeks to provide a fair, transparent and efficient system for acquisition of substantial voting shares and takeovers of listed companies in the interest of all investors.

Recently, the Takeovers Ordinance was amended through the Finance Act, 2008 and in terms of the newly inserted section 29-A, the Commission has been given the power to prescribe regulations for carrying out the purposes of the Ordinance. In exercise of these powers, the Commission has formulated the Listed Companies Substantial Acquisition of Voting Shares and Takeovers) Regulations 2008. These regulations were circulated among various stakeholders and draft regulations were also published in the official gazette for eliciting general public opinion. The Regulations were then finalized in light of comments received from various stakeholders.

5.1.3 Mutual Funds

The Commission in its efforts toward developing the capital market of Pakistan, has been in constant dialogue with the Mutual Funds Association of Pakistan (MUFAP). During the financial year 2007-2008, the Commission liaised with MUFAP with respect to the following:

5.1.3.1 Certification of Independent (third party) Mutual Fund Distributors

In this regard, MUFAP's perspective was solicited with respect to regulation and disclosure requirements of independent (third party) Mutual Fund distributors.

5.1.3.2 Evolution of an Islamic Equity Index

Due to absence of an Islamic equity index in the

country, MUFAP was requested to evolve an Islamic equity index in consultation with the Stock Exchange that can be used as an equitable yardstick for performance comparison.

5.1.3.3 Mutual Fund Regulations

During the year, MUFAP representatives held various meetings to discuss the NBFC Regulations especially pertaining to the treatment of closed-end schemes (cancellation, conversion to open-end or winding up), distribution of unrealized gains and pricing mechanism in mutual funds.

5.1.3.4 Ranking of Mutual Funds

MUFAP's views were solicited for commencing the practice of mandating the requirement for the asset management companies to furnish credit and other risk-related information to the rating agencies to enable them to fairly assess mutual funds' performance and assign rankings accordingly

5.1.4 Modaraba Companies & Modarabas

The Registrar (Modarabas), in consultation with the Modaraba Association of Pakistan (MAP), has formulated and finalized a list of restrictive business activities for Modarabas which will be self-imposed by the members for indulgence in such business activities may expose the Modarabas to credit/market/operational risk against the interest of the certificate holders.

5.1.5 Stakeholders Consultation on Insurance

(i) Takaful companies' representatives, a nominee of Institute of Chartered Accountants of Pakistan (ICAP) and a shariah scholar (conversant with the Insurance/Takaful business) were included in a Committee, which assisted the consultants appointed by the Commission for reviewing the Takaful Rules 2005.

(ii) A well represented committee comprising

Chairman - Insurance Association of Pakistan (IAP), President – Pakistan Banks' Association (PBA), President – Pakistan Society of Actuaries (PSoA) also Chairman of ICAP's sub-Committee on Insurance and a senior practicing actuary was constituted, which deliberated and finalized its recommendations for modifying/amending the solvency related rules including criteria for admissibility of assets, and reporting on solvency by insurers and takaful companies.

(iii) A committee comprising nominees of PBA and IAP has been engaged in developing guidelines for managing insurance/takaful business routed through banks (in their role as corporate agent – Bancassurance).

(iv) For adoption of International Financial Reporting Standards 4 Insurance Contracts (IFRS 4), SECP's nominee has participated in ICAP's meetings and prior to its implementation the Commission has sought views of IAP.

5.2 Developmental Issues

5.2.1 Issue of shares through Book Building

The Commission has introduced the Book Building Process in Initial Public Offer (IPO) through amendments in the listing regulations of the Stock Exchanges.

Book Building is a capital issuance process used in IPO which aids price and demand discovery. It is a process used for marketing a public offer of equity shares of a company. In the Book Building Process since the price of shares is determined on the basis of market demand, the chances of over/under pricing are minimized. Further, the issuer company has the option to withdraw from the market if the demand for the security does not exist.

The draft Book Building Regulations were circulated among various stakeholders and a meeting with was also held. Input received was

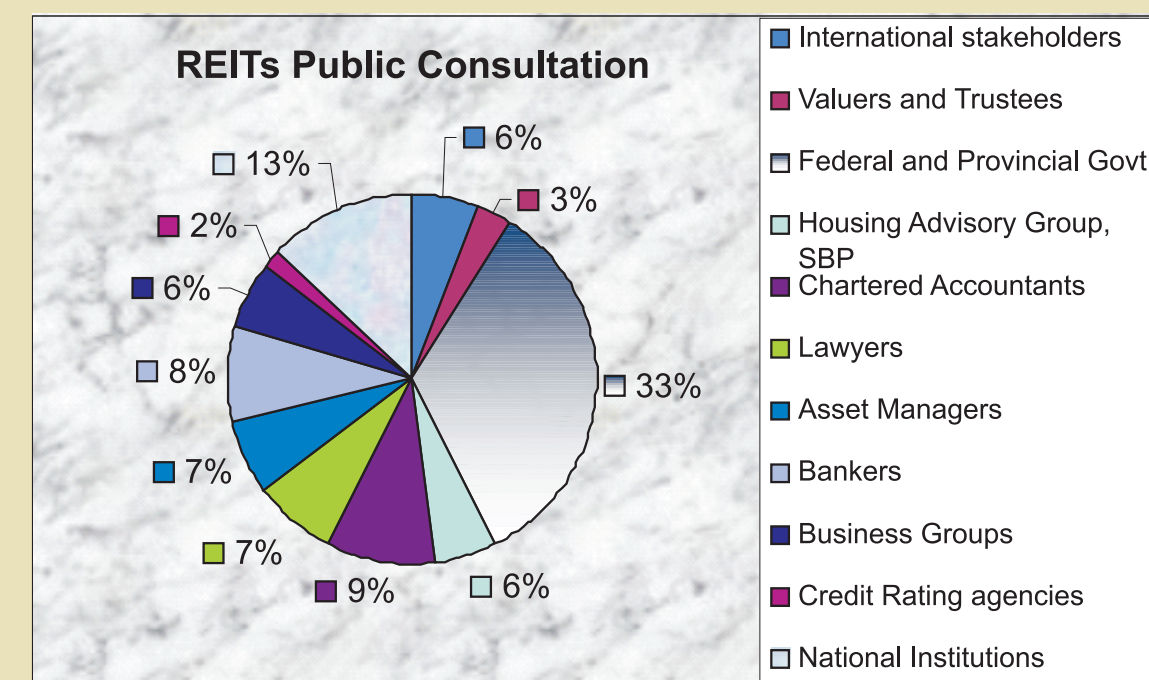
taken into consideration before finalizing the Book Building Process.

5.2.2 REITs, PE&VCF

The Commission adopted a consultative approach while drafting the regulatory framework for the Real Estate investment Trusts (REITs) and Private Equity and Venture Capital Fund (PE&VCF) Regulations. The consultative process stretched over a period of 2 years and a number of meetings were held

process. The draft final regulations were again presented for a limited consultative review and this resulted in the final regulations.

The draft REITs regulations were placed on the Commission's website on 26th July, 2007 and were open to public comments. Two consultative meetings were arranged in Karachi and Lahore on 9th August, 2007 and 29th August, 2007, respectively. More than 60 people attended these meetings. For REITs a diverse



with the eminent professionals from a wide array of expertise. To seek comments from the business community and facilitate their participation, seminars and meetings were conducted in Lahore, Karachi and Islamabad.

The first round of the consultative process resulted in the accumulation of suggestions on the draft REITs and PE&VCF Regulations. All of these suggestions were given due consideration and at occasions, detailed meetings were held to discuss issues. In the second phase necessary changes were made in the regulations as a consequence of this

group of people was invited to comment keeping in view the complicated nature of the product. Engineers, Valuers, Bankers, Overseas Investors, Contractors, Real Estate Brokers and Developers were invited in addition to eminent Businessmen to discuss their concerns with the Commission's representatives. In addition to these separate meetings were arranged in Islamabad with valuers and prospective trustees. Several meetings were held with the provincial governments for removal of fiscal and legal impediments (largely including reduction in costs such as stamp duties,



registration fees, commercialization fees and creation of enabling tenancy laws). The graph above shows the break up of participation by different groups.

For PE&VCF a comprehensive consultative process was initiated about two years back which included extensive dialogue with all stakeholders. During this process, six focused meetings were conducted which included one full day session in Karachi, under the auspices of CIPE and another one was conducted by the Commission. The comments that were received by the Commission on the draft regulations placed on the Commission's website, in August 2007 included comments from domestic as well as international stakeholders.

5.2.3 Bogus Insurance Certificates

A comprehensive proposal to eliminate illegal practice of issuance of bogus motor third party compulsory insurance certificates by unauthorized persons/entities was agreed after detailed deliberations with the IAP.

5.3 Investor Protection

5.3.1 Revision of the shares application form and balloting procedure.

The existing forms for subscription of shares and Term Finance Certificates (TFCs) being too compressed and having little space for inserting particulars of the applicants, have been revised to cater for the difficulties faced by the investors, the balloters to the Issue and other stakeholders.

Further, in order to curtail the menace of making fictitious & multiple applications (more than one applications in the name of same person) for subscription of shares, the existing procedure for scrutiny of shares subscription applications has been reviewed and it has been decided that in all future issues of shares, pre-ballot scrutiny shall be conducted. The

commercial banks acting as bankers to the Issue have already been requested to provide to the Issuers/Balloters to the Issue some specific data in soft form.

The application form for subscription of shares and the procedure for ballot was approved after due consultation with the stakeholders.

5.3.2 Occupational Savings Schemes

While the Pension Funds under the Voluntary Pension System have started to receive contributions from the participants, the Commission has realized that there was a considerable scope of work towards improvement of regulatory/ supervisory structure of occupational savings/pension schemes in the country. The Commission understood that reforming such schemes, which had huge funds at their disposal, would add to the social security and financial stability of the country. In this connection, the Commission arranged a workshop during the year, on occupational savings schemes for stakeholders to gather useful ideas and suggestions for development of professional management of occupational savings schemes. This was followed by an amendment in the SECP Act to bring clarity to the Commission's Pensions' mandate.

5.4 Governance

PICG collaborated with the Centre for International Private Enterprise (CIPE) and the Institute of Chartered Accountants of Pakistan (ICAP) to create a Focus Group to deliberate and develop guidelines on governance issues in family-owned businesses.

The Survey on Corporate Governance Practices in Pakistan that was jointly commissioned with IFC & the Commission in October 2006 was concluded during the year and the final report was published in November 2007. The survey targeted 371 organizations and it provides a

baseline of current practices on which to focus corporate governance reforms. PICG had since put together a Task Force comprising of experienced corporate governance

professionals to lead this reform process and till date the Task Force has had twelve meetings.



6

DEVELOPMENT OF REGULATORY LAWS

DEVELOPMENT OF REGULATORY LAWS

6.1 Securities Market

6.1.1 Book Building Process

In order to facilitate the issuers/offers of shares to get fair price for their shares issued/offered, the Commission introduced Book Building Process by making it as part of the listing regulations of the Stock Exchanges. These were made in accordance with the international best practices and standards.

Book Building is a common practice followed in most of the developed countries as well as several developing countries. It minimizes the chances of over/under pricing since the price of shares is determined on the basis of market demand. The issuer company also has the option to withdraw from the market if the demand for the shares is below expectation or does not exist.

6.1.2 Other Rules/Regulations

Further, the following Rules/Regulations have been drafted:

- (i) balloters and Securities Registrars Rules;
- (ii) underwriter (Registration and Regulation) Rules;
- (iii) bankers to an Issue Regulations;
- (iv) debenture Trustee Regulations;
- (v) listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations;

These would be notified after necessary review and due deliberation by the Commission.

6.1.3 Revision of Guidelines

The following Guidelines are under review and requisite amendments will be made in the same:

- (i) guidelines for Issue of Term Finance Certificates to the General Public;
- (ii) guidelines for Issue of Commercial Papers;
- (iii) guidelines for preparation of prospectus;

6.2 Amendments in the Companies Ordinance, 1984

Following amendments were made in the Companies Ordinance, 1984 through the Finance Act, 2008:

- Increasing the time limit for holding Annual General Meeting (AGM) from three months to four months following the closure of company's financial year, to provide adequate time limit. Penal provision for default in compliance has also been made more rigorous by raising the minimum fine from Rs. 20,000 to Rs. 50,000 and maximum from Rs. 50,000 to Rs. 500,000 in case of listed companies while from Rs. 10,000 to Rs. 100,000 for other companies.
- A consequential amendment has also been made by increasing the interval between the date of the financial statements and laying thereof at the AGM, prepared upto a date not earlier than the date of the meeting by more than four months instead of previous three months.
- According to the previous provisions,

every company was required to send a copy of the audited financial statements along with the auditor's report and the director's report to every member of the company at least 21 days before the AGM. However, an amendment has been made in this provision requiring that these documents shall now be sent in the form and manner specified by the Commission. The purpose of this amendment is to encourage the companies to file/send each document through electronic mode.

- Earlier, listed companies were required to make payment of dividend to the shareholders within 45 days of the date of its declaration and other companies within 30 days. Now, the powers to specify time period for the payment of dividend have been given to the Commission.

6.3 Amendments in Regulatory Laws of Non-Banking Finance Companies (NBFCs)

6.3.1 Amendment in the NBFC Rules and Introduction of NBFC Regulations

The Commission in an effort to strengthen the regulatory framework, reviewed the existing Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Regulations), after consulting all the stakeholders in light of international best practices. Also, the operational matters governing the mutual funds, investment finance services, leasing & housing finance services have been segregated from the NBFC Rules and brought under the umbrella of the Regulations to provide more clarity.

6.3.2 Enhanced Equity Requirements

The equity requirement for the asset management companies and investment

advisers has been raised. The existing companies have been given ample time to raise their equity to the new levels.

6.3.3 Introduction of Fit and Proper Criteria:

The Commission has introduced fit and proper criteria for the promoters, sponsors, investors acquiring strategic control/major stake in an asset management company, and for directors, chief executive officer and key executive of the asset management companies to promote the orderly growth of mutual fund industry and to ensure that only persons having honesty, integrity, good reputation & track record, financially sound, competent, capable should join the mutual fund industry.

6.4 Development of Regulatory Laws for Voluntary Pension Schemes (VPS)

After the establishment of the initial products under the Commission shall also develop a system for regulation of occupational saving schemes in the country. To brainstorm the way forward, a workshop on occupational savings was organized by the Commission during the year attracted a number of leading figures representing asset managers, actuaries and employers having considerable experience of occupational savings schemes. The workshop produced a number of positive ideas and suggestions. After the workshop, a survey, being first initiative of its kind, of existing Occupational Savings Schemes covering Pension, Gratuity and Provident funds with the listed companies, was conducted to collate information as to size, characteristics and operations of such arrangements. The survey results revealed that the total fund size, with the listed companies, under the heads gratuity, provident funds and superannuation funds

approved by FBR, was Rs. 242 billion. Lately, an amendment in the SECP Act, has been made through the Finance Act, 2008, to include the regulation of the Occupational Savings schemes in the the Commission's mandate. As FBR recognizes the occupational savings arrangements for tax purposes as well as renews such arrangements on an annual basis, their input shall also be obtained before legislation, taking in to account the attributes and variants of occupational savings schemes, could take place, in the form of laws/rules/regulations/guidelines, supported by the necessary resources and infrastructure.

6.5 Development of Regulatory Laws of REITs'

The Commission is presently working on draft regulations for Private Equity and Venture Capital funds. In this regard comments from different stakeholders have been received and reviewed and a final draft has been prepared for consideration and approval of the Commission.

6.6 Amendments in Regulatory Laws for Modarabas

6.6.1 Amendments in Prudential Regulations for Modarabas

A "Fit and Proper Criteria" for the CEO, Directors, CFO, COO, Company Secretary, Internal Auditor or Compliance Officer and other Key Executives was introduced through an amendment in the Prudential Regulations for Modarabas.

6.6.2 Model Islamic Financing Agreements

The SECP and the Modaraba Association of Pakistan (MAP) put their efforts together to provide impetus to the Modaraba Sector and

finalize twelve model Islamic financing agreements so as to bring Modarabas at a level-playing field with those in vogue and launched by the Islamic Commercial Banks as well as with other financial institutions in the financial sector.

In March, 2008 twelve new model financing agreements were presented to the Religious Board for Modarabas for certification. The Religious Board has certified the agreements as Shariah Compliant. They can be modified to the extent that they do not affect the substance of the principles of Shariah. These agreements are, in essence, alternatives to the interest-based form of financing.

Following are the approved model Islamic financing agreements vetted by the Religious Board:

- Ijarah (Leasing)
- Istisna
- Modaraba
- Musawamah
- Musharakah (Partnership Financing)
- Murabaha (Cost-plus Financing)
- Salam (Trade Finance)
- Diminishing Musharaka Agreement
- Syndicate Modaraba
- Syndicate Musharakah
- Islamic CFS Murabaha
- Sukuk (Islamic Bonds)

6.6.3 Draft Regulations on Islamic Financial Services (Non-Banking) Companies (IFSCs)

A regulatory framework has been drafted for companies offering Islamic financial services (Non-Banking) Companies (IFSCs) and the Certification for Shariah Complaint Companies. This will regulate all financial sector companies

under the domain of the Commission and any other company (non-financial/manufacturing) under its mandate which seeks to call itself a 'Shariah Compliant Company'.

6.7 Amendments in Regulatory Framework affecting Stock Exchanges

6.7.1 Regulations Governing Cash-Settled Futures Contracts (CSF)

In order to provide investors with diversified trading instruments and to introduce alternative derivative products in line with international best practices, the Commission on September 28, 2007 approved Regulations Governing Cash-Settled Futures Contracts for ISE. Moreover, for the purpose of making the CSF a commercially viable product and facilitating market participants in the CSF Market, the Commission approved further amendments in these Regulations during the period under review.

6.7.2 Regulations Governing Stock Index Futures Contract (SIFC)

In order to facilitate trading in Stock Index Futures Contracts the Commission approved Regulations Governing Stock Index Futures Contract for the KSE. The SIFC Market based on the KSE-30 Free Float Index was launched at KSE on March 03, 2008.

6.7.3 Amendments in Regulations Governing Futures Contracts

During the year under consideration, various amendments were made in the Regulations Governing Futures Contract of the stock exchanges. These inter-alia include the following:

- (i) Further strengthening of reporting,

monitoring and regulatory requirements pertaining to Short Sale in Deliverable Futures Contracts.

- (ii) Rationalization of the Regulations Governing Deliverable Futures Contracts with existing Risk Management Framework in April 2008.

6.7.4 Amendments in Listing Regulations of LSE with regard to Defaulters' Counter

The Commission had advised LSE to devise a mechanism for effectively addressing irregularities/ defaults committed by the listed companies in relation to requirements laid down in the Listing Regulations of the Exchange. In view of the same, the Commission on August 29, 2007 accorded approval for amendments in LSE's Listing Regulations for the purpose of establishment of a Defaulters' Counter on which companies in violation of the requirements of the Listing Regulations can be placed until the cause of default is removed.

6.7.5 Amendments in the General Regulations of the Stock Exchanges

(i) Arbitration Procedure

For the purpose of streamlining the arbitration procedure at the stock exchanges' level for removing any possible conflict of interest during the arbitration proceedings, the Commission granted approval for amendments in General Regulations of the stock exchanges. These Regulations now provide for the constitution of a Panel of Experts consisting of non-member arbitrators.

(ii) Manner of Confirmation of Orders of the Investors by the Brokers of the Stock Exchanges

The Commission had earlier approved amendments in KSE and LSE General Regulations for bringing the same in line with

the provisions of the Securities and Exchange Rules, 1971 relating to the manner of confirmation of trade orders of the investors by the brokers. For ensuring enhanced transparency and reducing disputes between brokers and clients the Commission also approved similar amendments in the General Regulations of the ISE.

(iii) Standardized Account Opening Form (SAOF)

Various amendments were carried out in the SAOF forming part of the General Regulations of the Stock Exchanges for enhancing traceability of trade transactions by inclusion of banking channels, segregation of client's bank account from the brokers account, proper maintenance of orders through maintaining a time record of fax/ emails of order confirmation and effective record-keeping of orders by recording them on dedicated telephone lines and sorting them on UIN basis.

6.7.6 Regulations Governing Members' Office(s) for Conducting the Business and Trading of Shares and Securities within/outside Building

For the purpose of increased investor protection and promoting equity investment in the country, the Commission finalized and approved Regulations Governing "Members' Office(s)/Branch office(s) for Conducting the Business and Trading of Shares & Securities Within/Outside the Stock Exchange Building"

6.7.7 Regulations Governing Over the Counter Market at ISE and LSE

Over the past few years, efforts have been underway for introducing the concept of OTC market to provide investors with an efficient and transparent source of investment besides encouraging enterprising promoters to set up new industries or expand their existing

enterprises by raising finance in a cost-effective way through listing on OTC market. On April 18, 2008 and June 18, 2008 the Commission granted approval to the ISE and LSE for providing the requisite regulatory cover for establishment of the OTC Market at these stock exchanges.

6.7.8 Amendments in Regulatory Framework of the Stock Exchanges with regard to Tick Size

For the purpose of better price discovery and more efficient order execution the regulatory framework of the exchanges namely the Automated Trading Regulations of the stock exchanges and Regulations Governing Cash-Settled Futures Contract were amended to effect reduction in tick size from 5 paisas to 1 paisa.

6.7.9 Amendments in NCCPL Regulations, 2003

(i) Implementation of Financial Institution Margining System

Significant number of trades executed by members on the stock exchanges of the country emanate from Financial Institutions. Up till recently, the members were faced with the additional burden of depositing margins on behalf of these financial institutions (FIs), together with utilization of their capital adequacy in respect of such trades.

Since there was no provision within the existing regulations of the Exchange or NCCPL to collect margins directly from FIs, it was decided to develop a mechanism which shall enable collection of margins directly from non-member institutions dealing through a member of an exchange.

The Commission in October 2007 approved amendments in the NCCPL Regulations, 2003 to provide for Financial Institution (FI) Margining

System. The system, launched in November 2007, facilitates payment of margins by financial institutions directly to NCCPL for all their trading activities.

(ii) Settlement of Odd Lot Market Trades through NCCPL

In order to ensure the timely settlement of Odd-Lot Market trades, the Commission approved amendments in the NCCPL Regulations for the settlement of Odd-Lot Market Trades through NCCPL.

(iii) Daily Collection and Disbursement of Mark-to-Market (MTM) Losses/ Profits in Deliverable Futures Market (DFM)

In order to streamline the collection and disbursement of MTM losses/ profits in the Deliverable Futures Market, the Commission approved amendments in NCCPL Regulations to enable NCCPL to collect and disburse MTM Losses/ Profits in the Deliverable Futures Market.

6.7.10 Amendments in Regulations Governing System Audit of Brokers

In order to broaden the scope of System Audit of Brokers and to enable effective controls on brokers, the following areas were included in the scope of System Audit of Brokers in February 2008:

- Prohibition of In-House Badla.
- UIN Verification.
- Compliance with Internet Trading Guidelines.

6.7.11 Regulations Governing Risk Management

The new risk management regime encasing VAR based margining system, netting regime, position limits, mark to market loss collection, special margins and valuation of securities

(haircuts regime) was introduced at the KSE over the course of the years 2007-2008. Approval for incorporating this regime as part of the regulatory framework of the ISE and LSE, through adoption of the Regulations Governing Risk Management was granted on December 11, 2007 and April 01, 2008, respectively.

In order to further strengthen the risk management at the stock exchanges, the Commission also approved various amendments in these Regulations which include improved criteria for selection of margin eligible scrips based on impact cost and highest daily turnover.

6.7.12 Members' Default Management Regulations

During the year under review, the Commission conducted a detailed review of Regulations Governing Members' Default and Procedure for Recovery of Losses of the Karachi Stock Exchange. Consequently, the Members' Default Management Regulations of KSE were revamped and similar amendments were approved in the NCCPL Regulations, 2003 to ensure consistency in the default management procedures.

6.8 Insurance

Important amendments were made in the Insurance Ordinance through the Finance Act 2007, which empowered the Commission to conduct on-site inspections of insurance companies and to enter into the insurer's premises and to search and seize and take possession of such records and documents etc. it may require as evidence, and to remove a person holding the office of chairman, chief executive, director, manager or principal officer. These amendments are a significant

development from the enforcement point of view.

The Commission has issued a notification to correct an anomaly created by a prescribed rule which was inconsistent with the provision of the Ordinance regarding the timeline for

submission of the reinsurance treaties information by the insurers/takaful companies.

7 FUTURE PLANS



FUTURE PLANS

7.1 Securities Market

7.1.1 Demutualization of Stock Exchanges

The global financial marketplace has become increasingly competitive and fast moving. By becoming for-profit commercial organizations, our stock exchanges will formally end the link between membership and ownership thereby removing the conflicts embedded in a diverse member organization. In doing so, the exchanges will consolidate their position as forward-thinking and powerful financial organizations within the international capital markets.

Keeping in view the significance of this progressive measure, the Commission has been vigorously pursuing the process of demutualization of stock exchanges. While adopting a participative and consultative approach the Commission with the consensus of all the stakeholders drafted the Stock Exchanges (Corporatization, Demutualization and Integration) Ordinance, 2007 which was approved by the Federal Cabinet and has been sent to parliament for approval.

To expedite the corporatization and demutualization process, the Commission, through Finance Act of 2008, sought amendments in the Companies Ordinance, 1984, the Securities and Exchange Ordinance, 1969 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002. In terms of amendments carried out in the Securities and Exchange Ordinance, 1969, the Commission in consultation with the stock exchanges drafted the Stock Exchanges (Corporatization, Demutualization and Integration) Rules, 2008

which are being submitted to the Government for its approval.

During the review period, the Commission also prepared a Communication strategy designed to educate and create awareness amongst the stock exchanges, its members and other stakeholders on the process of Corporatization and Demutualization, its merits and steps forward. In this regards, seminars were held in Karachi and Islamabad in collaboration with the stock exchanges. These seminars were widely attended by capital market experts, management and members of stock exchanges, banks etc. Moreover, general public and capital market participants were educated on the matter through print and electronic media.

7.1.2 New Derivative Products

The Commission is actively pursuing the exchanges to develop new derivative products for the capital market in order to further broaden the scope of trading activity at the bourses.

The KSE is currently working on Index options and stock options which are expected to be introduced in 2008-09. The Commission is also carrying out research on international practices, so that the product design of options is feasible for the local market.

7.1.3 Stock Borrowing and Lending Mechanism

The Commission in consultation with concerned stakeholders has started working on the development of a working mechanism for Stock Lending and Borrowing. The said mechanism is aimed at further enhancing settlement efficiency together with further hedging default risk faced by NCCPL.



7.1.4 National Commodity Exchange Limited (NCEL)

NCEL is planning to launch currency futures and KIBOR futures contracts for the purpose of offering a diversified range of products.

7.1.5 Establishment of Islamic Index at KSE

The Commission had earlier proposed introduction of an Islamic Index at the stock exchanges for the purpose of promoting listing of Shariah-compliant companies on the Pakistani stock market and encouraging international and local players to list and trade their Shariah-based shares/instruments on an Islamic index. The KSE in collaboration with Al-Meezan Investment Management Ltd, has made considerable progress in this regard. A Shariah Board under the chair of a learned scholars has been formed; and an Index Policy Committee and a Technical Committee have also been constituted for the purpose.

7.1.6 Others

- (i) Guidelines for issue of shares under the Employees Stock Option Schemes;
- (ii) Standardization of the contents of the prospectus;
- (iii) Implementation of the recommendation of DCMC report;

7.2 Non-Banking Finance Companies (NBFCs)

- Formulation of an independent NBFC Law to overcome the regulatory and enforcement issues being faced under the present set up where the requirements applicable to NBFCs are divided between the Companies Ordinance and the NBFC Rules.
- Rationalization of NBFCs returns in light of amendments in Rules, Regulations and Ordinance.
- Shifting of Off-site Surveillance of NBFC sector from their periodical returns to computer based MIS reports.

7.3 Mutual Funds Plans including Investors Protection

The Commission strives to develop the financial and capital market of Pakistan. This can be achieved among other things by investor protection which will increase investors' confidence in the market and catalyze development of the market. Mandatory credit rating and following of international money laundering regulations are examples of such initiatives.

The Commission is in the process of developing the following guidelines:

- Guidelines for the business of managing discretionary and non-discretionary client portfolio;
- Development of criteria for determining the eligibility of a person for acting as a trustee of a Collective Investment Scheme (CIS);
- Guidelines for the structure of performance based fee to be charged by Collective Investment Schemes;
- Guidelines on investment abroad by CIS;
- Guidelines on appointment of Shariah Advisors by CIS; and
- Guidelines on pricing mechanism and applicability of NAV on CIS.

Various steps including the formation of the above said guidelines will help in development of the Mutual Fund industry. New products such as Long-Short Funds, Exchange Traded Funds, and Islamic Income Funds are also under review.

7.4 Pensions

7.4.1 Occupational Saving Schemes (OSS)

After the necessary amendments in the Commission's pension mandate, the Commission plans to develop regulatory framework for existing OSS with the companies and state-owned corporations. The framework shall bring all the existing OSS under the

licensing and regulatory regime of the Commission and shall ensure that the benefits promised under the OSS are given to the employees. These developments are likely to improve the performance of OSS in the country.

7.4.2 Voluntary Pension Schemes (VPS)

The VPS shall also be promoted as a viable alternative to OSS in Pakistan and that it could emerge as a preferable old age pension choice for all Pakistanis. It is also envisioned that the horizon of VPS shall be broadened by extending tax incentives to all the participants. In this connection, a Pension Fund awareness campaign is also being contemplated as a part of which FAQs relating to Pension Funds are being compiled for placement on the website of the Commission to enhance general awareness regarding the Voluntary Pension System.

Keeping in view the size and diversity of OSS arrangements, the development of the framework shall proceed steadily and will take a few years to develop. Once the OSS framework is implemented the possibility of establishing a master trust for both VPS and OSS will be explored.

7.5 Real Estate Investment Trust (REITs)

7.5.1 Private Equity & Venture Capital

The Commission is striving to launch Private Equity & Venture Capital funds in Pakistan and the regulatory framework for the same is in its final phase. The regulations will be notified shortly after seeking requisite approvals.

7.6 Modaraba Companies & Modarabas

7.6.1 Amendments in the Modaraba Ordinance, 1980

A complete and comprehensive review of the Modaraba Ordinance, 1980 and the underlying

Modaraba Rules has been planned. The review shall take the shape of proposed amendments and shall be the first exhaustive review since their promulgation.

7.6.2 Amendments in Prudential Regulations for Modarabas

For closely monitoring and enhancing exposure of the Modaraba Sector to the financial sector, some prudential regulations are under consideration for the sector in terms of its performance, profitability and future growth perspective.

7.6.3 Amendments Zakat & Usher Ordinance, 1980 for the deduction of Zakat by the Modaraba Sector

An amendment in Zakat & Usher Ordinance, 1980 is to be proposed so that the Modaraba Sector is either exempted from deduction of Zakat or be allowed to deduct Zakat on its certificates at the time of distribution of profits to its certificate holders.

7.7 Insurance

7.7.1 Amendments in Insurance Surveying Rules

Anomalies and weaknesses in the applicable insurance surveying rules and their inconsistencies with the relevant sections of Insurance Ordinance 2000 were identified. Finalized amendments/modifications in the insurance surveying rules of Insurance Rules 2002, were sent to the Ministry of Commerce for consideration/notification.

7.7.2 Crop Insurance

As a member of the Task Force on "Crop Insurance" constituted by the State Bank of Pakistan, the Commission has contributed towards development and introduction of crop insurance products covering Agri-Loans. Developed in the light of the recommendations of the task force, National Insurance company has already launched its crop insurance products.



7.7.3 Bancassurance

Bancassurance (a French word meaning an arrangement of selling insurance via banks who act as distribution channel for the insurers to sell their insurance products), is rapidly spreading in Pakistan. Bancassurance has not been defined in the Ordinance and the identified issues of regulatory nature are being looked into by a committee formed by the Commission. In light of the recommendations of this committee, the guidelines for effective regulations of the business transacted via bancassurance distribution channels will be finalized.

7.7.4 Insurance Industry Regulatory System

Insurance Industry Regulatory System – a data import module (validating data from Excel Sheets submitted by insurers via e-filing), which will replace the manual submission of various returns under the Ordinance, has been handed over to the Commission for implementation.

7.7.5 Capacity Building

For capacity building, with respect to Insurance Core Principles and prudential requirements as standardized by International Association of Insurance Supervisors (of which the Commission is a member) for an effective and efficient supervision of the insurance industry; two programmes of 5 days duration each have been structured for the ID's officials. These programmes are expected to be held in second half of 2008 under World Bank's – IDF Grant.

7.7.6 Miscellaneous

The Commission has been taking initiatives and working on a number of reforms to ensure the protection of the interests of insurance policyholders and to facilitate and promote sound development of the insurance industry. Key initiatives in progress tasks planned to be taken up in the forthcoming period are summarized below:

7.7.6.1 To complete the on-going review exercise of modification/amendments in the

Takaful Rules 2005, thereby addressing the identified issues and recommend the same to Ministry of Commerce for notification.

7.7.6.2 To ensure that the finalized amendments/modifications in the solvency related rules (including criteria for admissibility of assets, and reporting on solvency by insurers and takaful companies) are notified well in time, so that insurance and takaful companies may file their accounting returns for 2008, accordingly.

7.7.6.3 To pursue provincial governments for implementation of the proposal approved by the Ministry of Finance for elimination of the illegal practice of issuance of bogus motor third party insurance certificates by unauthorized persons/entities.

7.7.6.4 To liaise/assist Ministry of Commerce towards the notification of the Commission's recommended amendments/modifications in the insurance surveying rules.

7.7.6.5 To finalize and issue guidance to effectively regulate the insurance/takaful business transacted via banks (who act as corporate agents – 'Bancassurance').

7.7.6.6 To ensure that an updated mortality table depicting the demography of Pakistan is available to life assurance/family takaful companies.

7.7.6.7 To initiate work for framing of the regulations for transaction of micro-insurance.

7.7.6.8 To complete the on-going comprehensive review of Insurance Ordinance 2000, and submit the finalized recommendations to the Ministry of Commerce for implementation.

7.7.6.9 To contribute towards conversion of Pakistan Insurance Institute into a self-reliant degree awarding centre of academic and professional excellence in insurance and takaful, thereby meeting the current and future HR needs of the industry (this proposition has already been approved by the Prime Minister during the Insurance Sector Policy review in April 2007).

7.8 Corporate Sector

7.8.1 Development of Legal Framework

● Draft Housing and Real Estate Development Companies (Establishment and Monitoring) Regulations, 2008:

In order to closely monitor the real estate development sector, RD has drafted "Housing and Real Estate Development Companies (Establishment and Monitoring) Regulations" which lays down comprehensive regulatory framework for registration, post incorporation compliance and legal requirements of companies operating in housing and real estate development sector. Draft regulations have been prepared after taking into consideration the views/comments from renowned legal consultants. The regulations are being deliberated upon in the Commission.

● Draft Public Sector Companies (Corporate Governance) Regulations, 2008:

To extend the corporate governance initiative to public sector companies, Public Sector Companies (Corporate Governance) Regulations have been drafted in consultation with legal experts. After internal consultation process, comments were also obtained from the PICG on the draft regulations. The revised draft is being deliberated before final approval of the Commission.

● Draft Group Companies (Approval Procedures) Regulations, 2008:

In pursuance of the policy conditions of ADB for release of second tranche of the loan under ADB's second generation of capital market forms, draft Group Companies (Approval Procedures) Regulations have been formulated. The aforesaid condition recommends for providing a reporting framework for holding companies relating to ownership structure and the relationship of companies within the holding company group, disclosure of intercompany and related party transactions, and public disclosure of audited financial reports of such companies in accordance with international accounting standards.

The other rationale for the formulation of the draft Regulations is the requirement to provide an enabling framework for companies entitled to avail group taxation and group relief benefits from the FBR, for which prior designation from the Commission is required, in terms of section 59AA and 59B of the Income Tax Ordinance, 2001, respectively, as amended vide Finance Act, 2007.

The draft Regulations were formulated and comments were sought from stakeholders, including members of the task force formed to review laws on holding companies which were received and incorporated in the draft, where deemed appropriate. The draft is being reviewed by the Legal Department where-after the same shall be approved by the Commission.

● Draft "Associations Not-for-Profit (Licencing and Corporate Governance) Regulations, 2008:

With the view to extend the Code of Corporate Governance to associations not-for-profit, the Commission has drafted rules namely Association not for profit (Licensing and Corporate Governance) Rules which contain the regulatory framework, requirements and specifically the provisions of the Code of Corporate Governance proposed to be applicable to the associations not-for-profit. The draft is being reviewed by the Legal Department.

● Amendments in the Companies (Registration Offices) Regulations 2003:

Amendments in the Companies (Registration Offices) Regulations 2003 have been drafted in line with the eServices regime.

7.8.2 Public Facilitation

a. Publication of Guideline Booklets:

In order to facilitate the corporate sector and to create public awareness on various statutory matters, the Commission launched a series of guideline booklets. A total of 22 guideline booklets have so far been published covering various aspects/processes for facilitation of the public, including promoters' guide, charge



registration guide etc.

During the period, the following draft guideline booklets have been prepared that are at varying stages of finalization.

- Complaint Lodging and Redressal
- Meetings and resolutions of a company
- Change of a company name
- Filing of statutory returns
- Appointment of Auditors
- FAQs regarding Real Estate Companies

b. Establishment of Facilitation Centres:

A facilitation centre is being developed at CRO, Multan to provide an investor friendly environment. Similar centres have been planned to be developed at other CROs during the next financial year.

c. Off the Shelf (Ready made) Company:

A new concept of ready-made/ off-the-shelf company is being introduced by the RD. A 'shelf company' would be a previously-incorporated company which would be readily available for instant off-the-shelf purchase without the time spent in setting up. A detailed concept paper on Off-the-Shelf Company setting out the modus operandi and the expected benefits of the idea has been prepared. The concept as well as modalities are being deliberated upon after which further action will be taken for awareness creation and implementation.

d. Security Measures:

Security is being tightened further at all the CROs in the wake of the terrorism activities throughout the country. This is essential in order to ensure safety of the employees as well as the visitors and to ensure safe custody of record of companies.

e. Quality Assurance:

The ISO 9001:2000 certification will be obtained for the RD and all CROs through at country. However, adoption of the standards will have to be done in a phased manner. To start with, the certification of RD and CRO Islamabad is being contemplated.

f. Abolition of Stamp duty in I.C.T:

All the provincial Governments were convinced and stamp duty was abolished on the registration of Memorandum of Association in order to promote business activities. Efforts would be continued for abolishment of stamp duty in the Islamabad Capital Territory.

7.8.3 Enhancing Use of Technology

a. Data Refining Exercise:

Data Refining Exercise has been completed at all CROs. The said exercise was started to update data and to ensure its quality. The exercise will also facilitate in the smooth transition to the eServices environment. Through this exercise, data in the Companies Registration and Compliance System (CRCS), which is the main data repository containing information on over 50,000 companies was updated.

b. Scanning and Archiving Project:

Scanning and Archiving Project is currently in progress at CROs Islamabad, Lahore and Karachi and is expected to finish soon. File preparation has been completed at all the CROs. The project will result in creating a transparent, paperless environment, besides increasing the overall efficiency of the department.

7.8.4 Promotion of Compliance

a. On-site Inspections:

To detect irregularities and malpractices in the company affairs and to investigate the affairs of mismanaged companies, on-site inspection of books of accounts of companies under section 231 of the Companies Ordinance and monitoring of unauthorized activity would be done on regular basis. Now the emphasis is to engage in-house inspectors to undertake this activity instead of outsourcing it.

b. Companies Regularization Scheme (CRS):

After successful implementation of CEES, the other scheme i.e., Companies Regularization Scheme (CRS) would be re-launched. Defaulter companies would be allowed to file their overdue returns under the scheme and by this

way compliance rate will be increased.

7.8.5 Empowering the Shareholders and Promoting the Code of Corporate Governance

The Code of Corporate Governance (CCG) is largely there for voluntary compliance, however, it is needed that greater enforceability be implemented so that listed companies take it more seriously. A useful tool would be to channel the shareholders through empowering and educating them as to their rights through published documents and booklets/guides. A help desk can also support facilitation to the shareholders in this regard.

7.8.6 Proactive Enforcement

To make the enforcement function truly effective, the focus needs to be shifted towards pre-emptive actions as compared to post-event compliance. The EMD has been conducting in-house investigations utilizing the resources available within the department to ensure free and result-oriented investigations under Section 263 and 265 of the Companies Ordinance. Limited scope investigations having a shorter duration under Section 231 of the Companies Ordinance have also been undertaken to identify the causes of problems and malpractices by the listed companies. In order to achieve this goal, it would be useful to target the following areas:

- Enhancing the skills-set of the officers/staff working in the EMD through continued trainings, induction of new blood and exposure to the environment within which the listed companies operate.
- Information technology provides new opportunities to increase the efficiency and effectiveness of the department and it is needed that suitable databases and systems are available to ensure that crucial information is available in real-time.
- Research-oriented activities need to be initiated to stay one-step ahead of the corporate sector and the elements therein which have a leaning towards perpetrating white collar crimes.

7.8.7 Working to Enhance the Proficiency of the Auditors' Output

The auditors perform an important role in the modern free market system, and any error of omission and commission, made by them, result in the information being distorted which yields sub-optimal performance of the markets and increased asymmetries of information. This can lead to a vicious spiral which breeds an environment conducive for abuse by various actors, to the detriment of the corporate sector and the shareholders at large. Focusing on this important pillar implies greater interaction with the auditors, seeking frequent feedback and keeping periodic checks on their responsibilities thereby creating greater emphasis on their role. This will not only improve their performance but will also be helpful to establish effective enforcement of laws and accounting standards.

7.9 Finance, Accounts and Audit

The commission is considering the adoption of International Financial Reporting Standards 1 and 4 so that financial statements of companies, particularly the listed companies, are comparable internationally. In order to improve the quality of audit of listed companies, particularly those in financial sectors, proposals would be considered to evolve a panel of auditors having regard to their professional expertise.

7.10 International Cooperation

Cooperation at international level is essential for cross-border regulation. With linearization of financial and capital markets, the Commission will institutionalize appropriate coordination mechanism to ensure obstruction of market abuse across borders. Signing of the IOSCO Multilateral MoU by the Commission would constitute a significant step in this direction. Process of signing of MOUs with Securities and Exchange Organization of Iran and the Jordan Securities Commission will be finalized in the coming year.





7.11 Donor Assisted Projects

- (i) Compliance with second tranche conditionalities of Second Generation of Capital Market Reforms Program is in process and is expected to be completed by December 2008.
- (ii) Consultant will be hired for Analyst Certification Program of ICM to design syllabi, prepare courses & training materials and develop question bank.
- (iii) Further, the MDPs training series for capacity building of the officers of the Commission would be completed.

7.12 Corporate Governance

The Commission shall further strengthen its reform process to improve governance and transparency in the corporate and financial (non-banking) sectors. Efforts would target to extend the scope of the CCG to other regulated sectors under the Commission's purview. Necessary structural and regulatory reforms will be undertaken, in light of the recommendations of the task force formed by PICG to review the CCG.

7.13 Stakeholder Complaints

The Commission shall identify common areas of concern in complaints received at the Commission and develop standardize procedures for their effective and timely disposal.

7.14 Promote Development of Professional Service Providers

The Commission shall take forward the process of some of the essential amendments to the Chartered Accountants Ordinance 1961 for effective functioning of the ICAP and will consider and decide on adoption of IFRS-1 and IFRS-4 to make Pakistan fully compliant with the IAS/IFRS.

7.15 Tax Reforms

The Commission will make out proposals for income tax reforms having a bearing on matters relating to corporate sector, NBFCs, insurance and capital market and follow-up with FBR and/or the Government as may be required.

7.16 Future Plans and Projects of Information Technology

The Commission has the following future plans to update its Information Technology side:

7.16.1 ERP

The IS & T Division and the HR Division has proposed that the Commission obtain a commercial off-the-shelf ERP solution, to be customized and implemented for its Finance and Human Resource Departments, including Payroll.

7.16.2 Monitoring of Specialized Companies

This project will enable to maintain a stronger vigilance on the specialized companies such as modarabas, leasing companies and mutual funds etc. This system will take care of annual renewal of licenses and will monitor the legal cases as well.

7.16.3 ISMS ISO 27001:2005 Implementation & 3rd Party Audit

An Information Security Management System (ISMS) will be established, operated, and maintained within the ISTD to assure Commission's electronic information assets.

7.16.4 Network Vulnerability Assessment Tools

To ensure system/network security management, network fault detection and troubleshooting LAN/WAN infrastructure, ISTD realizes the need for a proper network vulnerability assessment tools.

7.16.5 QMS ISO 9001:2000 Surveillance Audit

Annual 3rd party surveillance audit for Quality

Management System of the ISTD will be conducted to assure its systems are in compliance with International standards.

7.16.6 Data Warehouse Business Intelligence

Proposed PC1 has been approved by EGD and provision of funds is partially allocated for this financial year. After conformance of successful implementation of eServices project, which was earlier funded by EGD, a go ahead signal will be given.

7.16.7 Capacity Enhancement for SMEs

To help Small & Medium Enterprises improve upon their operations and get online help for various SECP related functions, ISTD will work with them to provide the operating environment needed to increase their incomes. The scope of the project will be to provide SMEs with Legal, Technological and Education facilities to enable them to adopt IT infrastructure in order to improve upon their business performance.

7.16.8 Capacity Building & Training Needs

ISTD regularly carries out various trainings according to the training need analysis. This includes but is not limited to training of IT staff at CROs, end user trainings, capacity building at ISTD and preparation of training manuals and interactive CDs for the purpose.

7.17 Internal & External Communications

7.17.1 Annual Report 2008

The format of the Commission's Annual Report has been changed to bring its focus on the sectors under the Commission's purview. Compilation, editing and printing of the Annual Report, 2008 is in progress.

7.17.2 Year Book 2008

The Finance Division publishes an annual Year Book to highlight the achievements and

developments in important public sectors. The Commission compiled details of all major developments and achievements during the year 2007 and sent the information to the Finance Division.

7.17.3 Journalists Training Program

A training program has been designed for economic journalists in major cities like Karachi, Lahore and Islamabad. The first training program will be held in Karachi in January 2009, to be followed by similar programs in Lahore and Islamabad.

7.17.4 Revamping of Commission's Website

The Commission's official website is being revamped to make it more user-friendly and informative.

7.17.5 Investor Education

Investor education is the most important focus for the Commission. The Commission published literature to raise awareness and educate investors. However, keeping in view its importance and need, the I&EC Department is working on an elaborate annual strategy to develop campaigns to guide, motivate and educate investors.

7.17.6 Global Marketing Strategy

To present Pakistan as an important and attractive market-place for foreign investment, the I&EC Department is working on a global marketing strategy.

7.17.7 Advertising Campaign

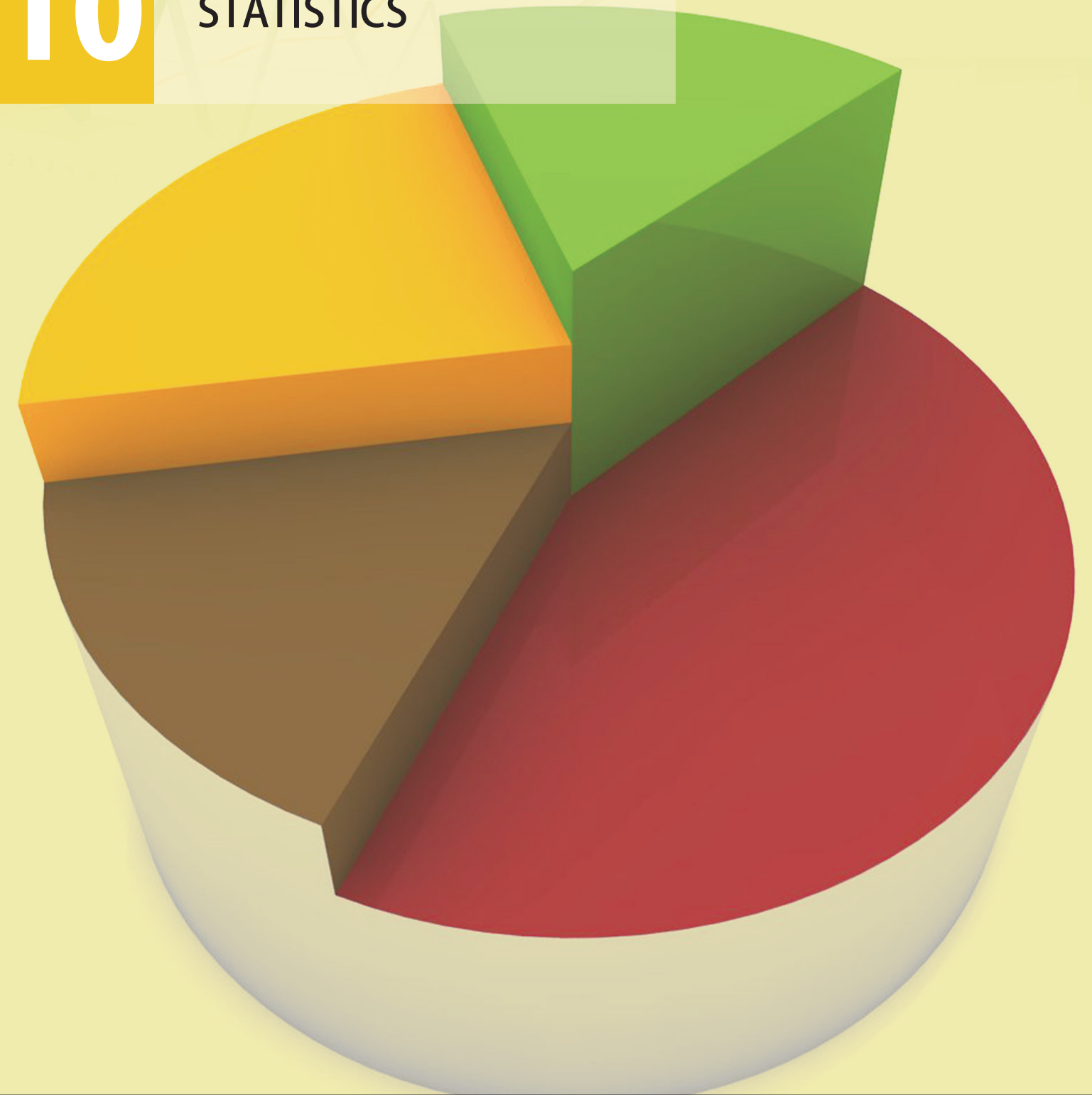
The Commission has planned to develop an advertising/promotional campaign to promote the eServices project. The campaign will include the complete information on eServices.

The I&ECD is developing complete promotional package for the launch of eServices project, which include paid and non-paid publicity.



10

STATISTICS



STATISTICS

Table 1 Statistics of Investor Complaints (01.07.2007 -31.06.2008)

	KSE	LSE	ISE	TOTAL
No. of complaints brought forward	59	46	06	111
New complaints/claims received (1 July 2007 – 31 June 2008)	84 (108)*	58	13	155
Total complaints dealt with by ICW (1 July 2007 – 31 June 2008)	143 (88)	104	19	266
Complaints disposed off (1 July 2007 – 30 June 2008)	76	21	06	103
Complaints under examination with the ICW and under process at Stock Exchanges as on June 31, 2008	67	83	13	163

* It includes 46 complaints in respect of ZMCS/ TM Financial as Case and 13 relating to Dolphin Financial Services.

Table 2: List of Cases Approved under the Companies Ordinance and Rules and Regulations Made There-under

Sr. #	Relevant Section of the Ordinance.	Nature of Approval/Permission Sought	Cases Disposed (No.)
1	Section 21	Amendment in memorandum and articles of association	236
2	Section 24(3)	Extension in time for filing the documents on confirmation of alteration	4
3	Section 37	Availability of name	15,963
4	Section 39	Change of name	238
5	Section 42	Grant of license to associations	52
6	Section 44	Conversion of public companies into private companies	15
7	Section 86	Further issue of capital	4
8	Sections 121,129,132, 131	Registration, modification, satisfaction of charge and Condonation of delay in submission of particulars of charge	6,464
9	Section 146	Commencement of business certificate	564
10	Sections 158	Extension in period for holding of AGM s by non-listed public and private companies	99
11	Section 159(7)	Holding of an EOGM at a shorter notice	2
12	Section 170	Calling of overdue meetings	16
13	Section 195	Grant of loans to directors of non -listed public companies	3
14	Section 233	Preparation of first accounts exceeding 12 months	8
15	Section 237	Exemption for Consolidation of Accounts	2
16	Section 238	Change of financial year	6
17	Section 252	Appointment of Auditors	24
18	Section 258	Approval of appointment of cost auditor	46
19	Section 439(9)	Restoration of name of company to the register of companies	5
21	Section 466(6)	Issue of certified copies of documents	34,441
22	Rule 5 of the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000		3
23	Regulation 18 of the Companies (Registration Offices) Regulations, 2003.	Inspection of records maintained with CROs	12,672
24		Miscellaneous (minor activities, providing information to different agencies and shareholders, etc.)	60,017
		Total	10,884

Table-3 Equity Issued by Listed Companies
Rupees in million**2007-08**

S.No	Name of Company	Sector	Total Paid-up Capital	Already Paid-up Capital	Capital Offered (IPO)	Premium per share	Capital offered with premium	Subscription Received against IPO	Over/ (under) subscribed %
1	Habib Bank Limited (Offer for Sale)	Commercial Banks	6,900.000	6,900.000	345.000	225.000	8,107.500	18,945.489	133.68%
2	Dost Steel Mills Ltd.	Engineering	675.000	400.000	275.000	0.000	275.000	1,943.105	606.58%
3	Arif Habib Bank Ltd. (Offer for Sale)	Comm Bank	4,500.000	4,500.000	1,197.485	11.000	2,514.719	7,057.128	180.63%
4	Invest & Finance Securities Ltd.	Inv. Banks/ Inv. Co's/ Sec. Co's	600.496	480.496	120.000	0.000	120.000	2,184.045	1720.04%
5	Thatta Cement Ltd. (Offer for Sale)	Cement	797.745	797.745	100.000	12.500	225.000	1,402.571	523.36%
6	Dawood Equities Ltd.	Inv. Banks/ Inv. Co's/ Sec. Co's	250.000	150.000	100.000	7.500	175.000	2,190.388	1151.65%
7	Engro Polymer & Chemicals Ltd. (Offer for Sale)	Chemicals	5,203.677	5,203.677	500.000	8.000	900.000	2,841.367	215.71%
8	KASB Securities Ltd. (Offer for Sale)	Inv. Banks/ Inv. Co's/ Sec. Co's	1,000.000	1,000.000	240.000	57.500	1,620.000	213.52	-86.82%
	TOTAL		19,926.918	19,431.918	2,877.485		13,937.219	36,777.616	

© Excluding total paid-up capital of Oil & Gas Develpoment Co. Ltd. which was already listed

2006-07

TOTAL		7,307.709	5,714.854	2,057.905				10,920.959	
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© Excluding total paid-up capital of Oil & Gas Develpoment Co. Ltd. which was already listed

2005-06

TOTAL		9,600.853	7,749.853	2,143.770				9,658.623	
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2004-2005

TOTAL		24,335.195	23,530.195	4,061.202				55,002.822	
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2003-2004

TOTAL ©		48,883.418	47,923.418	4,888.313				59,263.400	
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2002-2003

TOTAL		1,627.566	1,355.066	708.040				1,742.013	
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* Excluding paid-up capital of M/s National Bank of Pakistan which was already listed

2001-2002

TOTAL		5,960.720	5,288.720	1,200.040	0.000			1,102.209	
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** the company has exercised the option to retain an additional 5% of the total capital against public subscription. (Amount retained = 373.04 Million)

2000-2001

TOTAL		3,619.726	3,254.726	577.500				902.223	
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1999-2000

TOTAL		400.000	300.000	100.000				384.540	
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Table-4 TFCs Issued By Listed Companies
Rupees in Million

			Total Amount Offered			Subscription Received				
			Pre-IPO	IPO	Total	Pre-IPO	IPO	Total		
2007-08										
1	Faysal Bank Ltd.	10-12 November 2007	750.000	250.000	1000.000	750.000	905.910	1,655.910	up to Rs.250 million	1,250.000
2	Engro Chemicals Pakistan Ltd.	29-30 November 2007	3000.000	1000.000	4000.000	3000.000	4382.950	7382.950	N.A	4,000.000
3	United Bank Ltd. (4th Issue)	13-14 February 2008	4,500.000	1,500.000	6,000.000	4,500.000	624.585	5,124.585	N.A	6,000.000
4	Pace (Pakistan) Ltd.	14-15 February 2008	1,125.000	375.000	1,500.000	1,125.000	370.690	1,495.690	N.A	1,500.000
5	Pakarab Fertilizers Ltd.	27-28 February 2008	3,750.000	1,250.000	5,000.000	3,750.000	7,250.160	11,000.160	N.A	5,000.000
6	NIB Bank Ltd.	04-05 March 2008	3,000.000	1,000.000	4,000.000	3,000.000	1,562.625	4,562.625	N.A	4,000.000
7	Saudi Pak Leasing Co. Ltd.	12-13 March 2008	550.000	200.000	750.000	550.000	210.530	760.530	N.A	750.000
7	TOTAL		16,675.000	5,575.000	22,250.000	16,675.000	15,307.450	31,982.450	0.000	22,500.000

* Green shoe option not exercised

** the company was allowed to retain whole oversubscribed amount

2006-07

TOTAL	8,750.000	2,800.000	11,550.000	8,750.000	3,053.510	11,803.510	11,650.000
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2005-06

TOTAL	7,515.000	2,460.000	9,975.000	7,515.000	2,719.910	10,234.910	10,504.925
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2001-02

TOTAL	12,380.000	3,720.000	16,100.000	12,380.000	4,037.395	16,417.395	16,250.000
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2000-01

TOTAL	4,295.000	1,130.000	5,425.000	4,295.000	1,369.135	5,664.135	5,490.025
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1999-00

4 TOTAL	685.000	245.000	930.000	685.000	678.090	1,363.090	1,147.720
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1998-99

3 TOTAL	700.000	550.000	1,250.000	700.000	773.350	1,473.350	1,439.330
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1997-98

1 TOTAL	200.000	50.000	250.000	200.000	74.305	274.305	274.305
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1996-97

1 TOTAL	750.000	250.000	1,000.000	750.000	374.810	1,124.810	1,000.000
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1995-96

2 TOTAL	575.000	175.000	750.000	575.000	192.890	767.890	750.510
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1994-95

1 TOTAL	110.000	100.000	210.000	110.000	122.370	232.370	232.370
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Table-5 Public Offers under Takeovers Ordinance
Table -5 Public announcements of offer during 2007-08

				Number of shares already held by the Acquirer		Number of shares to be acquired under agreement		Public Offer Size	
				Shares	(%age)	Shares	(%age)	Shares	(%age)
1	Meezan Bank Ltd.	9-Oct-07	Noor Financial Investment Company (a Kuwait based Company)	59,340,755	15.70%	71,818,040	19.00%	37,798,968	10.00%
			(i) Spintex Enterprises (Pvt.) Ltd.						
			(ii) Mr. Mohammad Sarfraz;						
			(iii) Mrs. Tasbeeha Sarfraz;						
			(iv) Mr. Mohammad Iftikhar;						
			(v) Mr. Mohammad Shahid Iqbal						
			(vi) Mr. Aftab Sarwar						
3	Wazir Ali Industries	2-Jan-08	Dalda Foods (Pvt.) Ltd.	1,901,601	23.81%	3,668,245	45.93%	798,595	10.00%
4	Saudi Pak Commercial Bank Ltd.	25-Feb-08	(i) Bank Muscat S.A.O.G. (ii) International Finance Corporation, (iii) Nomura European Investment Ltd (iv) Mr. Saukat Tarin	NIL	NIL	425,610,189	85.10%	7,302,555	1.46%

5	Chaudry Textile Mills Ltd.	21-Mar-08	(i) Mr. Imtiaz Ahmed Khan, (ii) Mr. Anwaar Ahmed Khan; (iii) Mr. Aftab Ahmed Khan	NIL	NIL	972,661	64.54%	75,000	4.98%
6	Worldcall Telecom Ltd.	25-Mar-08	Oman Telecommunicatio ns Company S.A.O.G.	NIL	NIL	451,236,394	60.00%	37,603,035	5.00%
7	Atlas Insurance Ltd.	6-May-08	Shirazi Capital (Pvt.) Ltd.	NIL	NIL	8,175,085	30.45%	268,447	1.00%
			Toyota Motor Corporation	9,825,000	12.50%				
			Toyota Tsusho Corporation	9,825,000	12.50%				
9	Dawood Lawrencepur Ltd.	24-May-08	Dawood Corporation (Pvt.) Ltd.	11,625,776	24.90%	4,617,256	9.89%	6,662,106	14.27%
10	Central Insurance Company Ltd.	7-Jun-08	Dawood Corporation (Pvt.) Ltd.	4,178,245	24.90%	Nil	Nil	4,127,905	24.60%
	Total			86,871,377		973,998,670		100,601,991	

2006-2007

Total				151,794,423		1,524,886,557		225,487,578	
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**Table 6 Licences of NBFCs renewed during the year
Investment Finance, Leasing and Housing Finance Services**

S.No.	Name of NBFC	Nature of Business
01	Al-Meezan Investment Management Ltd.	Investment Finance Services
02	Al-Zamin Leasing Limited	Leasing
03	Asian Housing Finance	Housing Finance
04	Askari Leasing Limited	Leasing & Housing Finance
05	Escorts Investment Bank	IFS & Leasing
06	First Credit & Invest. Bank	Investment Finance Services
07	First Dawood Investment Bank	IFS & Leasing
08	Grays Leasing Limited	Leasing
09	IGI Investment Bank Limited	IFS & Leasing
10	Innovative Investment Bank Ltd.	IFS, Leasing & Housing Fin.
11	Invest Capital Investment Bank	Investment Finance Services
12	J.S. Investments Limited	Investment Finance Services
13	KASB Capital Limited	Investment Finance Services
14	NBP Capital Limited	Leasing
15	Orix Investment Bank Ltd.	Investment Finance Services
16	Orix Leasing Pakistan Ltd.	Leasing
17	Pak Gulf Leasing Co. Ltd.	Leasing
18	Saudi Pak Leasing Co. Ltd.	Leasing & Housing Finance
19	Security Investment Bank Ltd.	Investment Finance Services
20	Security Leasing Corp. Ltd.	Leasing
21	Sigma Leasing Co. Ltd.	Leasing
22	SME Leasing Limited	Leasing
23	Standard Chartered Leasing	Leasing
24	Trust Investment Bank Limited	IFS & Leasing

Mutual Funds

S.No.	Name of NBFC	Nature of Business
01	Arif Habib Investment Management Limited	Investment Advisory and Asset Management Services
02	AKD Investment Management Limited	Investment Advisory and Asset Management Services
03	Askari Investment Management Limited	Investment Advisory and Asset Management Services
04	Alliance Investment Management Limited	Investment Advisory Services
05	Alfalah GHP Investment Management Limited	Investment Advisory and Asset Management Services

06	Al Meezan Investment Management Limited	Investment Advisory and Asset Management Services
07	Atlas Asset Management Limited	Investment Advisory and Asset Management Services
08	AMZ Asset Management Limited	Asset Management Services
09	Asian Capital Management Limited	Asset Management Services
10	BMA Asset Management Company Limited	Investment Advisory and Asset Management Services
11	Crosby Asset Management Company Ltd.	Investment Advisory and Asset Management Services
12	Dawood Capital Management Limited	Investment Advisory and Asset Management Services
13	First Capital Investments Limited	Investment Advisory Services
14	Faysal Asset Management Limited	Asset Management Services
15	Habib Asset Management Limited	Asset Management Services
16	HBL Asset Management Limited	Investment Advisory and Asset Management Services
17	Inter-securities Management Limited	Investment Advisory Services
18	JS Investment Limited	Investment Advisory and Asset Management Services
19	KASB Funds Limited	Investment Advisory and Asset Management Services
20	MCB Asset Management Company Limited	Asset Management Services
21	Magnus Investment Advisors	Investment Advisory Services
22	National Investment Trust	Asset Management Services
23	National Asset Management Company Ltd.	Investment Advisory and Asset Management Services
24	National Fullerton Asset Management Ltd.	Investment Advisory and Asset Management Services
25	Noman Abid Investment Management Limited	Asset Management Services
26	Pakistan Private Equity Management Limited	Venture Capital Company
27	Pak-Oman Asset Management Company Limited	Investment Advisory and Asset Management Services
28	PICIC Asset Management Company Limited	Asset Management Services
29	Safeway Fund Limited	Asset Management Services
30	TRG Pakistan Limited	Venture Capital Company
31	TMT Ventures Limited	Venture Capital Company
32	UBL Fund Managers	Investment Advisory and Asset Management Services
33	WE Investment Management Limited	Asset Management Services





Public Offering by mutual funds during the year

During the period under review, public offering of the following twenty-one new mutual funds was approved:

S.No.	Newly Approved Public Offering	Asset Management Company	Types of Mutual Fund
01	Askari Asset Allocation Fund	Askari Investment Management Limited	Asset Allocation Fund
02	Al Falah GHP Islamic Fund	Alfalah GHP Investment Management Limited	Islamic Asset Allocation Fund
03	BMA Chundrigar Road Savings Fund	BMA Asset Management Company Limited	Money Market Fund
04	Dawood Islamic Fund	Dawood Capital Management Limited	Islamic Asset Allocation Fund
05	HBL Stock Fund		Equity Fund
06	HBL Multi Asset Fund		Balanced Fund
07	JS Capital Protected Fund III		
08	JS Capital Protected Fund IV		
09	JS Aggressive Income Fund	JS Investments Limited	Income Fund
10	KASB Balanced Fund		Balanced Fund
11	KASB Islamic Income Fund		Islamic Income Fund
12	MCB Dynamic Allocation Fund	MCB Asset Management Company Limited	Asset Allocation Fund
13	Meezan Capital Protected Fund I	Al Meezan Investment Management Limited	Islamic Capital Protected Fund
14	NAFA Islamic Multi Asset Fund		Islamic Balanced Fund
15	NAFA Islamic Income Fund		Islamic Income Fund
16	NAFA Income Fund		Income Fund
17	Pakistan Capital Protected Fund		Capital Protected Fund
18	Pakistan Cash Management Fund		Money Market Fund
19	Pak Oman Bank of Punjab Advantage Pus Fund	Pak Oman Asset Management Company Limited	Income Fund
20	United Islamic Income Fund		Islamic Income Fund
21	UBL Capital Protected Fund I		Capital Protected Fund

Table 7

Total Number of Registered Companies by Number & Type of Companies

(Registered under the Companies Ordinance, 1984)

Type of Companies	Total companies as on 30.06.2007	Total companies as on 30.06.2008
Companies limited by shares:		
Public listed (only those which are registered under the Companies Ordinance, 1984)	612	616
Public unlisted	2,211	2,168
Private	46,548	46,125
SMCs	610	775
Total companies limited by shares	49,981	49,684
Companies limited by guarantee u/s 43	68	64
Not-for-profit associations u/s 42	356	398
Trade Organizations	202	202
Foreign companies	710	725
Unlimited companies	5	3
Companies under section 503 of the Companies Ordinance, 1984	5	4
Total Companies =	51,327	51,080

Table 8

Province-Wise Distribution of Registered Companies

Province / Territory	Number of companies	Percentage Share (%)
Punjab	21,252	42
Sindh	17660	35
NWFP	3583	7
Baluchistan	845	2
Islamabad Capital Territory	7740	15
Total Companies =	51,080	





Table 9
Capitalization Breakdown of Registered Companies

Paid up Capital (Rs.)	Listed companies	Unlisted public companies	Private companies	SMC s	Total	% age
Upto 100,000	1	406	18388	453	19248	37.68
100,001 to 500,000.	1	323	6681	107	7112	13.92
500,001 to 1,000,000	1	79	4457	81	4618	9.04
1,000,001 to 10,000,000	25	338	12791	89	13243	25.93
10,000,001 to 100,000,000	217	634	3288	43	4182	8.19
100,000,001 to 500,000,000	231	279	449	2	961	1.88
500,000,001 to 1,000,000,000	55	47	36	0	138	0.27
1,000,000,001 to above	85	62	35	0	182	0.36

Table 10
Sector-Wise Distribution of Companies (Limited by Shares)

Sectors	Total Companies
Auto & Allied	581
Broadcasting and Telecasting	166
Cable & Electrical Goods	546
Carpets and Rugs	98
Cement	111
Chemical and Pharmaceutical	2,304
Communications	1983
Construction	2066
Corporate Agricultural Farming	706
Education	467
Engineering	1580
Finance and Banking	1016
Food and Beverages	1965
Footware	56
Fuel and Energy	976
Ginning	342
Glass and Ceramics	280
Healthcare	372
Information Technology	1933
Insurance	313
Jute	20
Leather and Tanneries	385
Lodging	402
Mining and Quarrying	395
Paper and Board	916
Power Generation	400
Real estate Development	1111
Services	5187
Sport Goods	153
Steel and Allied	399
Sugar and Allied	153
Synthetic and Rayon	160
Textile	4399
Tobacco	87
Tourism	3981
Trading	5168
Transport	1001
Vanaspati and Allied	392
Wood and Wood Products	200
Miscellaneous	6914
Total	49,684



Table 11
Associations not for Profit by Reference to Prime Business Clasification

Object	No of Associations
Commerce	216
Art	5
Science	9
Religion	15
Sports	24
Social Services	94
Charity	34
Others	267
Total	664

Table 12
Foreign Companies by Country of Origin

Country	Number of Companies
USA	138
UK	101
France	23
Germany	22
China	24
Japan	35
Australia	17
Middle East Countries	45
Far Eastern Countries	59
Other European Countries	97
Other Asian Countries	58
Other Countries	106
Total =	725

Table 13
New Registered Companies by Category of Companies

Type of Companies	FY 2006-07	FY 2007-08
Companies limited by shares:		
Public unlisted companies	99	84
Private	4,318	4,438
SMCs	178	168
Total companies limited by shares =	4,595	4,690
Associations not-for-profit u/s 42	41	42
Companies limited by guarantee u/s 43	0	1
Trade Organizations	3	0
Foreign companies	64	48
Total Newly Registered Companies =	4,703	4,781

As at June 30, 2008, there were 63 registered NBFCs having the following classification of multiple licenses:

Table 14
Statistics of NBFCs by Type of Business

Type of Business	No of Licenses
Investment Banking Services	12
Leasing	16
Housing Finance Services	5
Investment Advisory and Asset Management Services	35
Venture Capital	4
Total	72

Note:

The existing regulatory framework for NBFCs has been divided the sector into two clusters. Any NBFC falling in a particular cluster may undertake any form of business of that particular cluster but is not allowed to have business of two clusters simultaneously. Forms of business according to the clusters may be defined as follows:

Cluster One:

- Investment Finance Services
- Leasing
- Housing Finance Services

Cluster Two:

- Asset Management Services
- Investment Advisory Services
- Venture Capital Investment

TABLE 15
Composition of NBFC Sector as of June 2008

An activity-wise overview of assets and deposits of NBF sector as of June 30, 2008 is given below which depicts that the NBFC sector, on the basis of asset size, is dominated by mutual funds and leasing sectors which constitute 68% and 13% of entire NBFC sector, respectively:

(Rupees in billion)

Sector	Total Assets	Total Deposits
Mutual Funds	339.718	-
Leasing Companies	65.920	11.035
Investment banks	58.017	14.411
Modarabas	29.703	3.719
Venture Capital	3.760	-
Housing Finance	0.149	0.005
Total	497.267	

CHART 10.1
Composition of NBFC Sector as of June 2008

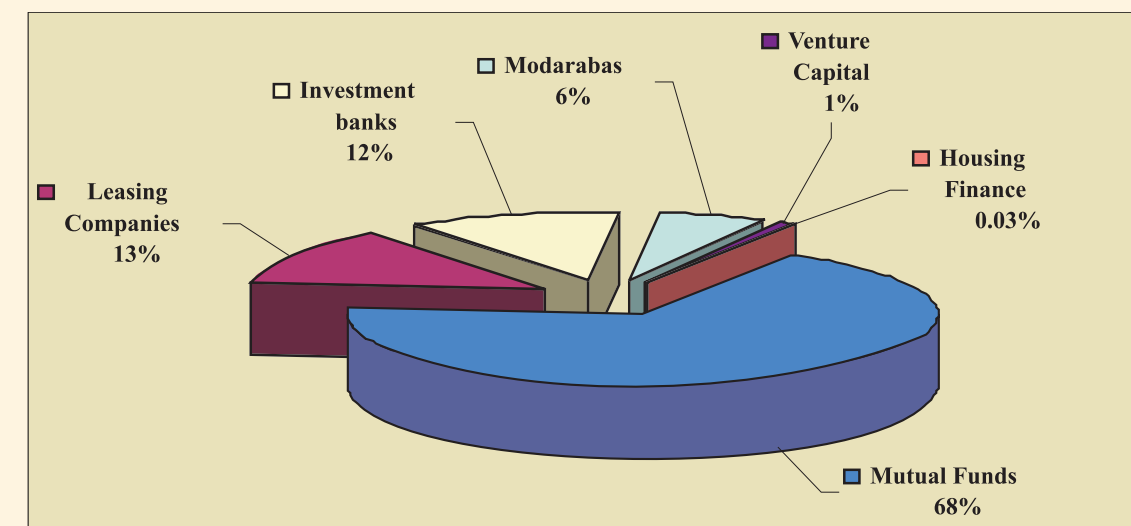


TABLE 16 **Licensing Statistics of NBFC Sector as of June 2008**

NBFCs	Licensed	Un-licensed	Total
Investment Banks	12	3	15
Leasing Companies	10	12	22
Housing Finance Companies	1	1	2
Discount Houses	1	1	2
Total:	24	17	41

Note 1: The number of licensed entities among these 41 NBFCs is 24. The remaining 17 entities do not possess a valid license as they are either non-compliant with the licensing requirements, financially sick or are under winding-up.

Note 2: Out of 15 investment banks, only 11 were active licensed investment banks. The remaining companies were inoperative (see Table 10.3 in statistical section) owing to various regulatory issues such as non-compliance with the licensing requirements, financial distress or liquidation.

TABLE 17
Main Statistics of Leasing Sector as of June 2008

	Amount (Rs. in billion)
Total Assets	65.920
Total Liabilities	58.747
Total Equity	7.173
Total Deposits	11.035

CHART – 10.2 Asset mix of Leasing Sector as of June 2008

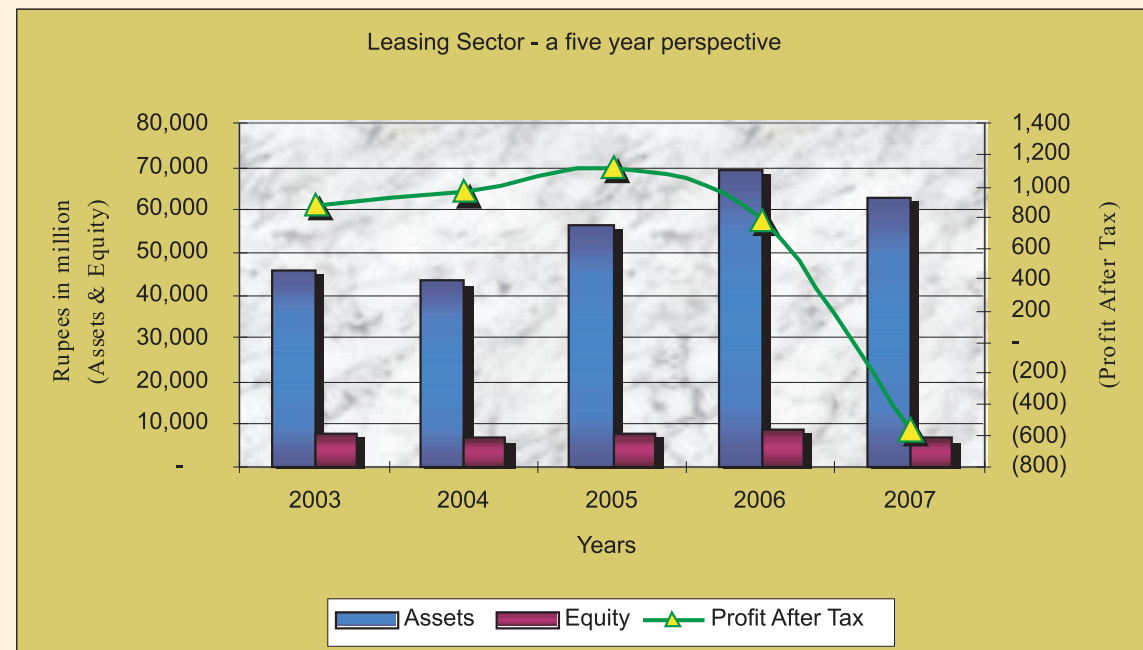


CHART – 10.3 Number of Leasing Companies in the Last Five Years

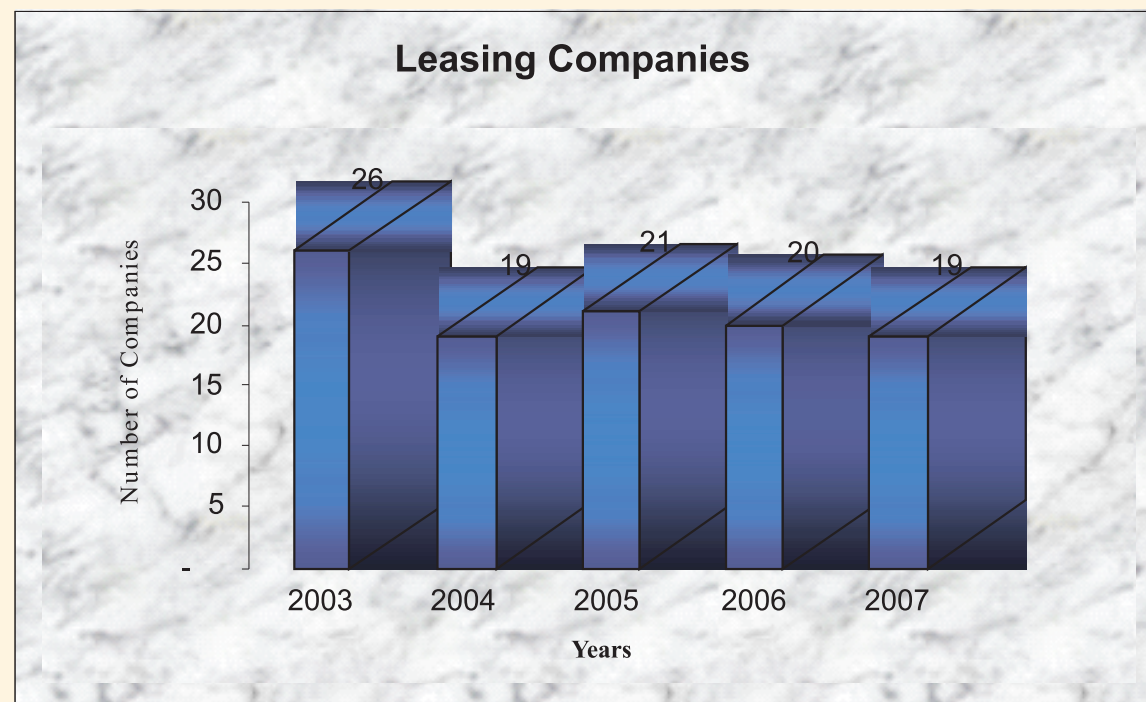


CHART – 10.4 Asset Allocation of Leasing Sector as of June 2008

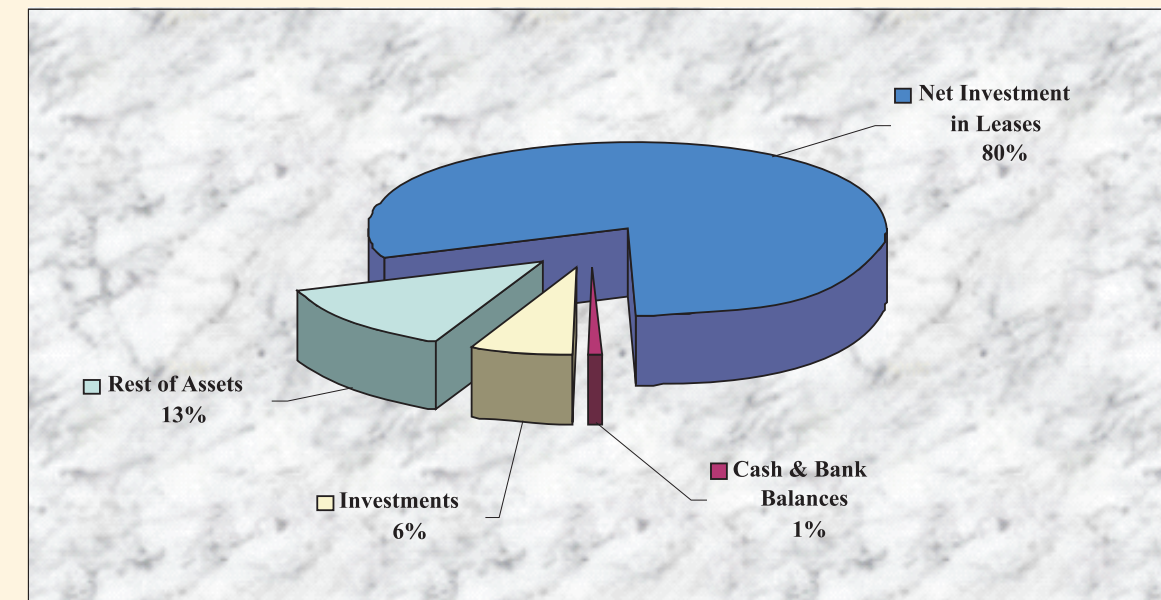


CHART – 10.5 Liabilities Structure of Leasing Sector as of June 2008

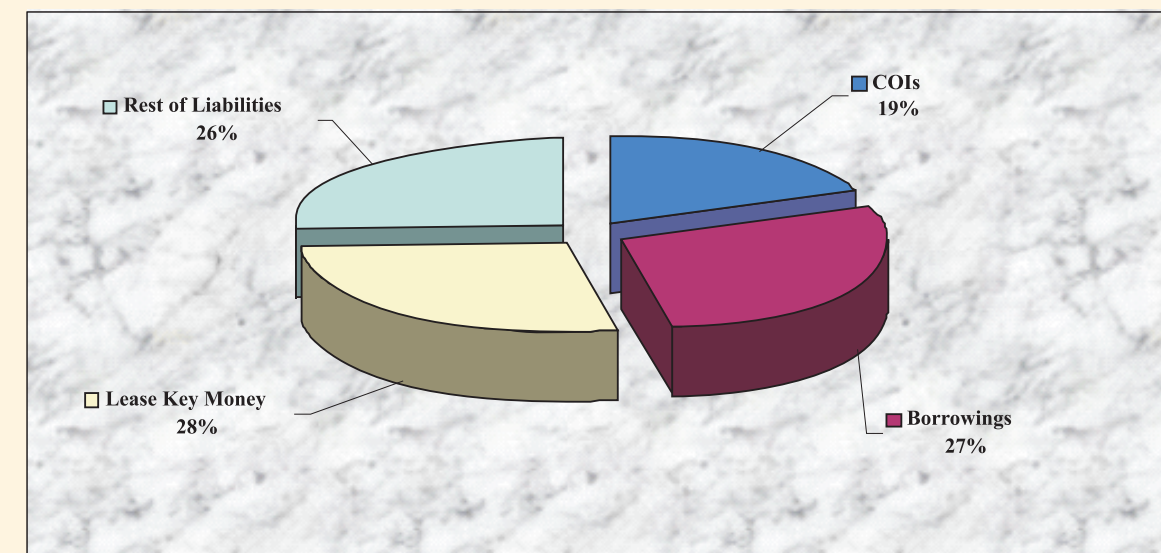


CHART – 10.6 Investment Banks – Five Years Perspective

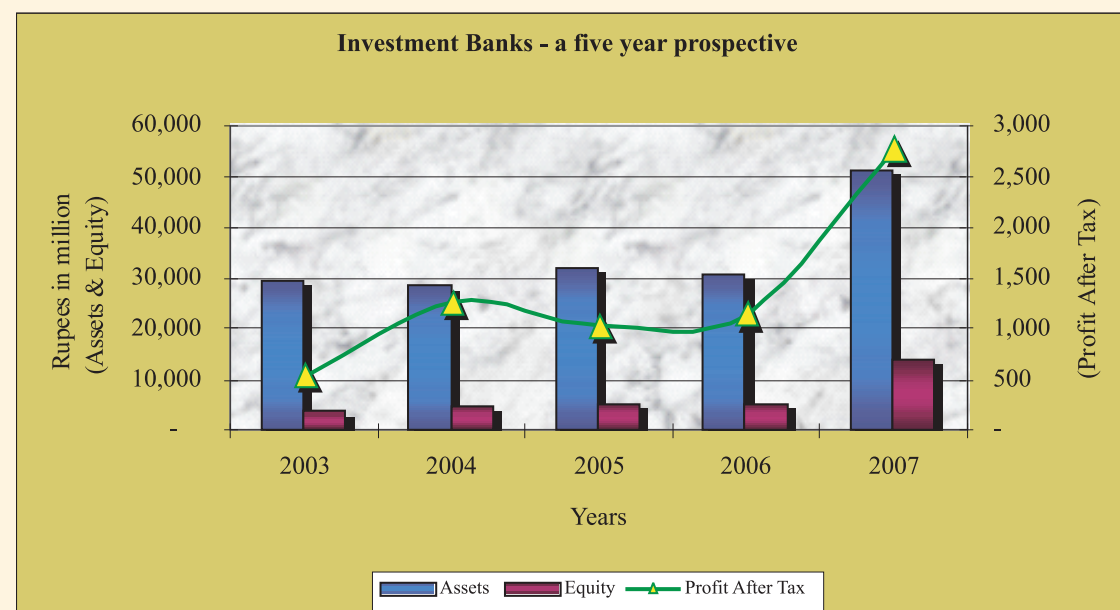


CHART – 10.7 Number of Investment Banks in the Last Five Years

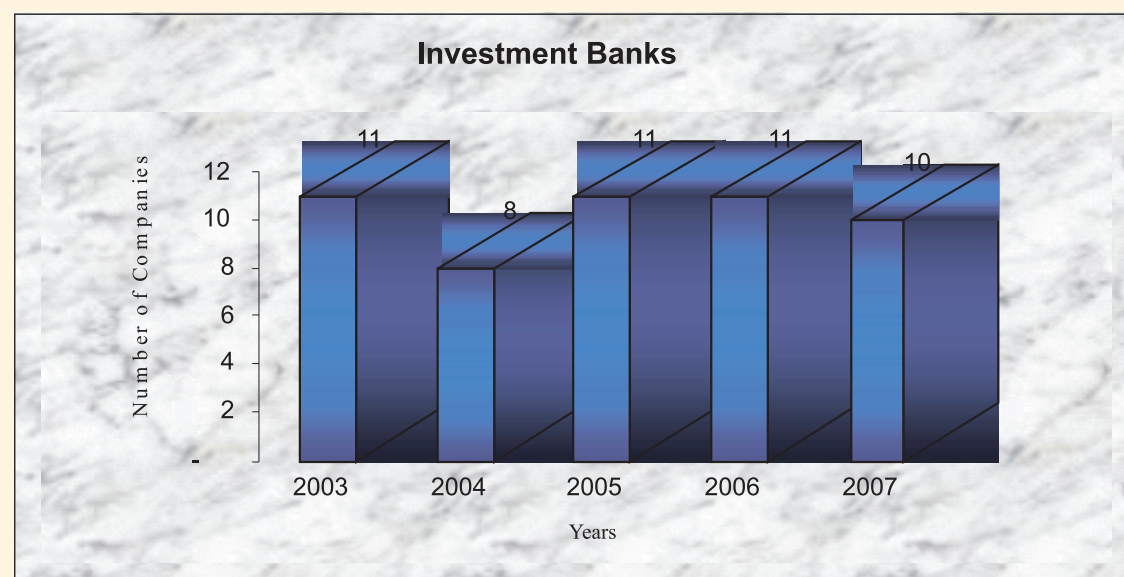


TABLE – 18 Main Statistics of Investment Banking Sector as of June 2008

	(Rs. in billion)
Assets	58,017
Liabilities	44,774
Equity	13,243
Deposits	14,411

CHART – 10.8 Asset Allocation of Investment Banking Sector as of June 2008

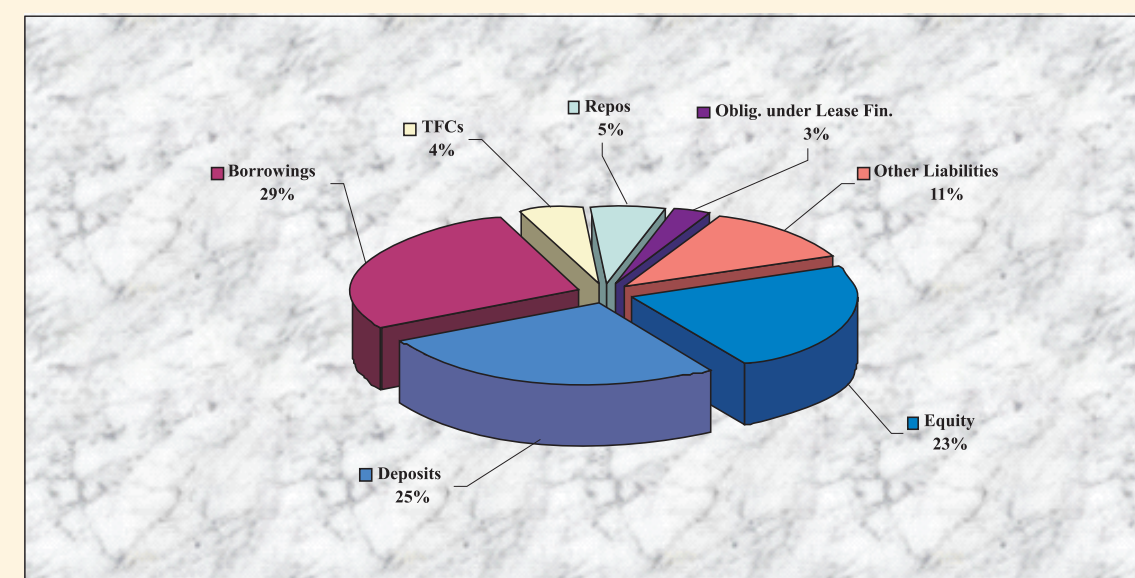


CHART – 10.9 Liabilities Structure of Investment Banking as of June 2008

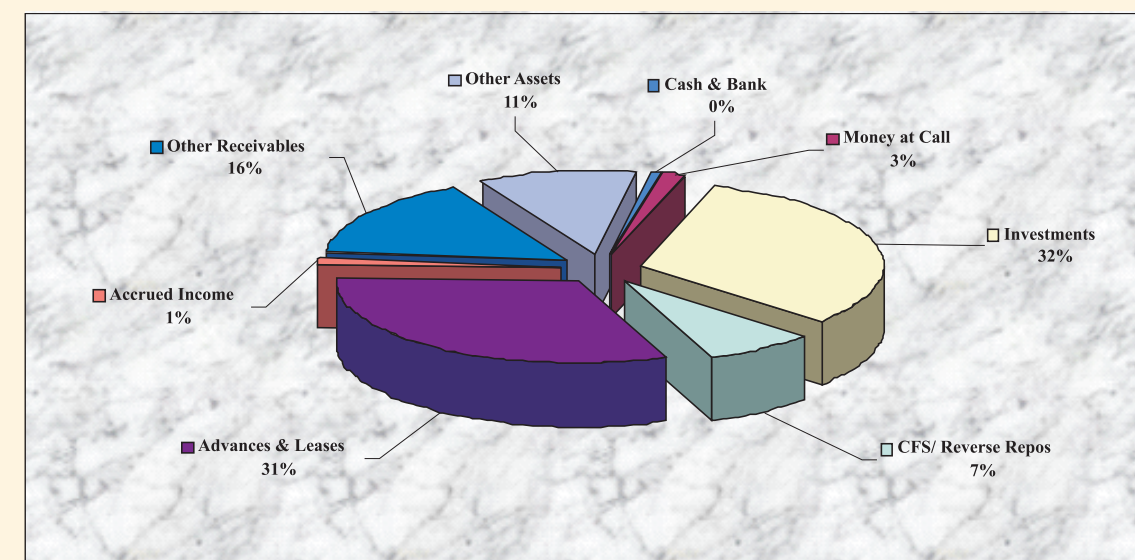


CHART – 10.10 Composition of NBFC Sector as of June 2008

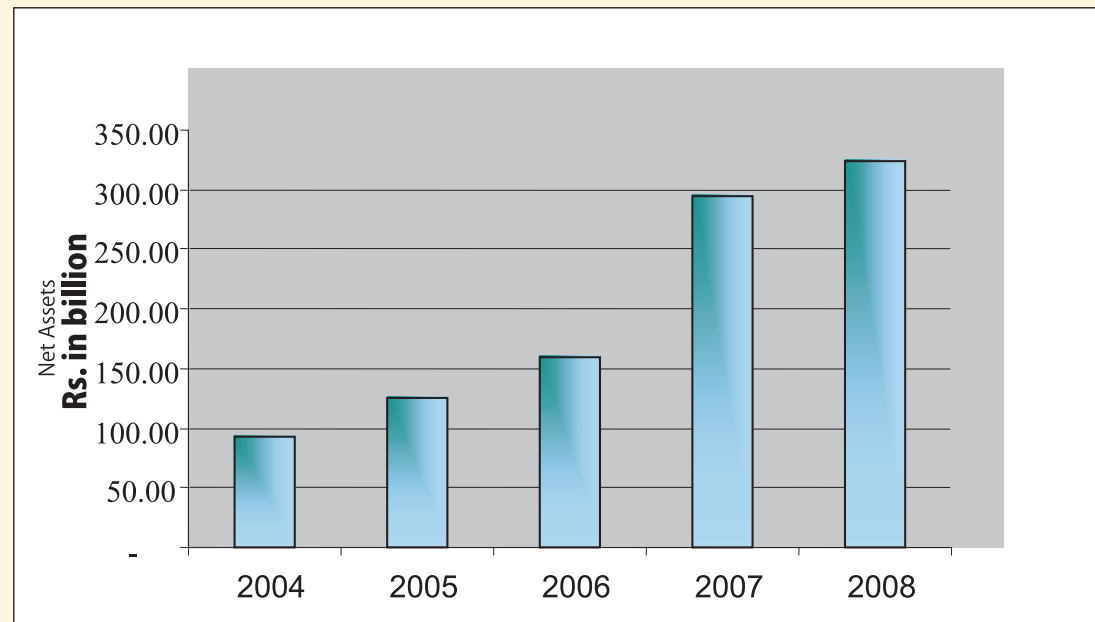


TABLE – 19 Mutual Funds Nature & Type wise Breakup as of June 2008

		Closed End Funds		Open End Funds		Grand Total		
		#	Total Assets	#	Total Assets	#	Total Assets	
1	Asset Allocation Funds	1	3,272.31	7	5,769.19	8	9,041.50	2.7%
2	Balanced Funds	3	3,926.15	4	11,224.06	7	15,150.21	4.5%
3	Capital Pro. Funds	3	1,426.79	4	5,048.48	7	6,475.27	1.9%
4	Equity Funds	10	32,906.38	7	102,768.57	17	135,674.95	39.9%
5	Fund of Funds	1	609.54	1	1,302.81	2	1,912.34	0.6%
6	Income Funds	-	-	21	117,941.71	21	117,941.71	34.7%
7	Index Funds	-	-	5	7,857.15	5	7,857.15	2.3%
8	Islamic Funds	2	3,366.37	12	20,875.74	14	24,242.07	7.1%
9	Money Market Funds	-	-	4	19,213.42	4	19,213.42	5.7%
10	Sector Funds	2	2,209.56	-	-	2	2,209.56	0.7%
TOTAL		22	47,717.06	65	292,001.14	87	339,718.20	100.0%

Note: Mutual funds recorded the highest growth in terms of numbers and assets. Total number of mutual funds increased from 67 as of 30-06-2007 to 87 as of 30-06-2008 is provided in Table 10.6, while their net assets increased from Rs. 295 billion to Rs. 326.822 billion during the period, depicting a growth of 10 percent. Detail of assets managed under different categories of mutual funds is provided in Table 10.8.

CHART – 10.11 Asset mix of Mutual Fund as of June-2008

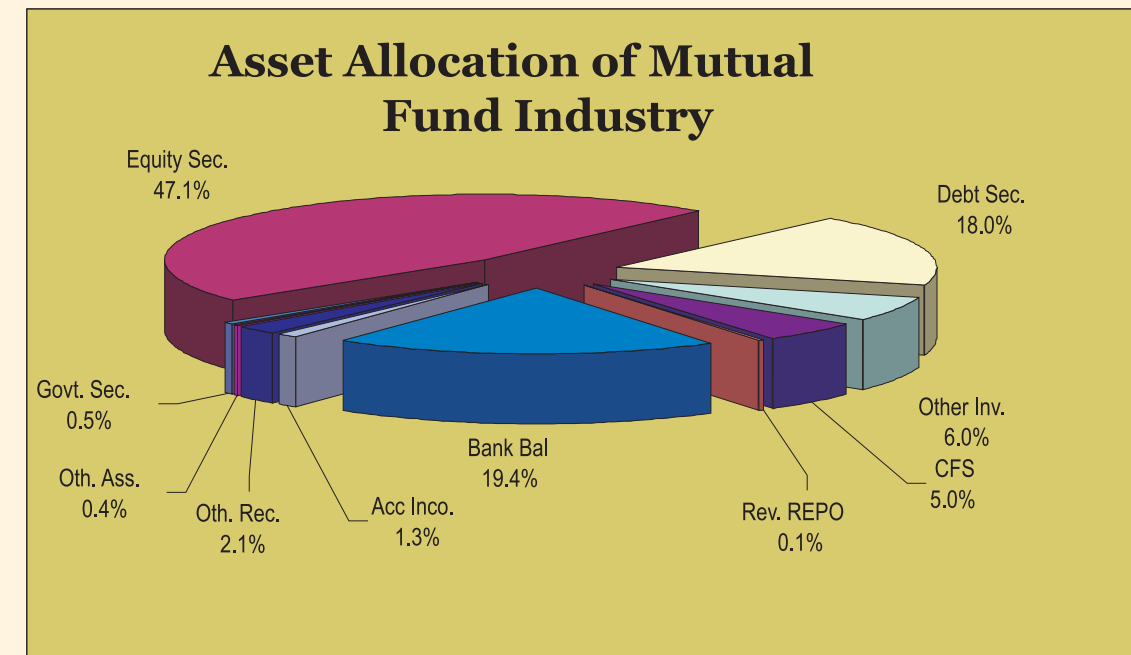


CHART – 10.12 Modaraba Sector – Five Years Perspective

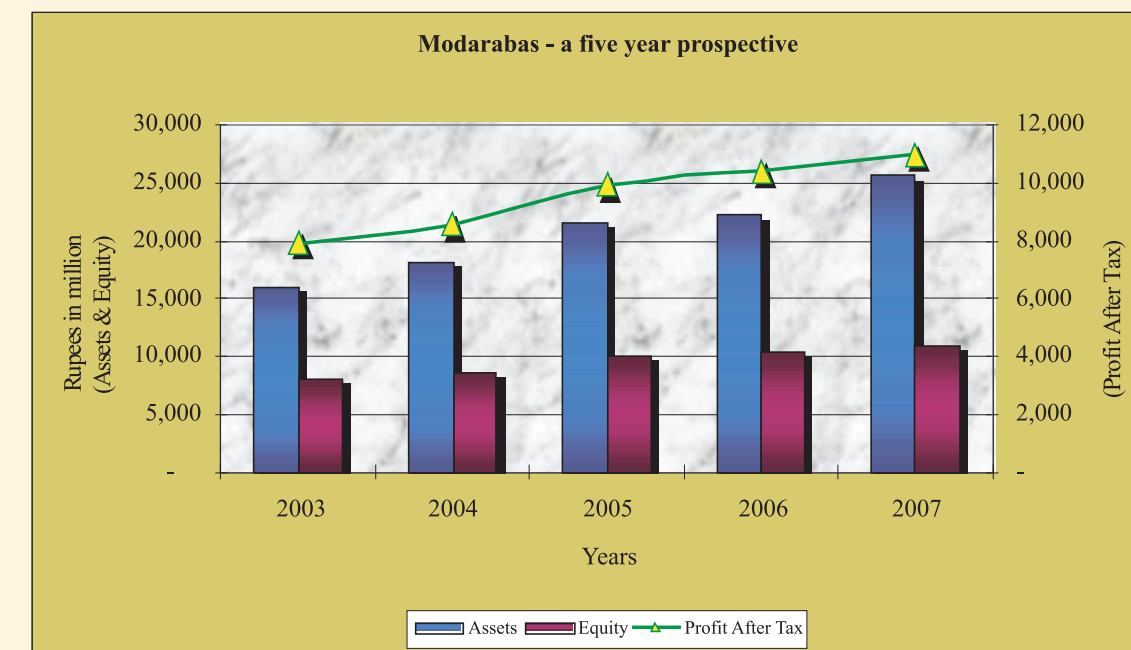


TABLE – 20 Main Statistics of Modaraba Sector as of June 2008
Comparative performance of the sector for last two years is given below:

Modaraba Statistics	2008	2007
Modaraba companies	41	51
Modarabas	27	29
Modarabas under winding up	09	08
Modarabas merged	---	02
Modarabas under floatation	03	03
Total paid-up fund of Modarabas (Rs. in million)	7,880	7,408
Total Assets of Modarabas (Rs. in million)	29,703	26,348

CHART – 10.13 Asset Allocation of Modaraba Sector as of June 2008

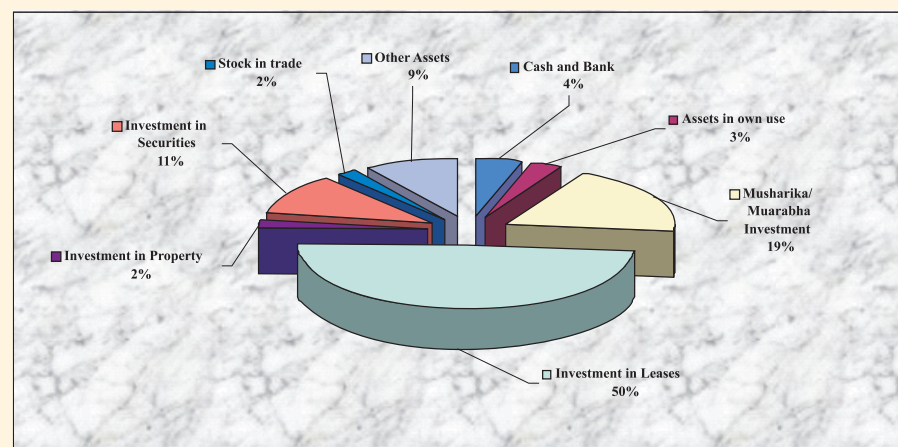


CHART – 10.14 Number of Modaraba Funds in the Last Five Years

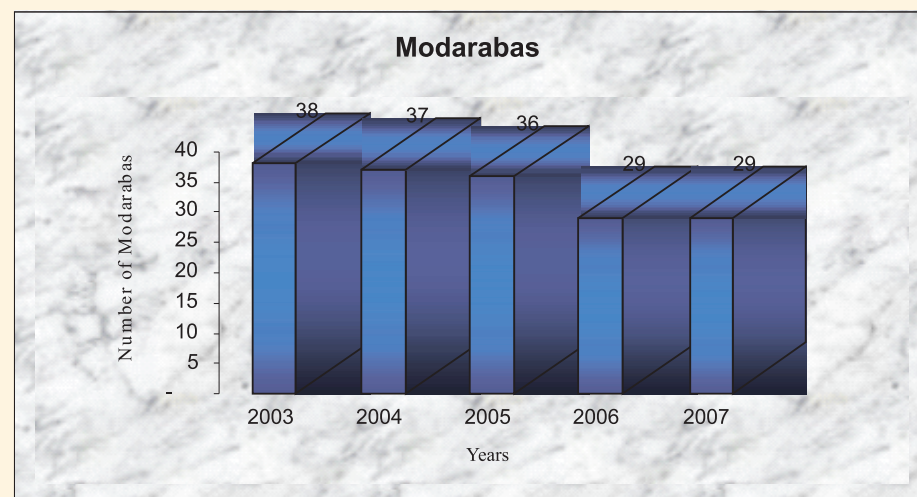


Table 21: Assets Composition of All Open End Funds (Funds Size-Wise)

S#	AMC/IAC	Fund	Nature	NAV as of 27.06.2008 (Rs.)	Net Assets	Total Assets	Share in MF Industry
1	NITL	NIT (Unit) Trust Ltd	Equity	52.70	85,214.03	90,941.12	26.77%
2	NAFA	NAFA Cash Fund	Income	10.77	23,747.53	24,473.40	7.20%
3	UBL	United Growth & Income Fund	Income	103.15	13,974.83	14,174.64	4.17%
4	MCB	MCB Dyn. Cash Fund	Income	106.34	11,322.10	11,376.70	3.35%
5	JS	JS Income Fund	Income	103.94	10,549.49	10,590.52	3.12%
6	Askari	Askari Income Fund	Income	103.96	8,374.06	9,029.96	2.66%
7	KASB	KASB Liquid Fund	Money Market	103.19	8,404.82	8,434.84	2.48%
8	UBL	United Money Market Fund	Money Market	103.06	6,571.29	6,933.98	2.04%
9	JS	Unit Trust of Pakistan	Balanced	152.31	6,054.99	6,326.39	1.86%
10	Al-Meezan	Meezan Islamic Fund	Islamic	60.44	6,082.12	6,202.03	1.83%
11	Al-Meezan	Meezan Islamic Income Fund	Islamic	51.29	5,630.66	5,835.38	1.72%
12	HBL	HBL Income Fund	Income	102.48	5,751.08	5,787.16	1.70%
13	AMZ	AMZ Plus Income Fund	Income	10.81	4,202.28	5,459.40	1.61%
14	Arif Habib	Pakistan Income Fund	Income	51.43	4,930.37	5,374.95	1.58%
15	Atlas	Atlas Income Fund	Income	523.40	3,968.85	4,325.71	1.27%
16	AKD	AKD Income Fund	Income	51.46	3,831.00	3,840.57	1.13%
17	Crosby	Crosby Dragon Fund	Equity	170.50	3,522.92	3,818.91	1.12%
18	Faysal	Faysal Savings Growth Fund	Money Market	103.49	3,722.41	3,729.71	1.10%
19	Dawood	Dawood Money Market Fund	Income	110.71	3,517.80	3,628.22	1.07%
20	Arif Habib	Pakistan Stock Market Fund	Equity	81.80	3,398.84	3,410.17	1.00%
21	BMA	BMA Chundrigar Road Savings Fund	Income	10.78	3,357.69	3,386.48	1.00%
22	IGI	IGI Income Fund	Income	101.96	3,142.25	3,161.06	0.93%
23	NAFA	NAFA Multi Asset Fund	Bal	11.56	2,655.45	2,740.99	0.81%
24	NAFA	NAFA Stock Fund	Index	11.52	2,597.33	2,635.25	0.78%
25	UBL	United Stock Advantage Fund	Index	103.55	2,560.90	2,610.53	0.77%

(Assets in Million of Rupees)

26	Faysal	Faysal Income & Growth Fund	Income	103.32	2,350.71	2,357.31	0.69%
27	Pak Oman	Pak Oman BOP Adv. Plus Fund	Income	53.36	2,290.98	2,317.39	0.68%
28	Alfalalah	Alfalalah GHP Income Multiplier Fund	Income	51.35	2,215.02	2,228.42	0.66%
29	UBL	United Islamic Income Fund	Islamic	102.82	1,765.89	2,056.90	0.61%
30	NAFA	NAFA Income Fund	Income	10.20	1,827.07	1,916.56	0.56%
31	Habib	First Habib Income Fund	Income	102.25	1,902.32	1,912.98	0.56%
32	AKD	AKD Index Tracker Fund	Index	60.47	1,897.01	1,907.20	0.56%
33	HBL	HBL Stock Fund	Equity	98.94	1,784.02	1,823.46	0.54%
34	MCB	MCB Dyn. Allo. Fund	Asset Allocation	87.84	1,700.98	1,734.20	0.51%
35	JS	JS Capital Protected Fund II	Capital Prot.	111.17	1,625.12	1,628.93	0.48%
36	JS	JS Capital Protected Fund III	Capital Pr	106.06	1,413.23	1,416.17	0.42%
37	Atlas	Atlas Stock Market Fund	Equity	558.64	1,330.08	1,335.96	0.39%
38	Noman Abid	Reliance Income Fund	Income	53.61	1,305.11	1,309.27	0.39%
39	JS	JS Fund of Funds	Fund of Funds	113.42	1,259.59	1,302.81	0.38%
40	UBL	United Composite Islamic Fund	Islamic	105.93	1,237.01	1,257.95	0.37%
41	JS	JS Capital Protected Fund	Capital Prot.	115.23	1,199.01	1,201.59	0.35%
42	KASB	KASB Balanced Fund	Balanced	50.01	1,118.19	1,132.27	0.33
43	Faysal	Faysal Balanced Growth Fund	Balanced	101.66	1,020.08	1,024.42	0.30%
44	Arif Habib	Pakistan Intl Element Islamic Fund	Islamic	51.96	968.10	974.78	0.29%
45	Alfalalah	Alfalalah GHP Value Fund	Asset Allocation	53.69	941.67	945.95	0.28%
46	JS	JS Agg. Income Fund	Income	102.68	922.04	925.38	0.27%
47	NAFA	NAFA Islamic Income Fund	Islamic	10.34	876.99	879.36	0.26%
48	MCB	MCB Dyn. Stock Fund	Equity	95.68	862.66	876.33	0.26%
49	Arif Habib	Pakistan Capital Market Fund	Asset Allocation	10.84	844.94	853.04	0.25%
50	JS	UTP Islamic Fund	Islamic	526.60	796.77	842.94	0.25%
51	JS	JS Capital Protected Fund IV	Capital Prot.	102.24	782.30	801.79	0.24%
52	HBL	HBL Multi Asset Fund	Asset Allocation	97.46	719.53	727.64	0.21%

53	NAFA	NAFA Islamic Multi Asset Fund	Islamic	9.55	698.80	703.49	0.21%
54	KASB	KASB Islamic Income Fund	Islamic	100.59	653.27	666.34	0.20%
55	JS	JS Agg. Ass. All. Fund	Asset Allocation	104.93	631.10	635.03	0.19%
56	Atlas	Atlas Islamic Fund	Islamic	512.01	600.34	604.22	0.18%
57	AMZ	AMZ Plus Stock Fund	Equity	91.80	547.72	562.63	0.17%
58	Askari	Askari Asset Allocation Fund	Asset Allocation	88.44	501.58	513.59	0.15%
59	KASB	KASB Stock Market Fund	Index	48.87	488.41	510.15	0.15%
60	Dawood	Dawood Islamic Fund	Islamic	110.23	431.82	435.17	0.13%
61	Alfalalah	Alfalalah GHP Islamic Fund	Islamic	52.30	415.29	417.18	0.12%
62	Arif Habib	MetroBank Pakistan Sov Fund	Income	49.92	364.15	365.63	0.11%
63	AKD	AKD Opportunity Fund	Asset Allocation	11.52	346.08	359.75	0.11%
64	JS	UTP A 30+ Fund	Index	47.56	191.95	194.02	0.06%
65	Arif Habib	Pakistan Cash Man. Fund	Money Market	50.51	113.81	114.90	0.03%
TOTAL					280,025.87	292,001.14	85.95%

Table 22: Assets Composition of All Closed End Funds (Funds Size-Wise) (Assets in Million of Rupees)

Serial No.	AMC	Fund	Nature	NAV as of 27.06.2008 (Rs.)	Net Assets	Total Assets	Share in MF Industry
1.	PICIC	PICIC Growth Fund	Equity	40.10	11,368.01	11,476.77	3.38%
2.	JS	JS Growth Fund	Equity	16.65	5,293.96	5,682.52	1.67%
3.	PICIC	PICIC Investment Fund	Equity	17.96	5,101.70	5,186.57	1.53%
4.	JS	UTP Large Capital Fund	Equity	11.96	3,941.98	4,044.23	1.19%
5.	Arif Habib	Pakistan Strategic Allocation Fund	Asset Allocation	10.79	3,237.61	3,272.31	0.96%
6.	JS	JS Value Fund Ltd.	Balanced	22.45	2,661.72	2,685.87	0.79%
7.	Arif Habib	Pakistan Premier Fund Ltd.	Equity	14.09	2,427.79	2,435.13	0.72%
8.	Al-Meezan	Al-Meezan Mutual Fund	Islamic	13.96	1,919.48	1,928.19	0.57%
9.	Al-Meezan	Meezan Balanced Fund	Islamic	11.89	1,427.19	1,438.18	0.42%
10.	AKD	Golden Arrow Stock Fund	Equity	9.19	1,243.14	1,277.70	0.38%
11.	Pak Oman	Pak Oman Advantage Fund	Sector	11.13	1,113.41	1,122.44	0.33%
12.	PICIC	PICIC Energy Fund	Sector	10.75	1,074.80	1,087.13	0.32%
13.	NAMCO	NAMCO Balanced Fund	Balanced	10.25	1,025.42	1,037.47	0.31%
14.	Safeway	Safeway Mutual Fund Ltd.	Equity	16.22	883.03	887.06	0.26%
15.	Asian	Asian Stocks Fund Ltd.	Equity	8.95	794.35	813.11	0.24%
16.	Dawood	First Dawood Mutual Fund	Equity	12.84	746.30	751.66	0.22%
17.	UBL	UBL Capital Pro. Fund -1	Capital Prot.	9.86	688.83	690.97	0.20%
18.	Arif Habib	Pakistan Capital Protected Fund-1	Capital Prot.	9.69	592.83	612.99	0.18%
19.	Atlas	Atlas Fund of Funds	Fund of Funds	11.34	595.54	609.54	0.18%
20.	First Capital	First Capital Mutual Fund Ltd.	Equity	11.32	339.47	351.64	0.10%
21.	WE	WE Balanced Fund	Balanced	10.0392	200.784	202.814	0.06%
22.	BMA	BMA Principal Guaranteed Fund-I	Capital Prot.	11.21	118.87	122.82	0.04%
TOTAL				--	46,796.23	47,717.11	14.05%

Table 23: Net Assets of Voluntary Pension Scheme

S No.	Name of the Pension Fund Manager and Pension Fund	NAV per Unit (Rupees)	Net Assets (Rupees in million)
1	JS Investment Limited:		
1)	JS Pension Savings Fund		
	A) Equity Sub-Fund	93.98	29,388
	B) Debt Sub-Fund	105.14	29,388
	C) Money Market Sub-Fund	105.13	29,388
	Total		88,165
2)	JS Islamic Pension Saving Fund		
	A) Equity Sub-Fund	100.49	30,162
	B) Debt Sub-Fund	100.49	30,159
	C) Money Market Sub-Fund	100.49	30,149
	Total		90,471
2	Arif Habib Investments Limited		
1)	Pakistan Pension Fund		
	A) Equity Sub-Fund	91.64	36,037
	B) Debt Sub-Fund	98.06	35,847
	C) Money Market Sub-Fund	106.42	33,490
	Total		105,374

	2)	Pakistan Islamic Pension Fund		
		A) Equity Sub-Fund	94.30	29,111
		B) Debt Sub-Fund	103.97	31,816
		C) Money Market Sub-Fund	109.24	31,090
			Total	92,018
3	Atlas Asset Management Limited			
	1)	Atlas Pension Fund		
		A) Equity Sub-Fund	100.96	35,592
		B) Debt Sub-Fund	107.56	37,328
		C) Money Market Sub-Fund	107.30	33,718
			Total	106,638
	2)	Atlas Pension Islamic Fund		
		A) Equity Sub-Fund	98.88	33,866
		B) Debt Sub-Fund	105.22	35,477
		C) Money Market Sub-Fund	105.13	32,709
			Total	102,053
4	AI Meezan Investments Limited			
	1)	Meezan Tahafuzz Pension Fund		
		A) Equity Sub-Fund	103.34	65,983
		B) Debt Sub-Fund	108.56	60,094
		C) Money Market Sub-Fund	107.94	54,880
			Total	180,958
			Grand Total	765,678

Table 24

Total number of cases taken up by the Commission

Court		Number of case pending
Supreme Court of Pakistan		11
	High Court	16
	District Court	14
	High Court	7
	District Court	4
	High Court	4
	District Court	Nil
	High Court	16
	District Court	4
	High Court	1
	District Court	Nil
	High Court	215
	District Court	20
Total		292

Table 25

Growth of insurance industry in premiums,

Figures in Million of Pak Rupee						
	2005		2006		2007	
	%Inc		%Inc		%Inc	
Life	18,552	27.2	22,574	21.7	27,694	22.7
Non-Life	27,733	25.6	33,615	21.2	37,830	12.5
Combined	46,285	26.2	56,189	21.4	65,524	16.6

11

HOW TO CONTACT US

HOW TO CONTACT US

11.1 How to lodge complaints

In order to create awareness within the stakeholders about the availability of vigilance mechanism and how the stakeholders can make best use of the facility, the Commission has placed the instructions on filing of a complaint on its website. The information and forms have also been made available at the CROs and the stock exchanges. Investors, entities and general public can forward any query or complaint online through the link available (<http://www.secp.gov.pk/ComplaintForm1.asp>) at the Commission's website besides using the regular mail. There is a reporting mechanism in place whereby a track is kept of the status of complaints and queries received.

11.2 How to ask other questions

Investors, entities and general public can forward any query or complaint online through the links available at the Commission's website besides using the regular mail.

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Email: crokarachi@secp.gov.pk

3-Lahore

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7-Egerton Road,
Lahore
Phone: 042-9200274, Fax: 042-9202044
Email: crolahore@secp.gov.pk

4-Multan

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Abdali Road,
Multan
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5-Faisalabad

356-A, Al-Jamil Plaza, 1st Floor,
Peoples Colony, Small D Ground
Faisalabad
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Email: crofaisalabad@secp.gov.pk

6-Peshawar

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