SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

2015 ANNUAL REPORT

For the Year Ended June 30, 2015

Contents

Chairman's Review

I feel honored to present the annual report of the Securities and Exchange Commission of Pakistan (SECP) for the financial year 2014-15. I accepted my present responsibilities in December 2014, with the firm resolve to turn this prestigious organization into an efficient and strong regulatory authority that can effectively protect investors' interest, while ensuring fair practices and complete transparency in the markets. I firmly believe that only a strong SECP operating in an independent environment can guarantee a stable capital market and thus contribute to the development of national economy. Nine months down the line, I can say with a sense of pride that the necessary corrective and stringent measures put into effect have borne fruit and established trust in the functioning of the SECP.

Immediately upon taking this responsibility, I started implementing a robust reform agenda for the capital market and the corporate sector. This reform-roadmap was designed to strengthen the SECP's enforcement regime, enhance the monitoring and surveillance for timely detection of misconduct and unfair practices, and incorporating zero tolerance for market manipulation – all essential prerequisites for a fair and well-functioning market that attracts and protects investors.

A vibrant and robust capital market has a pivotal role in the economic growth and development of a country. Liquid and well-regulated stock markets not only provide investment opportunities to the general public, but also enable the corporate sector to meet funding requirements through a variety of financial products. Alhamdulillah, in this fiscal year we have taken a giant step forward in the development of our stock market. The three stock exchanges have agreed to integrate to form one national level stock exchange to be called the Pakistan Stock Exchange. This is a very significant achievement having the potential to develop Pakistan's capital market by attracting investors domestically as well as internationally.

This development was fully supported by the honorable Federal Minister for Finance and Revenue, who while addressing the gathering at the signing ceremony of MOU between the three stock exchanges spelled out government's vision for Pakistan's capital market. The key message in his speech was:

- It is my wish and desire to make Pakistan's stock market strong, vibrant and competitive vis-a-vis the global financial markets.
- China, India and Singapore have been built with foreign direct investment (FDI) and Pakistani stock market has to play a great role in attracting FDI to Pakistan.
- I am quite satisfied with the SECP's performance for improving the regulations and compliance and I advise them to continue to be vigilant, because irregularities such as insider trading and issues of noncompliance are being reported even in the most developed countries. The SECP should check irregularities and show zero tolerance for insider trading or market manipulation or any other violation.

Efforts are being made for diversification of shareholding of the stock exchanges by bringing together financial institutions and strategic investor(s) in line with the requirement of demutualization and integration law. This will provide an opportunity to remodel the landscape of our capital market and make it a regional hub for raising capital and attracting investors from around the globe. However, any decision on the matter would be taken in consultation with the stakeholders and after taking into consideration factors like market development, improved governance, investor protection, liquidity and best order execution for the investors.

We feel that national economy is undergoing a turnaround. International financial institutions are acknowledging that Pakistan's economy has experienced a remarkable recovery in a short span of time. The government has instituted far-reaching economic reforms such as tax measures and adjustments in administered prices. In this regard, the government's decision to gradually reduce the corporate tax rate from 35% to 30% is bold and result-oriented. Such measures, along with a historic reduction in interest rates, will certainly provide impetus to all sectors of the economy, in particular the underperforming manufacturing sector. This will also promote a culture of corporatization and improve Pakistan's international competitiveness.

Also, SECP has made significant improvement with regard to compliance with the International Organization of Securities Commission (IOSCO) benchmark principles of securities regulation. The compliance rate has gone up from 37% in 2004 to 62% in 2015 and efforts are underway for achieving enhanced compliance with those principles which are as yet not fully compliant.

In pursuance of the government's National Action Plan to end terrorism and to halt financing sources of terrorists, the SECP decided to revalidate the licenses of all non-profit organizations or NGOs registered with the SECP in order to ensure that no transgressions have taken place. Steps such as development of new modules under e-Services for licensing under section 42 of the Companies Ordinance, 1984, for non-profit associations, filing of accounts, obtaining certified true copies and inspection by third parties/consultants were to aimed at ensuring comprehensive documentation and monitoring of such organizations.

A lack of documentation in our economy is a major factor causing hindrance in the economic growth. To this end, our initiative for establishing a virtual one-stop shop portal for integrated business registration with FBR and EOBI will certainly be of assistance.

Accordingly, various initiatives undertaken by SECP during 2014-15 are:

Investor protection and education

Investor protection is the foundation of the SECP's reforms program, and it is our top priority. The introduction of direct settlement service mechanism at the CDC and NCCPL are significant steps in this direction. This will prevent unauthorized use of clients' securities by broker participants. Investor account holders at the CDC were provided an online transaction facility for movement of securities. It is also worth mentioning that during the year, companies have been allowed to circulate annual accounts to shareholders by email, if so desired by any shareholder.

Under its Investor Education Program, the SECP is imparting knowledge through the media, seminars and workshops. Fifteen investor awareness seminars were organized in Abbottabad, Peshawar, Muzaffarabad, Mirpur, Rawalpindi and Islamabad. Also, a web portal Jamapunji.pk was launched by the honorable Finance Minister. Keeping pace with the latest trends, awareness about non-banking financial sector and products is also being created through social media. For the youth, in particular for students at schools and universities, a comprehensive outreach program has been rolled out under which MOUs with the partnering institutions are being signed for conducting on campus awareness sessions and to run trading competition on real time feed from exchange.

In order to facilitate availability of non-banking financial products at one place and expand outreach to smaller cities, a concept of Capital Market Hub has been introduced under which offices or representatives of stock brokers, mutual funds, banks, pension funds and insurance companies will be there in one place. First such hub will be opened very soon in the city of Abbottabad, followed by other smaller cities.

Legal reforms

One of our major successes this year has been the promulgation of the new Securities Act that came into effect in May 2015. Besides addressing various shortcomings of the 1969 ordinance, the new law incorporates IOSCO benchmarks and contains provisions for promoting public confidence in the market, including full disclosure at the time of the initial offering, continuous disclosure requirements and an inclusive compliance regime. It also contains provisions for curbing activities like market abuse and insider trading. Other significant legislative achievements include; Real Estate Investment Trust (REIT) Regulations, 2015, amendment to the Single Member Companies Rules, 2003, introduction of legal framework for unit-linked products and funds, amendment to the Insurance Rules, 2002 and Sukuk Regulations, 2015. Stakeholder consultation on the Research Analyst Regulations and Limited Liability Partnership (LLP) concept paper is also concluded.

Capital market reforms

In order to bring the initial public offering (IPO) process on a par with the developed markets, revised regulations for book building have been enforced to ensure a user-friendly and transparent model, which also provides investors with an opportunity to participate in the process electronically. Secondly, in order to attract new listings, the existing manual procedures for listings have been simplified. Regulatory amendments were approved to change exchanges' pre-open modalities to curb manipulation during pre-open session.

Considering the immense potential of Small and Medium Enterprises (SME) in capital formation and social growth, the concept of SME Board has been introduced at the stock exchanges to facilitate listings. Moreover, with a view to encouraging development of Islamic capital market, the Shariah Advisory Board has also been reconstituted.

It is worth mentioning that stakeholder response to the SECP reforms has been positive, which is evident from the fact that in 2014-15 the stock market indices recorded a steady growth of 16% by opening at 28,701.58 points, and closing at 34,398.86 on June 30, 2015. In this regard one remarkable achievement was the launch of South Asia's first ever Real Estate Investment Trust (REIT) worth Rs. 22.237 billion at Karachi Stock Exchange (KSE). Moreover, new future contracts for PMEX-Gold (Milli ounce); Brent Crude Oil; Mill Specific Sugar were also approved to trade in Pakistan Mercantile Exchange (PMEX).

Insurance Sector Reforms

In order to provide sustainable growth to the insurance sector and to address the issues faced by the stakeholders involved therein, the Bancassurance Regulations have been issued along with formation of small dispute resolution committees in Islamabad, Karachi and Lahore, to expedite the insurance sector related disputes resolution process at a little or no cost to the policyholders and that too at their doorstep.

Efforts are underway to ensure full compliance with the Insurance Core Principles (ICPs) of International Association of Insurance Supervisors (IAIS) by the end of the next financial year. Code of Corporate Governance for Insurance Sector is being developed. In order to increase the insurers' capacity to underwrite and retain risks, thereby serving to retain foreign exchange in the country, the paid-up capital requirements for the insurance sector are to be increased to Rs. 500 million and Rs. 700 million for non-life and life insurers respectively. The SECP has also requested the Ministry of Finance to get implemented the legally compulsory group insurance by recommending amendments to labour laws to enhance the scope of the coverage.

Monitoring and enforcement regime

The SECP's monitoring and enforcement regime has been framed in a manner that it precludes undue harassment to market participants for minor omissions but demonstrates zero tolerance for major offences and irregularities. Furthermore, the Commission has ensured speedy disposal of appeals, that were pending at the Appellate Bench and in a short span of time the pendency has been considerably reduced. Going forward, it has been decided the Appellate Bench will endeavor to dispose-off an appeal within 45 days of its registration. The Commission is also striving to improve the corporate governance within the public sector companies and in this respect the enforcement of Public Sector (Corporate Governance) Rules, 2013 has already been initiated.

Financial position

Financial results of the Commission for the year 2014-15 show surplus of income over expenditure after tax Rs. 203.78 million as against last year's surplus of Rs.154.08 million, registering an increase of Rs. 49.70 million (32%).

Total revenues (net of levies) for the financial year 2014-15 are Rs. 2,483 million which are higher by Rs. 469 million (23%) as compared to last year's revenue of Rs. 2,014 million. Revenues of Company Law Division, Security Market Division, Specialized Companies Division and Insurance Division have increased during the year by 34%, 41%, 12% and 14% respectively, when compared to last year's revenues. Income from investment has decreased by Rs. 8 million mainly due to decrease in discount rate by the State Bank of Pakistan.

Total operating expenses for the year under review are Rs. 1,932 million showing an increase of Rs. 114 million (6%) over the last year. The increase is mainly due to increase in cost of utilities, rent expenses, salary and other operating expenses. Capital expenditures for the year remained within the limits as per the approved budget for the year. An amount of Rs. 11.60 million received as penalties by the Commission during the current year and Rs. 63.424 million as surplus for the year 2013-14 has been transferred to the Federal Consolidated Fund.

The external auditors in their report have given the opinion that the financial statement of the SECP have been presented fairly in all material respects and its financial performance is according to approved accounting standards.

Code of Conduct

For the first time in the SECP history, a wide ranging code of conduct was approved and put into effect immediately. This Code of Conduct is a statement of rules and principles which bind all SECP employees under oath to remain committed to the highest standards of honesty and integrity, performing the duty unfettered by any improper influence and apparent or potential conflict of interest.

Future roadmap

Our achievements have not made us complacent. We have a clear vision and a roadmap for the future. We are determined to revitalize our capital market and the SECP in consultation with the relevant stakeholders will be framing a comprehensive Capital Market Development Plan outlining future roadmap for the capital market. The plan will entail introduction of key structural and regulatory reforms, development of equity, derivatives, debt, commodities markets, and measures for improving governance, risk management, efficiency and transparency in capital market operations.

Alongside capital market growth, the SECP as part of the National Financial Inclusion Strategy of Pakistan is also actively engaged in supporting the government agenda of financial inclusion, export growth and employment generation through growth of the SME's sector. Major restructuring in the regulatory regime of the NBFCs and Modarbas is underway to ensure the growth of small and specialized financial institutions that principally focus on the SME sector. Additionally, work is ongoing for creating an enabling and empowering regulatory framework for the hitherto unregulated microfinance institutions. These two steps will lead to improvement in access to finance and employment generation.

Further, we plan to tackle the issue of defaulting/non-performing listed companies while providing them with an opportunity to rectify their defaults. However, those involved in willful default will be strictly dealt with in accordance with the law. They will not be allowed to enjoy the benefits of listing while ignoring the rights of investors. Similarly, process has been initiated for increasing free float of the listed companies as per the regulatory framework and during the current year all possible measures will be taken to complete this important reform initiative.

Another important but neglected area is development of the debt market. A concerted effort will be made in collaboration with the State Bank of Pakistan and Ministry of Finance to remove all impediments and strengthen the relevant intermediaries like credit rating companies, debenture trustees, underwriters, etc. The process has been started with a comprehensive review of credit rating companies which will lead to revamping of existing intermediaries and bringing in international players with established brand names and global presence.

We will make concerted efforts to ensure full compliance with the IOSCO principles in various areas which have been highlighted as partially compliant in the recent assessment of the Pakistani securities market conducted by IOSCO. Efforts will also be made for re-inclusion of Pakistan in the MSCI Emerging Markets (EM) Index, as we meet the qualitative and quantitative criteria for the same.

We shall also increase corporatization, insurance penetration, capital market outreach and the investor-base through implementation of the following initiatives:

- Major legislative measures aimed at eliminating market abuse and mobilizing investors, which include rules and regulations to be framed under the Securities Act, 2015, amendment to the Non-Banking Finance Companies and Notified Entities Regulations, 2008, new private fund regulations and introduction of legal framework for registration and quality assurance of valuer;
- In order to encourage small and medium sized companies to register with the SECP, the new corporate law will provide a breathing space to small companies by way of fewer regulations and an encouraging regime for raising and maintaining capital for large companies;
- The SECP is also working on formation of the Audit Oversight Board of Pakistan, a panel of auditors, establishment of insurance repository, introduction of Shariah audit mechanism, and adoption of new accounting standards on Islamic finance issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI);
- The SECP is contemplating various policy options for the promotion of microinsurance market in Pakistan, which include introduction of lower capital requirements for dedicated microinsurance companies, relaxing solvency requirements to encourage investment in microinsurance infrastructure, allowing tie-up between life and non-life insurance companies to offer integrated products to the low income groups.
- The SECP will also revamp the regulatory regime for insurance brokers by bringing the reinsurance brokers within its regulatory ambit through appropriate amendments to the insurance laws. This will lead to retention of valuable foreign exchange in the country.
- Efforts are being made to build liquidity in the commodities exchange through introduction of new products, and improve existing risk management regime and framework for default management at Pakistan Mercantile Exchange (PMEX);
- The establishment of a centralized Know Your Client (KYC) organization to protect investor interests;
- A new Company Registration Office in Gilgit-Baltistan is proposed to be set up. Besides, facilitation centers are also being set up in all major cities, where the SECP does not have its presence. The objective is to vigorously encourage investors from small cities to join the corporate/capital market.

In the end, I have to acknowledge that the support and encouragement by the government and the Federal Minister for Finance, Senetor Muhammad Ishaq Dar in particular, has been a source of strength for the Commission as it helped to ensure sound and sustainable development of the sectors regulated by the Commission. I am grateful for this patronage.

I also place on record my special thanks to the members of the Policy Board for their guidance. Their profound input enabled us to speed-up the desired progress. I would also like to express my appreciation to the staff, officers and brother Commissioners of the SECP whose dedicated services made the Commission’s efforts productive and successful.

Securities and Exchange Policy Board

As of June 30, 2015, the Policy Board consisted of the following members

Dr. Waqar Masood Khan
Federal Finance Secretary
Chairman, Securities and Exchange Policy Board

Ex-officio members

Zafar Hijazi
Chairman
Securities and Exchange
Commission of Pakistan

Justice Muhammad Raza Khan (Ret)
Secretary General
Law, Justice and Human Rights Division

Muhammad Shehzad Arbab
Federal Secretary
Commerce Division

Saeed Ahmad
Deputy Governor
State Bank of Pakistan

Private sector members

Senator Osman Saifullah Khan

Javed Aslam Callea

Hafiz Mohammad Yousaf

Kamal Hassan Siddiqui

The Securities and Exchange Commission of Pakistan Act 1997 provides that the federal government shall appoint a Securities and Exchange Policy 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 federal secretaries for finance, law, commerce, SECP chairman, and a deputy governor of the State Bank of Pakistan (SBP), nominated by the SBP governor. The federal government has appointed the finance secretary as the board chairman.

Dr. Waqar Masood Khan has been the board chairman since April 15, 2013. Upon his appointment as the SECP chairman on December 19, 2014, Mr. Zafar Hijazi became an ex-officio member of the board in place of Mr. Tahir Mahmood. In the wake of Barrister Zafarullah Khan's resignation, Justice Muhammad Raza Khan (Retd) took over as the law secretary on December 2, 2014, becoming an ex-officio member of the board.

Board's objectives

The board has been entrusted to

(i) When so asked to do and after consultation with the SECP, advise the federal government on all matters which fall within the regulatory ambit of the SECP

(ii) Consider and approve, with or without modifications, any regulation with respect to implementation of policy decisions, proposed to be made by the SECP

(iii) Consider and approve, with or without modifications, the SECP's budget for each financial year

(iv) Express its opinion in writing on any policy matter referred to it by the federal government or the SECP

(v) Oversee the performance of the Commission to the extent that the purposes of the act are achieved

(vi) Exercise all such powers and perform all such functions as are conferred or assigned to it under the SECP Act

(vii) Specify fees, penalties and other charges chargeable by the SECP to achieve the purposes of the SECP Act

Apart from above, all policy decisions, including any changes to the previously established policy, in respect of all and any matter within the jurisdiction of the SECP shall be made only by the board. The board may make policy decisions suo motu or adopt such policy recommendations of the SECP, with or without modifications, as the board may deem fit in its discretion.

Board's conduct of business

During the period under review, five meetings of the board were held wherein 45 agenda items and 7 other business items were taken up and decided appropriately. The board considered various matters and gave direction to the SECP. The details are as follows:

Major directions

- Preparation of stock exchange roadmap for implementation of the Demutualization Act
- Steps required to make the market vibrant current in light of the current status of listing companies in Pakistan
- Concept to Know Your Customer (KYC) to prevent and identify theft, financial fraud, money laundering and terrorist financing
- Way forward for Audit Oversight Board of Pakistan
- Conduct of the NBF sector conference to find ways to improve sector

Major decisions

- Approval of the SECP's Annual Report for the year 2013-14 for submission to the federal government
- Approval of the Book Building Regulations, 2015
- Approval of the Bancassurance Regulations, 2015
- Approval of the SECP's Human Resource Manual
- Approval of Unit Linked Products and Funds Rules, 2015
- Approval of the Procedure to be followed by the SECP to issue direction to insurers under section 60 of the Insurance Ordinance, 2000
- Amendment to rule 26 of the SEC (Insurance) Rules, 2002 regarding insurance agents' education
- Approval of the SECP's annual budget for the financial year 2015-16 and criteria for performance bonus to the SECP's employees
- Reconstitution of SECP Audit Committee
- Approval of Charter of Audit Committee

Board's Oversight Committee

In order to broadly assist the board in overseeing the performance of the SECP to the extent that the purposes of the act are achieved, the Oversight Committee held four meetings. The committee took presentations from various departments/divisions to assess performance of the SECP and assisted the board by giving recommendations on various issues.

The Commission

Zafar Hijazi

Mr. Zafar Hijazi took over as the Chairman of the Securities and Exchange Commission of Pakistan on December 19, 2014. A Chartered Accountant by profession, he has extensive experience spanning over 34 years, both in the private sector and as a senior emerging markets regulator of corporate sector and capital markets. He has attended many international conferences, seminars and courses.

From January 1, 1999 to December 31, 2003, Mr. Hijazi had served the SECP as Commissioner, Company Law, Administration and Enforcement Division. He introduced significant legal and regulatory reforms to improve the quality of corporate disclosure, corporate restructuring and corporate finance. He has also held senior management positions in various private companies.

On assuming his new assignment as the SECP Chairman, he expressed his firm resolve to advance the reform process for developing an effective regulatory environment for capital markets, insurance, corporate and non-bank financial sectors in Pakistan.

Tahir Mehmood

Mr. Tahir Mehmood has been associated with the Securities and Exchange Commission of Pakistan/ the erstwhile Corporate Law Authority since 1989. Prior to his appointment as a Commissioner by the Federal Government in September 2010, he had been serving as the Executive Director (Enforcement) since July 2006.

A fellow member of the Institute of Cost and Management Accountants Pakistan (ICMAP) and the Institute of Corporate Secretaries of Pakistan (ICSP), he has a degree in law with extensive experience in company law administration, takeover laws, corporate restructuring, mergers and takeovers, corporate finance, judicial order writing, etc.

In his capacity as adjudicating officer and member of appellate bench—while working as Executive Director/Commissioner—he has issued around 400 judicial orders. A large number of these orders have been published in the Corporate Law Decisions (CLD), and are regularly referred to by the legal community in their corporate law practice.

In addition, he is a member of various professional forums, including the National Council of the ICMAP, and the South Asian Federation of Accountants (SAFA).

Zafar Abdullah

Mr. Zafar Abdullah is the Commissioner overseeing the functions of Specialized Companies Division. He holds a bachelor's degree in commerce from the University of Karachi and is a fellow member of the Institute of Chartered Accountants of Pakistan. He did his articles from KPMG Pakistan and received extensive training in the areas of assurance and audit, financial advisory and corporate advisory.

Earlier, he had served the SECP as Executive Director in the Securities Market Division, Karachi Stock Exchange as Chief of Operations, Central Depository Company as Head of Operations, Dewan Mushtaq Group as Chief Compliance Officer/Company Secretary and Crosby Securities Pakistan Limited as Chief Executive Officer. His last assignment was as Company Secretary and Head of Legal Division with Faysal Bank Limited. He joined the SECP as a Commissioner on August 17, 2012.

Akif Saeed

Mr. Akif Saeed has been associated with the SECP since 2004. In December 2014, the federal government appointed him as Commissioner. At present, he is heading the Securities Market Division in addition to overseeing Information Technology, and Investor Education and International Affairs Departments.

He has extensive regulatory, operational and business knowledge of various infrastructure entities and intermediaries operating in the capital markets. He contributes significantly towards instituting various legal and regulatory reforms for enhanced corporate governance, transparency, risk management and measures for compliance with the IOSCO benchmark principles of securities regulation.

He led the teams which developed Securities Act, 2015, the code of corporate governance, investor education web portal and framework for voluntary pension system, private equity and venture capital funds, and real estate investment trusts. Prior to joining the SECP, he worked with American Express Bank as manager corporate banking for 9 years and Packages Limited for 3 years.

Commissioner Akif has done Master's in Economics from Government College Lahore, and MBA from the University of Edinburgh. He won the Chevening Scholarship and President's Talent Farming Scholarship in Economics.

Fida Hussain Samoo

Mr. Fida Hussain Samoo has been serving as the Commissioner at the Securities and Exchange Commission of Pakistan (SECP) since December 18, 2014. He looks after the portfolio of insurance. He has over three decades of professional experience in insurance and reinsurance industry, making him well placed to address the industry's issues. He obtained his Bachelor's in law as well as Master's in Commerce from Sindh University. He earned his MBA at Indiana University of Pennsylvania.

Apart from the academic qualifications, he has received various trainings in the UK, Thailand, Singapore, Switzerland, Australia, China and Malaysia. Mr. Samoo has also served on various technical committees, working groups and task forces formed by the government of Pakistan and the Pakistan Reinsurance Company Limited (PRCL).

He started his insurance career with the Pakistan Reinsurance Company Limited (PRCL), the then Pakistan Insurance Corporation, as manager and retired in May, 2014 as an executive director. His persistent efforts transformed the financial results of the PRCL from an underwriting loss of Rs. 102 million in 1997-2000 to the underwriting profit of Rs. 509 million in 2012.

Commission's Secretariat

Commission's Secretariat performs the duties and responsibilities of secretarial nature as entrusted to it under the Securities and Exchange Commission of Pakistan (Conduct of Business) Regulations, 2000 and the Securities and Exchange Policy Board (Conduct of Business) Regulations, 2000 under the supervision of the secretary to the Commission.

Commission's Secretariat is mandated to

- Issue notice, agenda and working papers of the meetings of the Policy Board and of the Commission
- Accept service of all notices and other documents on behalf of the Board and of the Commission
- Communicate to the relevant quarters, all decisions made in the meetings of the Commission and the Board
- Represent the Commission on any forum
- Sign a decision made by the Commission as a result of a hearing, if so authorized by the Commission
- Certify decisions made by the Commission, or documents used in connection with a hearing by the Commission
- Monitor implementation of the previous decision of the Board and of the Commission
- Issue SRO/notifications on behalf of the Commission and maintain record thereof
- Act as custodian of record of declaration of assets/IT returns/statements submitted by the chairman, commissioners and officers of the SECP as required under the provisions of the HR Handbook
- Issue number in chronological order of circulars and maintain their record
- Exercise such other powers and perform all other duties as assigned by the chairman from time to time

Conduct of business

During the period under review, the secretariat convened 56 regular and emergent meetings of the Commission, wherein 474 working papers of departments/divisions were considered and decided appropriately. Besides, the Commission also constituted committees consisting of the senior management of different departments/divisions for thorough review of the draft rules and regulations prior to their finalization. The Commission also passed 11 resolutions by circulation and decided urgent matters of departments/divisions. The Commission's Secretariat, on behalf of the Commission, issued 59 statutory regulatory orders/notification and facilitated issuance of 28 circulars of the Commission.

(Annexure I)

Annual Report of SECP's Activities

Legislation and legal reforms

The SECP vigilantly examines laws, rules, and regulations etc. administered by it and proposes amendments, wherever necessary. It also reviews and drafts some of the laws to be enacted by the Parliament.

During 2014-15, a comprehensive exercise was undertaken to revamp existing primary as well as secondary legislation. As part of its ongoing efforts, the Securities Act, 2015 (Act No. III of 2015) was promulgated on May 13, 2015. In addition, the SECP has also initiated/ reviewed the following pieces of far-reaching legislation:

Primary Legislation

- Corporate Restructuring Companies Bill, 2015
- Limited Liability Partnership Bill, 2015
- Companies Unclaimed Dividend, Insurance Benefits and Investor Education Fund Bill, 2015
- Corporate Rehabilitation Bill, 2015
- Futures Trading Bill, 2015
- Validation and Promulgation of Laws Bill, 2015
- Securities and Exchange Commission of Pakistan (Regulation and Enforcement) Bill, 2015
- Foreign Contribution Bill, 2015
- Companies Ordinance (Amendment) Bill, 2015
- Stock Exchange Demutualization, Corporatization and Integration Amendment Bill, 2015
- Amendment to Motor Vehicles Act, 1939
- Amendment to West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968

Secondary Legislation

- Companies (Easy Exist) Regulations, 2015
- Book Building Regulations, 2015
- Sukuk Regulations, 2015
- Modaraba Regulations, 2015
- Specialized Valuer's Regulations, 2015
- Bank Assurance Regulations, 2015
- Third Party Administrator for Health Insurance Regulations, 2014
- Brokers and Agent (Registration and Inspection) Rules, 2015
- Commercial Paper Regulations, 2015
- Underwriters Rules, 2015
- Transfer Agent (Registration and Regulations) Rules, 2014
- Micro Insurance Rules, 2014
- Employees Provident (Fund) Rules, 2014
- SEC (Reinsurance Brokers) Regulations, 2015
- Real Estate Investment Trust Regulation, 2015
- Private Fund Regulations, 2015
- Insurance (Small Dispute Resolution Committees) Rules, 2015
- Unit Linked Products and Fund Rules, 2015
- Rules under Section 60 of Insurance Ordinance, 2000

Proposed amendments to existing laws

- Amendments to Credit Rating Companies Rules, 1995
- Amendment to Rules 16 Companies General Provision and Forms Rules, 1985
- Modaraba (Amendment) Rules, 2015
- Amendment to Insurance Rules, 2002
- Amendments to CRO Regulations, 2013
- Amendment to Fifth Schedule to the Companies Ordinance, 1984
- Amendment to Second Schedule to the Companies Ordinance, 1984
- Amendment to Companies Registration Office Regulations, 2003
- Amendment to Takaful Rules, 2005
- Amendment to Sixth Schedule to the Companies Ordinance, 1984
- Amendment to First Schedule of the Companies Ordinance, 1984
- Amendment to NBFC Rules, 2003
- Amendments to NBFC Regulations, 2008
- Amendment to Rule 26(b) of SEC Insurance Rules, 2002

Legislative assignments referred to the SECP by the federal government

- Financial Institutions (Secured Transactions) Bill, 2015
- Mutual Legal Assistance Bill, 2014
- Regulations of Foreign Contribution Bill, 2014
- FATCA review
- Reviewed and commented on four (4) Bilateral Investment Treaties between Pakistan and other Countries
- Amendment to Financial Institution (Recovery of Finances) Ordinance, 2001

Investor education

Investor protection is of paramount importance for the SECP. We seek to enable investors to make informed choices about financial products and investments. The objective of investor education program is to create awareness among investors to invest wisely to avoid fraud.

Launch of investor education portal Jamapunji.pk

In view of the emerging significance of technological platforms, the SECP developed its first ever web portal titled jamapunji.pk. This web portal is a vehicle by which a user gains access to a broad array of resources related to investor education and awareness.

The honorable Minister for Finance, Senator Mohammad Ishaq Dar on June 8, 2015, formally inaugurated the investor education portal. The web portal is a single point learning source for the existing and potential users of financial products offered in capital markets like stocks, mutual funds, pension funds and insurance industry etc. The said portal is an important tool of imparting knowledge using digital means like SMS and social media. This web portal's exclusive features include risk profiler, scam meter, investment check lists, quiz shows, games, calculator, stock trading simulator and information about various financial products. It also provides investors facility to verify a company registration, dispute resolution mechanism and links to complaint registration. The fully integrated web portal is linked with social media and SMS service.

In order to engage registered members, in particular the youth, and to enhance their understanding of investment concepts a mock trading module is available through the web portal. This module simulates market environment based on stock exchange data on real time basis. It uses actual variables such as prices, symbols and instruments etc. so that users have a close-to-real trading experience for stock. Each registered user can start with a certain amount of notional money with which mock trading can be initiated. The user can maintain his/her current portfolio and log out at any point to return at a later stage. Some of the important features of this module include, allocation of virtual money, live market feed during market hours (Karachi Stock Exchange), trading option based on real time basis, portfolio building, impact of fee, charges and taxes, calculation of gross and net return and impact of corporate actions like dividends, right or bonus shares etc. The web portal also provides access to Twitter and Facebook links of jamapunji.pk

Investor education seminars

As part of the SECP's investor education plan, seminars were held in Karachi, Lahore, Islamabad, Peshawar, Rawalpindi, Abbottabad, Muzaffarabad and Mirpur. These seminars were held in collaboration with the CDC, Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP) as per the following schedule.

S. No	Date	Venue	In collaboration with
1	January 24, 2015	ICMAP, Karachi	CDC
2	January 29, 2015	Royal Palm Country Club, Lahore	ICAP
3	February 3,2015	ICAP, Karachi	ICAP
4	February 9,2015	ICAP, Islamabad	ICAP
5	February 27, 2015	ICMAP, Lahore	ICMAP
6	March 6, 2015	ICMAP, Karachi	ICMAP
7	May 10, 2015	Hotel City Center, Abbottabad	CDC
8	May 12, 2015	AJK University, Muzaffarabad	CDC
9	May 14, 2015	Grand Regency, Mirpur, AJK	CDC
10	May 15, 2015	SZABIST, Islamabad	CDC
11	May 15, 2015	NUST, Islamabad	CDC
12	May 16,2015	ICMAP, Rawalpindi	CDC
13	May 17, 2015	Pearl Continental Hotel, Peshawar	CDC

Skill development for market intermediaries and financial services professionals

ICM was set-up by the Securities and Exchange Commission of Pakistan (SECP) under first tranche conditionality of the Asian Development Bank's (ADB) Second Generation Reform Program in 2008 as a certification body for development of human capital in the capital markets and undertaking independent research. Subsequently, the articles of the company were amended to expand scope to include training, investor education and certification for the insurance sector. The World Bank had approved IDF grant of $380,000 for the Institute of Capital Market in April 2011 to be utilized by June 2014. Under the said grant, apart from undertaking other activities, ICM developed 12 certifications for financial services professionals. ICM BOD has adopted certification structure under which broad (core) certification is designed for all the professionals working in the regulated sector while specific certification – linked with a particular function – is aimed at only those performing that specific function. It is pertinent to mention here that all the certifications of ICM including PMR and FMC were approved by the curriculum committee of ICM board having representation from KSE, MUFAP, PMEX, etc. therefore carries input and concurrence from all major stakeholders.

Introduction of Mandatory Certification Regime

In view of the objective of the establishment of ICM and after reviewing the quality of its certification, Commission in its 13th meeting held on March 24, 2015 approved mandatory certifications of ICM for the professionals of financial services sector. These mandatory certifications requirement set by the Commission for the professionals of financial services sector were introduced for the benefit of investors and potential investors of financial sector as they were to establish, uphold and promote the professional standards in relevant fields of financial services. The core certifications of ICM namely; Pakistan Market Regulations (PMR) and Fundamental of Capital Market (FCM) were made mandatory by Commission and all professionals needs to take these certifications. These two certifications are specific to capital market setup, operation and function, and regulatory framework therefore shall be applicable to all those performing regulated activities related with capital market, irrespective wherever they may be working – brokerage, asset management, banking, insurance, investment banking, Modaraba, etc. Similarly, ICM's designed specific certifications namely; Stock Broker Certification (SBC) and Mutual Fund Distributor Certification (MFC) – each linked with a particular function – were made mandatory by the Commission, only for those performing that specific function. Similarly, during the year SECP approved ICM as an approved institution under Rule 28(2) of Takaful Rules, 2012 to conduct training of managerial level personnel and sales force of Takaful operator and their distributors/agents. The following two certifications programs were developed and launched by ICM in this regard:

1. Family Takaful Agents Certification

2. General Takaful Agents Certification

Investors' grievances

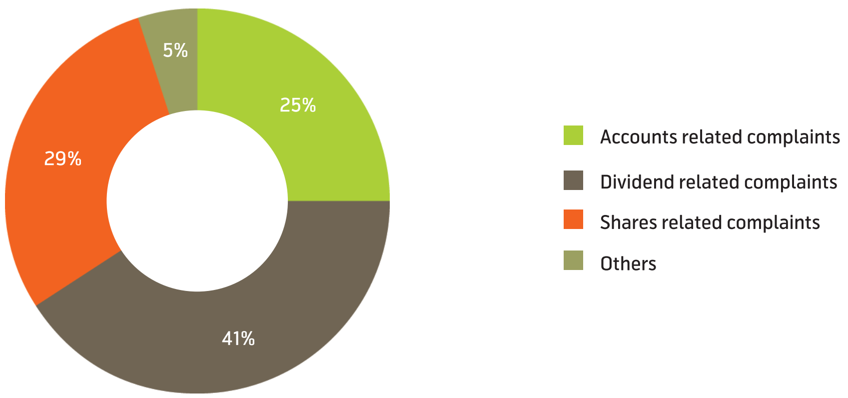
The SECP takes investors' confidence very seriously and resolves shareholders/stakeholders' complaints in a timely manner. The investors' grievances and complaints are considered a top priority by the departments. The SECP takes action on shareholders/stakeholders' whistleblowing, indicating possible violations of law by the management of any company.

The SECP has established a service desk to facilitate the corporate sector and capital markets investors. It responded to about 11,000 inquiries during the year.

The detail of complaints received and resolved were as follows:

S. No	Complaint Categories	As of July 1, 2014	Received	Resolved	In process
1	Listed companies	18	413	392	39
2	Brokers	23	46	28	41
3	Protection of stakeholders interest	-	231	220	11
4	Insurance	-	155	155	-
5	Issuance of share capital	26	139	141	24
Total		**67**	**984**	**936**	**115**

Break-up of complaints resolved during 2015 relating to listed companies



Nature of brokers' complaints received in the last three years

Year	Number of complaints received	Nature of complaints			
		Non-payment of funds	Non- transfer of shares	Unauthorized trading	Miscellaneous (closing of account, provision of account statement/ information, etc.)
2014 –2015	46	11	11	6	18
2013 - 2014	34	13	13	1	7
2012 - 2013	45	15	15	1	14

Nature of complaints received about issuance of share capital

Category/nature	2014-15	2013-14	2012-13
Non-receipt of dividend/bonus shares	45	46	19
Non-verification of transfer deeds	14	11	04
Non-transfer of shares	17	08	17
Excess/wrong deduction of withholding tax on dividend amount	27	-	01
Non-issuance of duplicate share certificates	03	06	01
Non-induction of shares in CDS	05	04	-
IPO related	12	06	01
Others	16	12	12
Total	**139**	**93**	**55**

Nature of complaints on protection of stakeholders' interest

Sr. No.	Nature of complaint	Received	Resolved	In process
1	Non-payment of dividend	1	1	-
2	Mismanagement	9	8	1
3	Non-receipt of balance sheets	-	-	-
4	Non-receipt of notices	-	-	-
5	Non registration of transfer of shares	5	5	-
6	Non-issue of share certificates	11	11	-
7	Improper holding of meetings	-	-	-
8	Non-holding of AGM	-	-	-
9	Non-receipt of dividend warrant	-	-	-
10	Misappropriation	4	4	-
11	Misapplication of funds	-	-	-
12	Improper election of directors	4	4	-
13	Miscellaneous	197	187	10
Total		**231**	**220**	**11**

Key achievements

- Launch of investor education portal Jamapunji.pk
- Organized 13 Investor education/awareness seminars
- A web-based investor complaint system launched through stock exchanges' platform
- Investor account holders at CDC provided with online transaction facility for movement of securities
- Various guides for facilitation of investors
- Mandatory functional website for companies for facilitation of investors

Future outlook

- Develop educational material (for printing and portal) for identified target segments in the form of guides, booklets, brochures, flyers etc
- Commission will organize seminars in the targeted institutions
- Media coverage through press releases in various national dailies (in all languages) will be ensured through the SECP sources or in collaboration with the market participants. The media coverage will also be uploaded in the relevant social media pages and disseminated through SMS
- Approaching Higher Education Commission and academia for the possibility of including the "Personal Financial Planning" as a core curriculum subject at all higher education institutions in Pakistan
- Organizing monthly 'Investor Day' to provide close one-on-one interaction of market intermediaries with prospective investors
- Insurance days will also be planned in collaboration with the Insurance Association of Pakistan
- Organizing annual 'financial expos' in coordination and involvement of all market participants
- Under Investor Education Program (IEP), MOUs with leading educational institutions across the country will be signed to conduct seminars for students, and train the trainer activity for teachers outreach program. Similar MOUs will be signed with various professional bodies to conduct seminars for their members along with train the trainer activity for market professionals.
- The implemented programs (web portal – jamapunji.pk and seminars) will be exhibited to the market stakeholders, including exchanges, depository, clearing company, associations of market intermediaries, listed and large unlisted companies, multilateral agencies, etc. to obtain their contributions to the Investor Education Fund (IEF). The proposed IEF will be in a trust structure with a third party acting as trustee to ensure that utilization of funds is for the stated objectives. Only returns generated by the IEF will be used to meet expenses of investor education program. The original contribution (principal amount) will stay in the IEF, so that this source is available in perpetuity.

International relations

Coordination with international standard setting bodies

The SECP is a member of international regulatory standard setting bodies for the securities, insurance and pension sector, i.e. the International Organization of Securities Commissions (IOSCO), international Association of Insurance Supervisors (IAIS) and International Organization of Pension Supervisors (IOPS) respectively.

The SECP is actively involved on various forums of IOSCO through its role as IOSCO Board member; member of IOSCO President Committee, Growth and Emerging Markets (GEM) Committee and Asia Pacific Regional Committee (APRC). Further, being elected member of IOSCO Board, the SECP is also a member of GEM Steering Committee and has also opted membership of Assessment Committee and Committee on Regulation of Market Intermediaries as vice chair of Policy Committee 3. The SECP recently contributed to these forums in these areas:

- IOSCO 2020 Vision and Strategy
- Institutional Framework for establishing IOSCO Capacity Building Regional Hubs
- Credible Deterrence in the Enforcement of Securities Regulation
- Revised Code for Credit Rating Agencies
- Thematic Review of Timeliness and Frequency of Disclosure (Principles 16 & 26). Review is currently in final accuracy check.
- Business Continuity and Recovery Planning

SECP Self-Assessment of IOSCO Principles

The IOSCO Principles provide an international benchmark for securities regulation practices against which progress of member jurisdictions towards effective regulation can be measured.

Pakistan Country Review for assessing implementation of IOSCO Objectives and Principles has been approved by the IOSCO Board on June 16, 2015 and it was published by the IOSCO on July 28, 2015.

The final ratings stand as follows:

Fully Implemented (13):	Principles 1, 3, 4, 5, 7, 10, 11, 13, 14, 22, 26, 27 and 35
Broadly Implemented (10):	Principles 8, 9, 18, 20, 21, 25, 33, 34, 36 and 37
Partially Implemented (9):	Principles 12, 15, 16, 17, 24, 29, 30, 31, 32,
Not Implemented (5):	Principles 2, 6, 19, 23 and 28

An action plan has been devised by the SECP to provide 6 monthly periodic reporting update to IOSCO on implementation of review recommendations. Based on the progress, reassessment of principle implementation status is planned to be conducted in 2016, which will help attain more favorable ratings for Pakistan.

IOPS: The International Organization of Pension Supervisors (IOPS) is an independent international body representing those involved in the supervision of private pension arrangements. The SECP has been a member of the IOPS since 2005 and has actively contributed to its various work streams.

Multilateral matters

South Asian Securities Regulators' Forum (SASRF)

The SAARC capital markets regulators established the South Asian Securities Regulators' Forum (SASRF) in 2005 to work on the agenda of cooperation and facilitate the exchange of information and experiences within the SAARC region. In order to achieve the SAARC's objective of "economic integration of SAARC countries", the SECP as chair of the Forum believes that SASRF could play an important role in this area. In order to take the SASRF agenda forward a meeting of regulatory representatives of SAARC region was held on the sidelines of South Asian Investment Conference in Colombo on April 26, 2015, during which SASRF members endorsed the proposal for reactivation of the forum and deliberations were held on the future roadmap.

MoU with the Turkish Insurance Regulatory Authority

The SECP is working on the proposed areas for cooperation under the MoU, which has already been signed between the SECP and Turkey's Directorate General of Insurance, Undersecretariat of Treasury. The areas include development of Turkish Catastrophe Insurance Pool (TCIP) and Road Traffic Insurance Information and Monitoring Centre (TRAMER).

COMCEC CMR: Report on transparency and public disclosure requirements

The SECP, as chair of the COMCEC Capital Market Regulators Forum, is currently working on work stream mandated to the task force, transparency and public disclosure requirements in the OIC member states. The report provides a brief overview of the existing requirements in OIC region, international practices and issues regarding disclosures.

AML/CFT initiatives

Recent initiatives taken by the SECP with respect to AML/CFT include:

- Issuance of Guidance to Financial Institutions Regarding UNSCR 1267
- Participation in the National Risk Assessment
- Scrutiny of the NGO Sector / revalidation of licenses

Future outlook

The World Bank conducts assessments of a county's economic well-being under its program "Reports on the Observance of Standards and Codes" (ROSC) against international benchmarks in order to identify vulnerabilities as well as provide requisite policy level guidance for reforms. In the year (2015-16), the SECP will undertake self-assessment of ROSC of Pakistan which will be shared with the World Bank for review. ROSC update will not only provide international accreditation to SECP's governance initiatives, in addition it is also expected that the exercise will yield independent policy recommendations for future course of action.

Capital markets

Stock market overview

The year 2014-2015 witnessed a significant and steady rise in the stock market indices with historic and unprecedented levels being reached. The KSE-100 index which began the year at 29,701.58 points and reached 34,826.51 points by close of trading on February 3, 2015, i.e., an increase of almost 17% since the inception of the year. KSE-100 closed at 34,398.86 points on June 30, 2015 registering the growth of 16% from the start of period. Average daily turnover of 219.22 million shares was recorded by June 30, 2015. A total of 560 companies with total paid up capital of Rs1,189.52 billion were listed on the Karachi Stock Exchange. As of June 20, 2015, market capitalization stood at Rs. 7,421.03 billion, reflecting a 5.5% increase over the last year. Foreign investment in the stock market exhibited net inflow of $38.54 million during the year, which reflects a decrease of 85% over last year.

Some of the more important developments that have contributed to this exceptional performance of the Pakistani stock market are: stable political environment, investment projects backed by China; stable exchange rate against the dollar; improving security and law enforcement situation; steady foreign interest in stocks; increased confidence shown by the multilateral donor agencies such as the IMF, World Bank and Asian Development Bank's allocation for energy sector development; etc. However, the market took a steep dive to 28,927.04 on March 30, 2015 but later made several corrections during the remaining period of the financial year 2015. Major reasons for this being profit taking by the investors.

Commodities market overview

During the year the trading volume at the Pakistan Mercantile Exchange (PMEX) showed substantial growth as a total of 168 million commodity futures contracts were traded as compared to 4.2 million contracts during the same period last year. However, the traded value showed a decline to Rs. 708 billion from the value of Rs. 1,171 last year.

The current year witnessed a growth in the trading apparently due to the expansion of product basket that resulted in increased trading activity at the PMEX whereas the decline in value was apparently due to the decline in international commodity prices. Gold was the most traded commodity with crude oil, silver and cotton following the trend respectively. Overall, 165 million contracts in gold, 2.7 million in crude oil, 0.27 million in silver and 656 contracts in cotton were traded at PEMX during the period under review.

Capital issues

Issue of share capital

During the period under review, shares of 8 companies were offered to the public as compared to 5 companies last year. New capital of Rs. 11.28 billion was listed in FY 2015 as compared to Rs. 14.89 billion in FY 2014. The details of these issues are as follow:

Equity: retail portion

Sr. No.	Company name	Sector	Subscription date	Total paid-up capital (in million rupees)	Already paid-up Capital (in million rupees)	Offered capital (in million rupees)	Premium per share (rupees)	Offered capital (including premium, if any) (in million rupees)	Subscription received (including premium if any) (in million rupees)	Times subscribed
1	Saif Power Limited	Power Generation	11-12 Nov, 2014	3,864.717	3,864.717	12.077	20.000	362.31	709.11	1.96
2	Engro Powergen Qadirpur Limited	Power Generation	22-24 Sep, 2014	3,238.000	3,238.000	404.75	20.020	1,215.06	2,738.53	2.25
3	Allied Bank Limited (SPO)	Comm. Bank	N/A	Already listed	No retail offering					
4	Sindh Modaraba	Modaraba	23-24 Dec., 2014	450.000	315.000	135.000	-	135.00	21.53	0.16
5	Systems Limited	Information Technology	29-30 Dec 2014	1,477.799	871.653	32.500	30.000	130.00	412.12	3.17

6	Synthetic Products Enterprise Limited	Engineering & Allied	6-7 January, 2015	1,160.500	580.000	48.375	20.000	145.13	313.23	2.16
7	Mughal Iron and Steel Industries Limited	Steel and Allied	16-17 March, 2015	1,093.912	820.412	68.375	24.000	232.48	795.23	3.42
8	Habib Bank Limited	Comm. Bank	N/A	Already listed		No retail offering				
Total				**11,284.93**	**9,689.78**	**701.08**	--	**2,219.98**	**4,989.75**	--

Equity: Book building portion

Sr. No.	Name of company	Bidding date	Total paid-up capital (in million rupees)	Already paid-up capital (in million rupees)	Floor price/ price band (rupees)	Number of shares offered through book building (in million)	Number of shares bid for through book building (in million)	Strike price (rupees)	Premium per share (rupees)	Offered capital (at floor price) (in million rupees)	Times subscribed
1	Saif Power Limited	30-Sep-14	3,864.72	3,864.72	20	36.231	115.017	30	20	724.62	3.17
2	Allied Bank Limited (SPO)	10-11 Dec, 2014	Already listed		105	131.275	185.1382	110	100	13,783.88	1.41
3	Systems Limited	5 Dec, 2014	1,477.80	871.653	25.00-40.00	9.75	29.586	40	30	243.75	3.03
4	Synthetic Products Enterprise Limited	8-Dec, 2014	1,160.50	580	23.00-39.10	14.513	20.257	30	20	333.79	1.40
5	Mughal Iron & Steel Industries Limited	16-Feb-15	1,093.91	820.412	20-34	20.513	68.49	34	24	410.26	3.34
6	Habib Bank Limited	April 7-10-15	Already listed		166	609.317	978.606	168	158	101,146.62	1.61
Total			**7,596.93**	**6,136.79**	--	**821.60**	**1,397.09**			**116,642.92**	

Furthermore, during the period under review, 1 issue of listed sukuk was offered to the public, i.e. issuance of Sukuk of Rs. 22 billion by K-Electric Limited. Sukuk issue by K-Electric Limited was offered to both retail investors and pre-IPO investors. Out of total issue of 22 billion, Rs. 7 billion (inclusive of green show option of Rs. 2 billion) were offered to retail investors, whereas, Rs. 15 billion were offered to Pre-IPO investors.

Issue of capital (Listed Companies)

The companies can raise further capital by way of right and/or bonus issues without the SECP's approval. However, if the companies want to issue right shares more than once in a year or want to raise their capital without the offer of right shares, they are required to obtain SECP's permission. A company limited by shares can issue more than one kind of shares having different rights and privileges under the Ordinance. The tables below reflects comparison of capital issue cases dealt during the preceding three years along with their category wise break-up:

Capital issue cases			
	2012-13	**2013-14**	**2014-15**
Applications approved	19	21	20
Applications rejected	4	1	2
Applications in process	3	6	5
Total	**26**	**28**	**27**

Particulars	Otherwise than right			Issue of preference shares			Issue of shares at dis-count			Relaxation of rules		
	2013	**2014**	**2015**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
Applications approved	4	8	8	4	2	4	3	5	4	8	6	4
Applications rejected	2	-	1	2	-	1	-	-	-	-	1	-
Applications in process	-	-	3	-	1	-	1	1	-	2	4	2
Total	**6**	**8**	**12**	**6**	**3**	**5**	**4**	**6**	**4**	**10**	**11**	**6**

Issue of capital (Non Listed Companies)

The paid up share capital of the companies is enhanced through issuance of further shares in line with the requirements of the Companies Ordinance. Comparative position of issuance of shares under different provisions of the Companies Ordinance is tabulated below:

	Capital Issues	In million rupees
	2013-14	2014-15
Issue of shares other than right (Under sub-section (1) of section 86 of the Ordinance)	488	983.8
Issue of shares with varied rights and privileges (Under section 90 of the Companies Ordinance, 1984 read with Rule 5 (1) of the Companies' Share Capital (Variation in Rights and Privileges) Rules, 2000)	486	355.5
Issue of shares at discount (Under sub-section (2) of section 84 of the ordinance)	8,480	2,663

Amalgamations and mergers

During the year, in response to the SECP's oral and written representations, the courts approved the amalgamation in respect of the following cases:

i. Merger to textile undertaking of Fazal Textile Mills Limited into Gadoon Textile Mills Limited and the real estate undertaking of Fazal Textile Mills Limited into Lucky Landmark (Private) Limited.

ii. Artistic Fabric Mills (Pvt.) Limited into Artistic Garment Industries (Pvt.) Limited.

iii. PRD (Pvt.) Limited into Citi Housing (Pvt.) Limited.

Key achievements

- Underwriters Rules, 2015 implemented with effect from April 2, 2015
- Formulated the Balloters and Transfer Agent Rules, 2015
- Establishment of Small and Medium Enterprise Board at KSE
- Regulations for listing of debt securities for KSE
- Gold (milli ounces); Brent Crude Oil; Mill Specific Sugar added to the futures contracts at PMEX
- Introduction of web access/online transaction facility for investor account holders at CDC which enables transmitting electronic instructions to CDC for movement of shares
- Rationalization of eligibility criteria for settling banks at NCCPL
- Regulatory amendments to curb manipulation during the pre-open session
- Approval granted to NCCPL for amendments in Margin Financing System to remove practical difficulties and support liquidity in the

market

- National Custodial Services launched at NCCPL whereby it will act as the custodian and clearing agent of investors
- S.R.O 233(I)/2015 dated March 11, 2015, for provision of enhanced information to shareholders at the time of rights issue by companies.

Future outlook

- Preparation of the capital market development plan in consultation with stakeholders
- Establishment of Centralized KYC Organization and strengthening and stringent compliance with KYC regime and Customer Due Diligence (CDD)
- Benchmarking and compliance with international best practices
- Revamping of existing Market Surveillance Suite (MSS) in line with international levels.
- Promulgation of draft Futures Trading Bill
- Subsidiary Legal Framework under the Securities Act, 2015
- New Regime for Market Intermediaries on minimum entry standards, criteria for sponsors, directors and employees, corporate governance, risk-based capital adequacy and regular audits.
- NCCPL to attain status of Central Counter Party
- Finalization of draft Research Analysts Regulations, 2015
- Post-demutualization reforms to ensure divestment of exchanges' shares
- Take measures for facilitating corporatization of individual PMEX members
- Activation of brokers and introduction of new futures contract at PMEX to complement trading activity at the Exchange
- Amendments to Companies (Asset Backed Securitization) Rules, 1999
- Credit Rating Companies Rules, 1995
- Regulations for electronic Initial Public Offerings (e-IPO)
- Regulations for the issue of convertible and exchangeable debt securities
- Listing of short-term Shariah-compliant securities

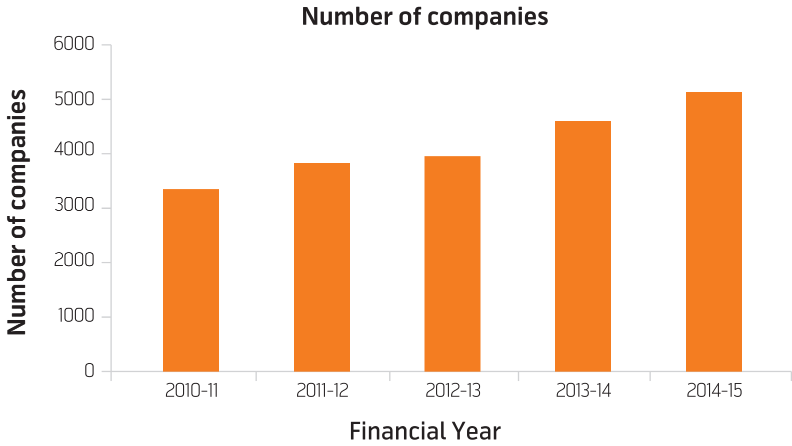
Corporatization

Sector overview

Incorporation of companies

During the period under review, 5,001 new companies were registered. As compared with the corresponding period of last financial year, a growth of 9% has been witnessed. This has raised the total number of registered companies to 67,624.

The trend witnessed in formation of companies was that approximately 90% companies have been registered as private limited companies, 6% were registered as single-member companies, 4% were registered as public unlisted, non-profit associations, under section 43, trade organizations and foreign companies.



The services sector took a lead with the incorporation of 644 companies, followed by trading with 583, information technology with 480, tourism with 401, construction with 338, corporate agricultural farming with 198, education with 168, fuel and energy with 152, power generation with 148, food and beverages with 145, communications with 142, textile with 122, pharmaceutical with 117, real estate development with 115, engineering with 110 companies, broadcasting and telecasting with 107 and 1031 companies in other sectors.

Foreign investment has been reported in 243 new companies. These companies have foreign investors from Afghanistan, Australia, Austria, Belarus, Belgium, Bulgaria, Cameron, Canada, China, Denmark, Egypt, France, Germany, Italy, Jamaica, Japan, Jordan, Lebanon, Libya, Macedonia, Mauritius, Morocco, the Netherlands, New Zealand, Nigeria, North Korea, Norway, Oman, Palestine, Panama, Saudi Arabia, Singapore, South Africa, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Tanzania, Turkey, Turkmenistan, the UAE, the UK and the US.

Moreover, 42 foreign companies from Australia, Bahrain, China, France, Germany, Hong Kong, Japan, South Korea, the Netherlands, Singapore, Switzerland, Turkey, the UAE, the UK and the US were registered in Pakistan during last fiscal. These companies are mainly engaged in the field of engineering, pharmaceutical, services, power generation, construction, education, trading, chemical, fuel and energy, food and beverages, textile, transport and cable and electric goods.

Registration of brokers and agents

Brokers

At the end of financial year 2015, the total number of brokerage houses registered with the SECP stood at 344, as compared to 252 last year. At present, all the registered brokers are corporate entities. Stock exchange-wise breakdown of brokers as of June 30, 2015 is as under:

Stock exchange	Number of brokers as of June 30, 2014	Additions during the year	Cancellation/ expiry of registration	Number of brokers as of June 30, 2015
KSE	129	48	3	174
LSE	77	30	5	102
ISE	46	24	2	68
Total	**252**	**102**	**10**	**344**

Agents

As of June 30, 2015, the total number of certificates granted to agents of the stock exchanges, is presented in the table below:

Stock exchange	Number of agents as of June 30, 2014	Additions during the year	Cancellation/ expiry of registration	Number of agents as of June 30, 2015
KSE	204	21	27	198
LSE	58	4	8	54
ISE	11	1	2	10
Total	**273**	**26**	**37**	**262**

Employees' Stock Option Scheme

During the period under review, employee stock option scheme of Treet Corporation Limited was approved.

Registration of debt securities trustees

Sixteen debt securities trustees were registered under the Debt Securities Trustee Regulations, 2012. The list of registered debt securities trustees is available on the SECP website http://www.secp.gov.pk/IPO.asp

Registration of Underwriters

Nine Underwriters were registered under the Underwriters Rules, 2015. The list of registered Underwriters is available on the SECP website http://www.secp.gov.pk/IPO.asp

Approvals and permissions

Under the provisions of the Ordinance, 1984, 82,448 applications seeking regulatory approvals were received and after due consideration necessary approvals were granted by the SECP or the registrar as follows:

Sr. No.	Relevant section of the ordi-nance	Nature of approval/permission sought	Total
1	Section 21	Amendment to memorandum and articles of association	188
2	Section 37	Availability of name	11,049
3	Section 39	Change of name	203
4	Section 42	Grant of license to associations/ renewal of license to associations	111
5	Section 44	Conversion of public companies into private companies	2
6	Section 84	Issue of share at discount	3
7	Section 86	Further issue of capital	1,542
8	Section 90	Issuance of shares having different kinds and/or classes of share capital	6
9	Section 131	Registration, modification, satisfaction of charge	6,820
10	Section 146	Commencement of business certificate	25
11	Section 158	Extension in period for holding of AGM by non-listed public and private companies	191
12	Section 159(7)	Holding of an EOGM at a shorter notice	7
13	Section 170	Calling of overdue meetings	66
14	Section 195	Grant of loans to directors of non-listed public companies	1
15	Section 231	Inspection of books of account and other books and paper	3
16	Section 233	Preparation of first accounts exceeding 12 months	2

17	Section 237	Exemption from consolidation of accounts	22
18	Section 238	Change of financial year	4
19	Section 251	Extension in payment of dividend	5
20	Section 252	Appointment of auditors	6
21	Section 258	Approval of appointment of cost auditor	119
22	Section 439(9)	Restoration of name of company to the register of companies	18
23	Section 466(6)	Issue of certified copies of documents	45,149
24	Regulation 18 of the Companies (Registration Offices) Regulations, 2003.	Inspection of records maintained with CROs	12,274
25	Group Companies Registration Regulations 2008	Approval of registration of group and designation for group relief/group taxation	18
26	Public Sector Companies (Corporate Governance) Rules, 2013	Exemptions to public sector companies from the requirements of the Rules under rule 24(3)	38
27		Miscellaneous (minor activities, providing information to different agencies and shareholders, etc.)	4,671
Total			**82,543**

Application for grant of license under section 42 of the ordinance

During the financial year 2014-15, 71 licenses were issued to non-profit associations under Section 42 of the Ordinance. Relevant statistics pertaining to non-profit associations are provided below:

Associations not for profit u/s 42, companies u/s 43 and trade organizations incorporated during 2014-15, and aggregate total as of June 30, 2015	
Object wise break-up	Number of associations
Commerce	7
Science	1
Social services	21
Charity	3
Others	39
Total	**71**

Dissolution of companies

The SECP disposed of 922 cases of dissolution of companies. Of these, 11 companies wound up voluntarily, 2 companies liquidated under court orders and 909 companies were struck off from the register under section 439 of the Ordinance. The dissolved companies had a cumulative paid-up capital of Rs. 1,466,108,790.

Monitoring of beneficial ownership

The SECP monitors trading activities of beneficial owners of listed companies through returns filed by them, prescribed information/annual returns filed by listed companies and trading data of stock exchanges. The primary objective of this monitoring is to detect the instances, where the beneficial owners have made a gain by purchase and sale or sale and purchase of shares of issuer companies within a period of less than six months. The SECP received 2,312 returns during the period under review. The returns received during last three years along with the percentage change is as under:

Returns received				
Year	**2013**	**2014**	**2015**	**Growth from 2014**
Number of returns	2,209	1,963	2312	17.77%

Facilitation and regulatory approvals

The data relating to regulatory actions/approvals provided during the preceding three years in the matter of listed companies is given here under:

Other Regulatory actions/approvals			
	2012-13	2013-14	2014-15
Relaxation from CNIC on dividend warrants	122	105	76
Placement of quarterly accounts on website	274	277	282
Approvals for extension of loans to directors of a company	3	1	4

Key achievements

- Registration of 5,001 new companies
- S.R.O (I)/2014 issued relating to revision in schedule of fee in respect of authorized capital as a result of merger
- Maintenance of mandatory functional website for companies vide S.R.O. 634(I)/2014 dated July 10, 2014
- Amendments in the first schedule to the ordinance
- Introduction of online payment facility through credit cards
- Directive for mandatory online filing for certain categories of companies, w.e.f. Sept 1, 2014
- Virtual one-stop shop portal for integrated business registration with FBR and EOBI
- Company Easy Exit Regulations 2015 for fast track winding up of inactive companies
- Issuance of Public Sector Companies (Appointment of Chief Executive) Guidelines, 2015
- Introduction of one-pager memorandum of association for designated sectors
- Various guides for facilitation of corporate sector
- Facilitation for companies through several measures including circulation of annual accounts to shareholders by email, and annual general meetings through video conferencing
- Criteria for the appointment of cost auditors by companies vide circular # 17 of 2014 has been issued

Future outlook

- The draft Companies Act, 2015
- Amendment to audit report format to make it in line with international standards
- Opening of Company Registration Office in Gilgit-Baltistan
- Proposal for amendments in the Companies Ordinance, 1984 to provide for utilization of unclaimed dividend
- Regulations for e-voting in general meetings
- Alert system for external stakeholders on noncompliance
- Establishment of facilitation center in Sialkot
- Revision of review report on statement of compliance
- Introduction of new Provident fund rules, 2015
- Introduction of draft principles of corporate governance for non-listed companies (NLC's)
- Adoption of IFRS for SMEs, AFRS for SSEs (Revised)
- Revisiting the qualifying criteria of non-listed companies
- Valuers regime-introduction of legal framework for registration and quality assurance of valuers
- Establishment of audit oversight board

Non-banking financial sector

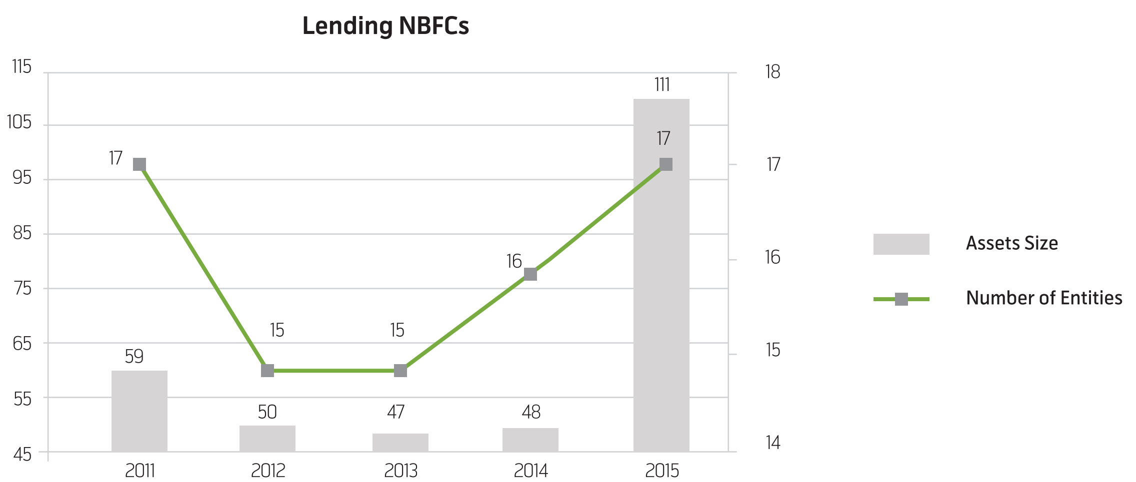
Sector overview

The NBF Sector includes non-banking finance companies (NBFCs) and modaraba companies managing modarabas. The NBFCs include investment finance companies, leasing companies, housing finance companies, asset management companies (managing mutual funds, pension funds and also providing investment advisory services), fund management companies providing private equity and venture capital fund management services, REIT management companies managing REIT funds. The NBFCs can be broadly divided into two categories, i.e., lending NBFCs (engaged in the business of deposit taking and financing) and fund management NBFCs. The total asset size of NBF sector as of June 30, 2015 was Rs. 797 billion as follows:

Sector	Number of entities	Total assets	As percentage of total assets
Fund management NBFCs		In billion rupees	
Asset management companies (23) and investment advisors (3)	26	31	4%
Mutual funds	172	492	61%
Discretionary/non-discretionary portfolio under management	-	96	12%
Pension funds	17	14	2%
REIT management companies	3	-	-
REIT funds	1	22	3%
Lending NBFCs			
Investment finance companies	8	71	9%
Leasing companies	9	40	5%
Modarabas			
Modarabas	25	31	4%
Total	**261**	**797**	**100%**

Lending NBFCs

The asset size of lending NBFCs continued their upward trend for a second year in a row. The asset size of lending NBFCs increased by Rs. 63 billion or 1.3 times from Rs. 48 billion as of June 30, 2014 to Rs. 111 billion as of June 30, 2015. The increase is attributed to increase in asset size of leasing companies which increased by Rs. 4 billion or 11% from Rs. 36 billion as of June 30, 2014 to Rs. 40 billion as of June 30, 2015 and issuance of licence to one new investment finance company, i.e. Pakistan Development Fund with the paid-up capital of Rs. 60 billion.

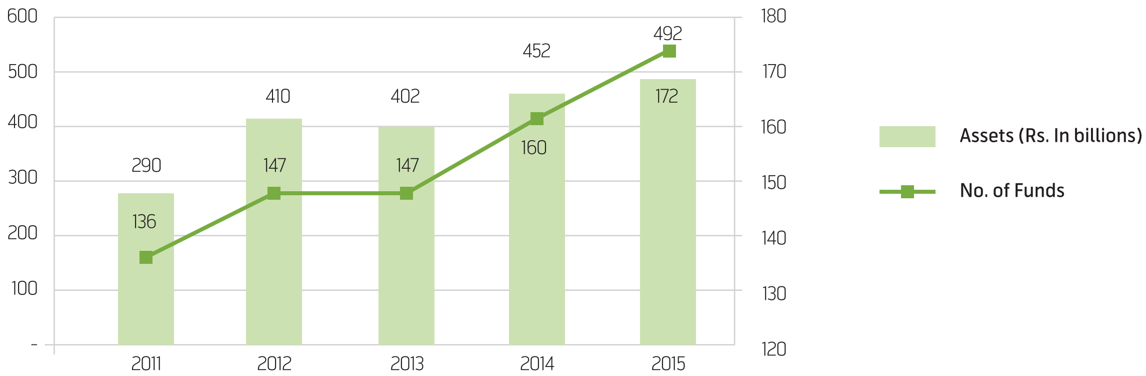


Asset management and investment advisory

Mutual funds provide investors with professionally managed diversified portfolios, adequate disclosure and reasonable liquidity. The mutual fund industry continued to exhibit positive growth during the year 2014-15. As of June 30, 2015, the total assets managed by 23 asset management companies (AMCS) in 172 mutual funds totaled to Rs. 492 billion against Rs. 452 billion as of June 30, 2014, representing a rise of 8.8%. Equity funds dominated the asset under management (AUM) representing 40.29% share of the industry, followed by fixed income funds with 26.36%, Money Market Funds with 19.83% and Fund of funds 5.93% share. Handsome returns by the stock market, low interest rate environment coupled with participation of retail investors in the stock market through CPPI based funds contributed significantly to the increase in market share of equity funds.

Net assets of the mutual fund industry aggregated to Rs. 510.50 billion on May 30, 2015, which dropped to Rs. 442.18 billion by June 30, 2015. The main factor, which contributed towards a net redemption of Rs. 68.31 billion was change in rate of tax on capital gain of income and money market fund for corporate investors from July 1, 2015. The redemptions were primarily in the category of income and money market fund.

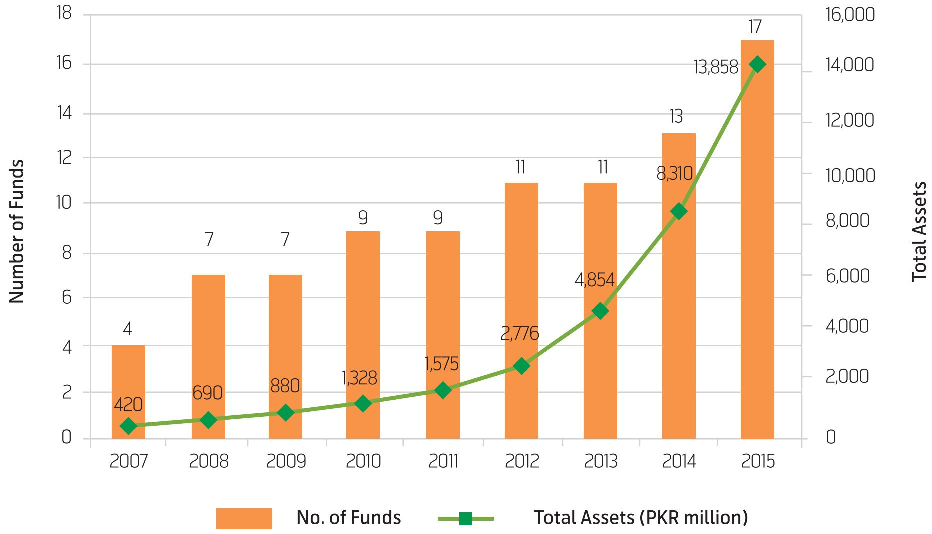
Growth of mutual funds in terms of AUM and number



Voluntary pension system

During the current year, assets of pension funds have shown remarkable progress and increased from Rs. 8.31 billion as of June 30, 2014 to Rs. 13.585 billion on June 30, 2015. At present, 17 pension funds are operating in the market, being managed by 9 pension fund managers. The historical growth of pension funds between 2007 and 2015 is shown below:

VPS in Pakistan



During the year, one new AMC were registered as a pension fund manager (PFM) under the VPS Rules, 2005. The total number of PFMs now stands at 9. The number of pension funds increased to 17 with the launch of 4 new pension funds during the year.

It is expected that VPS will gain a strong foothold in Pakistan's financial market. The Voluntary pension schemes provide an advantage to both the individual and the employer who can invest in a long term savings product which is regulated and adequate checks and balances have been incorporated in the regulatory framework for investor protection.

Real Estate Investment Trusts (REITs)

Pakistan's first REIT with the name of Dolmen City REIT has successfully completed its initial public offering in June 2015. Pakistan has now become the first country in the South Asian region to launch a REIT Scheme. Pakistan's first REIT Scheme, i.e. Dolmen City REIT has a fund size of Rs. 22.237 billion and 25% units have been offered to public. The public offer included offering units to retail investors as well as to institutional investors.

REITs in Pakistan are expected to provide an enabling environment for retail investors to invest in real estate who have a small capital base. To date, three REIT management companies (RMCs) have been licensed to carry out REIT management services. However, due to macroeconomic impediments including a high discount rate made rental yields less attractive. NBF reform committee suggested some changes in the REIT Regulations which have been incorporated in the new REIT Regulations, i.e. REIT Regulations, 2015.

Modarabas

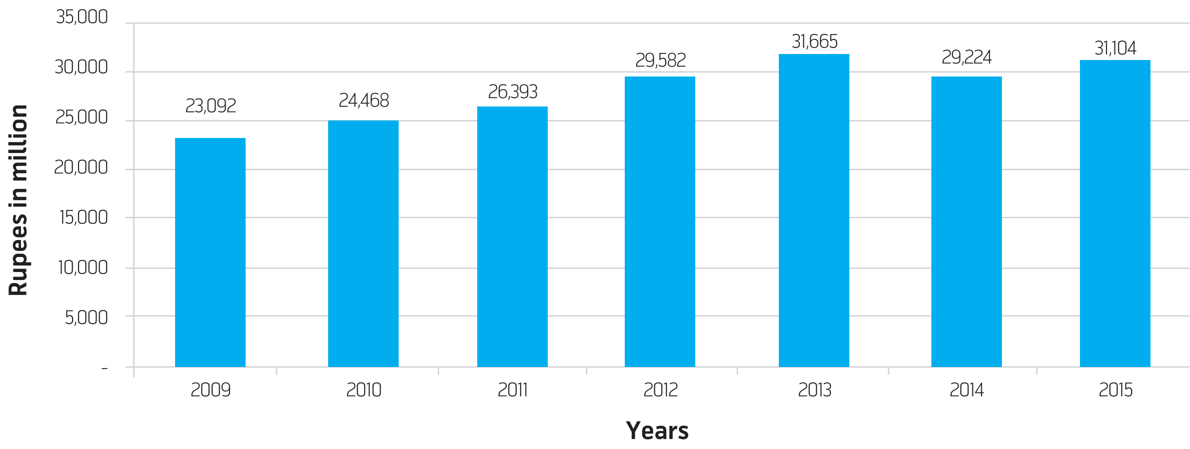
At present 25 modarabas are in operation. During the period 2014-15, 4 new companies were registered as modaraba companies under the Modaraba Ordinance, 1980. One modaraba company floated a modaraba. The remaining 3 Modaraba Companies are expected to float Modarabas in near future.

Despite lower economic growth, the modaraba sector has positioned itself as a stable form of Islamic financial institution and has continued to perform well. As per the unaudited financial statements of 25 operational modarabas as of June 30, 2015, the aggregate equity of the modarabas was Rs. 15,657 million and total assets of the modaraba sector stood at Rs. 31,104 million.

Last year, 19 modarabas declared cash dividend including stock dividend by one modaraba. One modaraba issued Right Modaraba certificates also. The key statistics of the modaraba sector as of June 30, 2015 are as under:

In million rupees	
Number of modarabas (in operation)	25
Number of modarabas under winding up	06
Number of modarabas under floatation	04
Total assets	**31,104**
Total equity	**15,657**

Assets - modaraba sector



Key achievements

- Launch of First REIT in South Asia, i.e. Dolmen City REIT Scheme (Rs. 22.237 billion)
- Increase in NBF sector asset size by Rs. 106 billion or 14% during the year 2014-15 (11 months)
- Draft amendment to Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, notified for public consultation
- Non-Banking Finance Companies and Notified Entities Regulations, 2008, and new Private Fund Regulations, 2015– public consultation completed and will be notified after approval of amendments to the NBFC rules by federal government
- Notification of Real Estate Investment Trust (REIT) Regulations, 2015
- Amendments to Modaraba Companies and Modaraba Rules, 1981, forwarded to the federal government for approval
- The Modaraba Companies and Modaraba Regulations, 2015 - notified for public consultation
- Approval of Shariah-compliant commodity fund/physical gold fund

Future outlook

- Encouraging corporatization and documentation of economy through promotion of small and mid-sized non-deposit taking lending NBFCs
- Promoting Islamic financial industry through Islamic lending NBFCs
- Improving the access of finance for the under privileged through regulating the unregulated micro finance institutions
- Bringing transparency in the real estate sector through promotion of REITS
- Developing guidelines on Shariah governance and disclosure requirements for asset management companies (AMCs) managing Shariah compliant CIS
- To provide old age support through the promotion of VPS
- Review of Modaraba Ordinance, 1980

Insurance

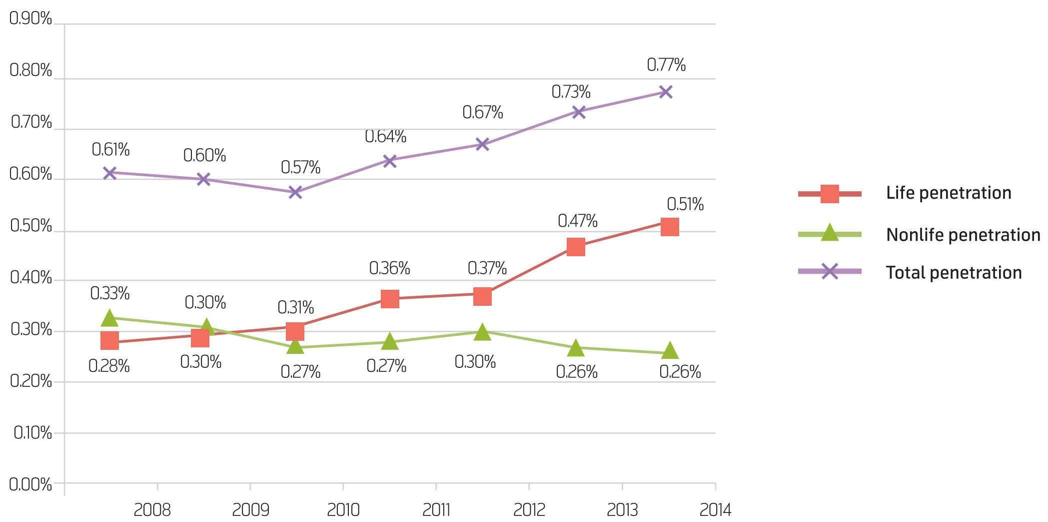
Sector overview

Apart from regulating the overall insurance sector, the SECP is contemplating various policy options for the promotion of microinsurance market in Pakistan which include introduction of lower capital requirements for dedicated microinsurance companies, relaxing solvency requirements to encourage investment in microinsurance infrastructure, allowing tie-up between life and non-life insurance companies to offer integrated product to the low income group, introduction of minimum quota for microinsurance business and effective monitoring of social microinsurance schemes.

Pakistan is also a member of International Association of Insurance Supervisors (IAIS) which sets principles and standards aimed at maintaining fair, safe and stable insurance market for the benefit and protection of policyholders. IAIS latest 26 ICPs (Insurance Core Principles) of October 2011 were assessed by a mission to Pakistan from November 21 to December 04, 2011 under Financial Sector Reform & Strengthening Initiative (FIRST) and World Bank Project.

With the adoption of modern distribution channels and innovative products, the insurance sector in Pakistan has been growing at a good pace during the previous few years As of December 2014, the industry's total premium revenue generated stood around Rs. 199 billion ($1.97 billion).

Insurance penetration 2008 – 2014



Number of insurers in Pakistan

	Life	Non-life
Private sector	6	37
Public sector	1	1
Takaful	2	3
Reinsurance	--	1
Total	**9**	**42**

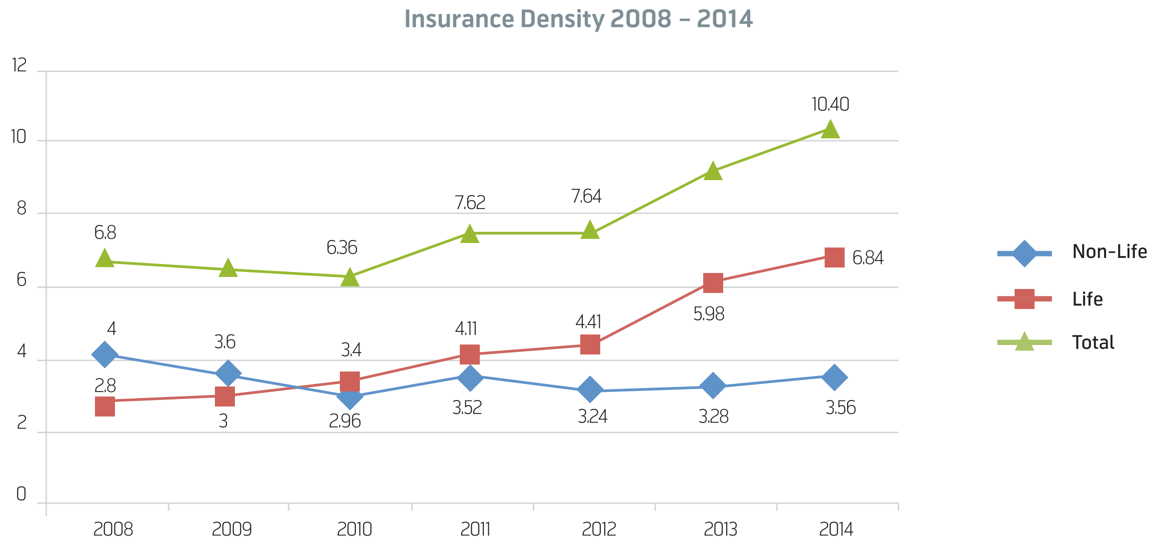
Number of insurance brokers in Pakistan

	Local	Foreign	Total
Insurance brokers	5	7	12

Number of insurance surveyors

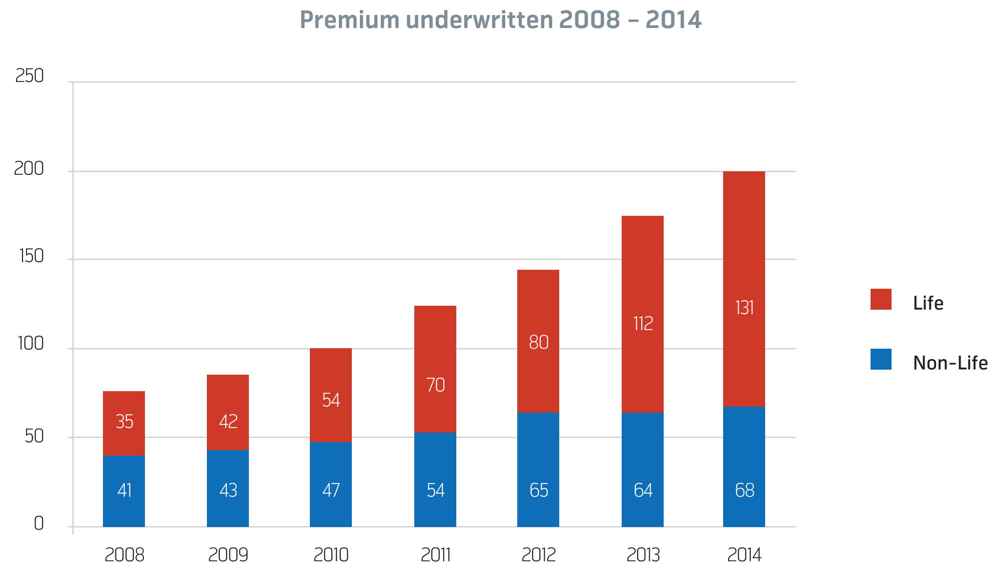
	Total
Licensed insurance surveyors	251
Registered authorized surveying officers	413

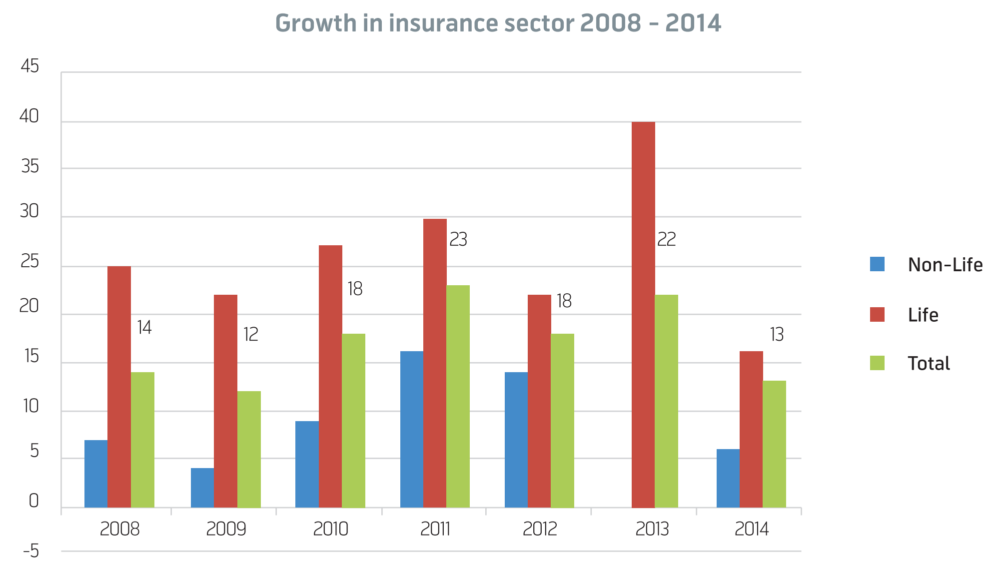
The insurance market is fairly liberalized as one hundred percent foreign ownership and control of insurance companies is permitted with the paid-up capital requirement of $4 million, with the condition of bringing in at least $2 million in foreign exchange and raising the rest from the local market. The minimum capital requirements stand at Rs. 300 million for non-life and Rs. 500 million for life insurers. However, the SECP is in the process of revising minimum paid-up capital requirements for both non-life and life insurers, increasing them to Rs. 500 million and Rs. 700 million respectively till December 31, 2017.



At present, there are 41 non-life insurers operating in the market, including 3 general takaful operators and one state-owned insurer. In 2014, the sector grew by 6%, whereas the total premium of non-life insurance sector stands at Rs. 68.4 billion, excluding reinsurance. The SECP also allowed five non-life insurers to transact window takaful business during the period under review, through which conventional insurers will be able to underwrite takaful products.

There are 9 life insurers, including 2 family takaful operators and one state-owned insurer in the life insurance sector. In 2014, the life insurance market grew by 16%, whereas the total premium stood at Rs. 131 billion. The SECP has also allowed two life insurers to transact window takaful business during the period under review, through which conventional life insurers will be able to underwrite family takaful products.





Licensing and approvals function

During the period under review, more than 100 approvals, extensions and NOCs were processed under the provisions of the governed laws, which include approvals of directors and CEOs on the fit and proper criteria, release of statutory deposits, products approvals and other miscellaneous approvals.

Authorization as window takaful operator

The takaful rules were introduced in 2012, allowing conventional insurers to obtain authorization under these rules before commencing their window takaful operations, enabling the conventional insurers to offer Sharia-compliant products through these windows in addition to the conventional products, subject to the condition that window operations are segregated in all respects including the capital. The SECP has granted window takaful licenses to 5 non-life and 2 life conventional insurers during the current fiscal year Insurance sector is set for a boost in competition which could help spread the uptake of insurance since the process of granting window takaful license has started.

Licensing as insurance broker

During the financial year, the SECP renewed the licenses of "7" direct insurance brokers and issued fresh licenses to "5" insurance brokers, which raised the total number of registered direct insurance brokers to 12.

Licensing of surveyors and authorized surveying officers

During the period under review, the Insurance Division has also approved 413 licenses of authorized surveying officers and 251 surveyors during the period under review.

Key achievements

During the period under review, in its quest to meet its primary objectives of protecting the interests of policyholders and facilitating orderly development of the insurance industry, including the takaful segment, the Insurance Division focused in various areas. The brief synopsis of which is given below.

- Approval of Bancassurance Regulations, 2015;
- Issuance of Unit Linked Products and Funds Rules, 2015;
- Amendments in the Insurance Rules, 2002 for enhanced supervisory powers;
- Winding up of unregistered companies;
- Revamping of insurance agents education regime;
- Draft Unclaimed Dividend and Insurance Benefits (Amendments) Act, 2015;
- Implementation of Centralized Information Sharing Mechanism for Life Insurance Industry; and
- Development of life and non-life takaful (Islamic insurance) agents training courses.
- Microinsurance as a part of Financial Inclusion is being propagated and encouraged even at regional level.
- MOU between Pakistan and Turkey on Insurance is being fully operationalized for mutual benefit of both the countries.

Future outlook

- Constitution of Small Dispute Resolution Committees under section 117(1) of the Insurance Ordinance, 2000;
- Proposal for implementation of motor third-party liability insurance scheme to compensate road accident victims;
- Enhancing the paid-up capital of insurance companies from Rs. 500 million to Rs. 700 million for life insurance companies and from Rs. 300 million to Rs. 500 million for non-life insurance companies in a phased manner;
- Establishment of insurance repository;
- Proposal for effective implementation of compulsory group life insurance;
- Revision of insurance regulatory framework with technical assistance from the FIRST Initiative/World Bank;
- Reforms to bring indirect insurance brokers within the SECP's regulatory ambit;
- Strengthening the regulatory regime for direct insurance brokers;
- Strengthening the regulatory regime for insurance surveyors; and
- Development of Credit and Surety Ship Rules, 2015 for imposing conditions on insurance companies offering insurance guarantee products.
- Efforts are underway to be fully compliant to ICPs of IAIS by the end of the next financial year and seeking a formal assessment by IAIS.
- Code of Corporate Governance for Insurance Sector is being developed.

Islamic finance

There is a vast market for Islamic financial products not only in Pakistan, but all over the world. Since 1975, when the first modern Islamic commercial bank was set up in Dubai, Islamic finance has come a long way. It has grown impressively over the years, and now its assets are estimated at about $1.5 trillion in sectors such as banking, capital markets, and takaful.

Realizing the importance of Islamic finance, in February 2015, the SECP approved the establishment of a full-fledged Islamic Finance Department (IFD) at the SECP. Earlier, various departments were working on Islamic products separately.

In order to achieve the objectives of Shari'ah compliance for the Islamic capital market, on April 17, 2015, the SECP Chairman directed all operational divisions that any Shari'ah related matter, including approval for an entity, activity, or product, or any regulatory change/ proposal, e.g. circular, guidelines, amendments, should be introduced after consultation and advice of the IFD.

Up to June 2015, the IFD reviewed the following documents in light of Shari'ah:

1. Trust Deed and Offering Document of NIT Islamic Equity Fund
2. Advertisements of NIT Islamic Equity Fund
3. Offering Document of Al-Ameen Islamic Financial Planning Fund
4. Prospectus to issue Sukuk, K-Electric Limited
5. Draft Modaraba Regulations, 2015
6. Supplemental Trust Deed of HBL Islamic Mustahekum Sarmaya Fund
7. Pakistan Mercantile Exchange Limited (PMEX) proposed Commodity Murabahah Transaction
8. Proposed PMEX Regulations Governing Murabahah Financing Transactions;
9. Trust Deed of BMA Zaamin Income Fund
10. Trust Deed and Offering Document of National Investment Trust Limited- Islamic Pension Fund

Constitution of Shari'ah Advisory Board

The SECP has approved a four-member Shariah Advisory Board (SAB) to give its opinions on the Islamic capital market matters.

The SAB comprises of three Shari'ah scholars, Justice Khalil ur Rehman (Chairman), Mufti Muneeb ur Rehman (Shari'ah Member) and Prof. Dr. Tahir Mansoori (Shari'ah Member) and one technical member, Mr. Bilal Rasul (HOD, IFD).

The Shariah Advisory Board has been entrusted with providing Shariah opinions on the laws, rules, regulations, agreements, and documents. The Shariah scholars would also advise the SECP on a range of issues, including the operation, auditing and reporting of Islamic mutual funds, pensions and insurance operators etc. The guidance and advice of the Shariah Board will enhance the credibility of Islamic financial institutions and products.

SBP- SECP Joint Forum on Islamic Finance

During the 9th meeting of the Steering Committee on Islamic Banking it was recommended that the SBP-SECP Joint Forum on Islamic Finance be reconstituted. The following persons are members of the forum:

i. Mr. Yaavar Moini, Director, Islamic Banking Department, SBP
ii. Mr. Mohammad Islam Ahmed, Senior Joint Director, Policy Division, SBP
iii. Mr. Bilal Rasul, Executive Director/Head, Islamic Finance Department, SECP
iv. Mr. Amir Mohammad Khan Afridi, Director, Securities Market Division, SECP
v. Mr. Imran Hussain Minhas, Secretary of the Forum

Two meetings of the forum were held on March 5, 2015 and May 20, 2015, agreeing to work in the following areas:

1. Take steps to form a single association for Islamic financial institutions
2. Identification of the impediments hindering development and growth of Islamic capital market and Islamic banking and recommending plausible solutions (through feedback from the industry and research)
3. Rationalization of the tax rates and that of the stamp duty applicable on securitization transactions and sukuk Issues

4. Facilitation of SME's access to Islamic banking institutions (IBIs) and Islamic capital market
5. Development of Islamic securitization
6. Product identification and development
7. Collaboration for market awareness
8. Finalization of the new TORs of the Joint Forum before presenting the TORs in the SBP-SECP Coordination Committee for approval
9. A strategy for the follow up and implementation of the Steering Committee and all other Committees' recommendations in the respective areas of SECP and SBP
10. A way forward for Takaful Industry and
11. A way forward on the tax/duty/cost issues in the sukuk
12 Education and trainings

Takaful presentation to the SBP-SECP Joint Forum

One important item on the forum's agenda is the growth of the takaful industry. In view of that a presentation was given by Mr. Jibran Paracha, assistant director, Insurance Division, to the forum on April 10, 2015. The salient features of the presentation included issues in takaful industry of Pakistan and role of the SBP and SECP towards their solution.

Training on sukuk by director IBD, SBP

A one-day training session was held at the SECP head office, Islamabad for SECP officers wherein Mr. Yavar Moini, director, Islamic Banking Department, SBP, was invited to speak on sukuk. The session was arranged by the IFD on April 22, 2015 and Mr. Yavar Moini shared his extensive knowledge on sukuk with the SECP officers.

Conference program on "Advancements in Islamic Finance and Business in the 21st Century"

A two day Conference Program on "Advancements in Islamic Finance and Business in the 21st Century" was arranged by FAST School of Management at FAST-National University on April 24-25, 2015, to address the issues and challenges being faced by Islamic finance industry. Mr. Bilal Rasul, HOD, IFD, was invited as guest speaker at the conference. He gave a speech on "Islamic Finance Regulatory Framework". Mr. Imran Minhas, JD, and Mr. Muhammad Umer, management executive, from the IFD also attended the conference.

Seventh International Orientation Course on Islamic Capital Market

Ms. Asmara Warraich, assistant director, IFD, participated in the 7th International Orientation Course on "Islamic Capital Market" held on May 4-6, 2015, in Tehran. The main objective of the course was to familiarize the participants with the main concepts and tools of Islamic finance, economics and banking.

Web page

The IFD is developing a web page, which will include the Shari'ah regulatory framework, lists of approved Islamic finance companies and products, statistics, guides and periodical reports on Islamic finance for the awareness and education of the public.

Future outlook

A roadmap of IFD has been prepared and it is decided that in the next three years the IFD would keep its focus on the following key areas for the facilitation and development of the Islamic capital markets and Islamic finance industry in the country:

Enabling regulatory environment

1. Diverting the existing powers to issue Shariah related rules and regulations to the HOD, Islamic Finance Department (IFD)
2. Review the existing Shariah compliance regulatory framework of the SECP to bring about uniformity
3. Evaluate, assess and issue the Islamic Financial Accounting Standards, in consultation with the stakeholders
4. Prepare Shari'ah compliance (capital market) regulations for the Shariah-compliant companies, covering the following areas:

- Qualifications of Shariah advisors
- Penal of Shariah advisors
- Requirements for the Shariah internal and external auditors
- Shariah screening process for the investment in Securities
- Shariah reporting and disclosure requirements

- Propose a mechanism for the Shariah ratings in the country
- Registration requirements for the Shariah rating companies
- Enforcement mechanism for the Shariah violations

Awareness and capacity building

- Formulate a professional team of resources for regulation, registration and certification of Shariah compliance of aspirant companies
- Conduct, arrange and participate in the conferences, seminars, roadshows, and training programs for public awareness of the Islamic banking and finance as a sponsor or cosponsor
- Arrange, participate and attend local or international training programs, workshops or courses on the Islamic banking and finance
- Issue and place periodical reports on Islamic finance at the web page
- Printing of handouts, notes, brochures, leaflets on Islamic finance

Market development

- Review the existing Shariah-compliant products under the purview of SECP
- Propose changes in the existing products where necessary
- Review the Shariah-compliant products proposed by the regulated entities and get them approved by the SECP's Shariah Board
- Research and propose rules, regulations and guidelines for the new Shariah-compliant products
- Review and propose tax holidays to promote Islamic finance in the country

Enforcement

During the year, the SECP continued to consolidate and augment its efforts to ensure compliance with the regulatory framework by the corporate sector and capital market participants. The extended efforts covered a range of activities such as onsite inspections, offsite review, enquiries, investigations and specialized inspections, the ultimate objective being that all regulatees comply with and implement the regulatory framework in true spirit.

Capital markets participants

In order to ensure the orderly execution of the market operations, significant measures have been taken. In various instances of non-compliance with the regulatory provisions, 26 warning letters and 38 enforcement orders were issued to the brokers of stock exchanges and individual investors. During FY15, 5 detailed enquiries into the dealings, business or other transactions of various market participants were initiated on suspicion of market manipulation and insider trading.

Besides the alerts generated by the Surveillance System, SMD keeps a close watch on stock market by continuously observing index movement and analyzing the impact of media reports. Manual alerts are being generated as a result of tracking the movement in the stock market index and its sector wise analysis which provides leads for further investigations by the surveillance team.

Among the 4 enquiries initiated in FY14, three enquiries were successfully completed during FY15. In light of the findings of these enquiry reports, various enforcement actions are in process against the concerned market participants. A total of 46 cases of insider trading, violations of broker rules and listing regulations (including the ones initiated through findings of the enquiries) are currently in process of adjudication. The summary of the enforcement actions taken during the year is presented below:

Enquiries conducted/initiated against market participants			
	2013	2014	2015
Price manipulation	1	3	2
IPO/ book building	-	1	0
Insider trading/ front running	-	-	3
Total	**1**	**4**	**5**

Orders against market participants		
Violation	2014	2015
Insider trading/front-running	1	19
Brokers & Agents Registration Rules, 2001	1	3
Violation of listing regulations	1	3
Book building regulations	-	7
Non-maintenance of clients order register	-	1
Prohibitory order	-	5
Total	**3**	**38**

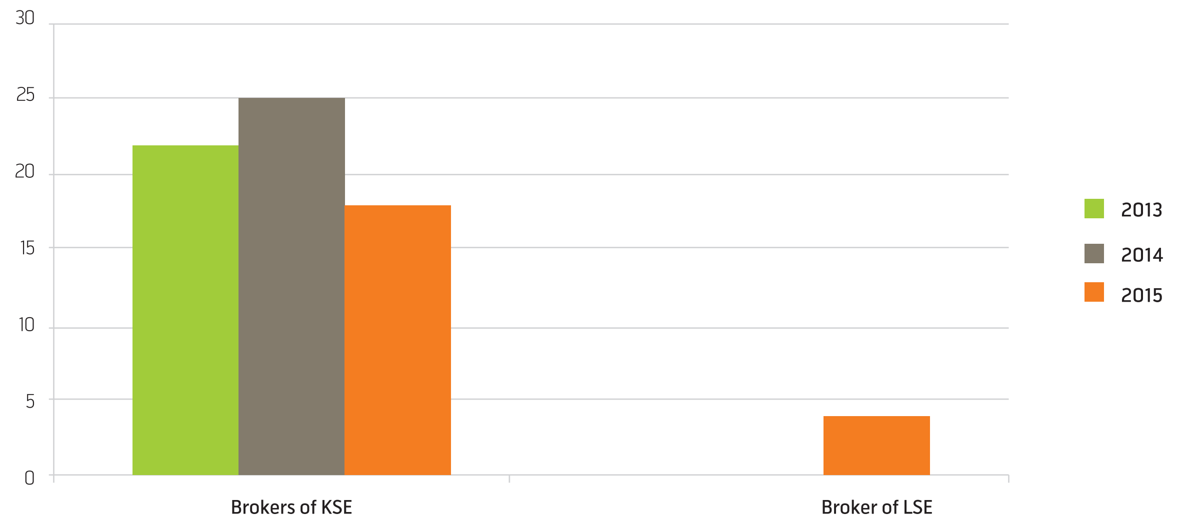
Warning letters issued to market participants		
Violation	2014	2015
Wash trades	27	4
Listing regulations	6	4
Irregular trades	4	18
Blank sales	3	-
Other	2	-
Total	**42**	**26**

Cases referred for Adjudication	
Violation	Number of cases
Insider trading	**21**
Listing regulations	**14**
Non-disclosure of material information	**1**

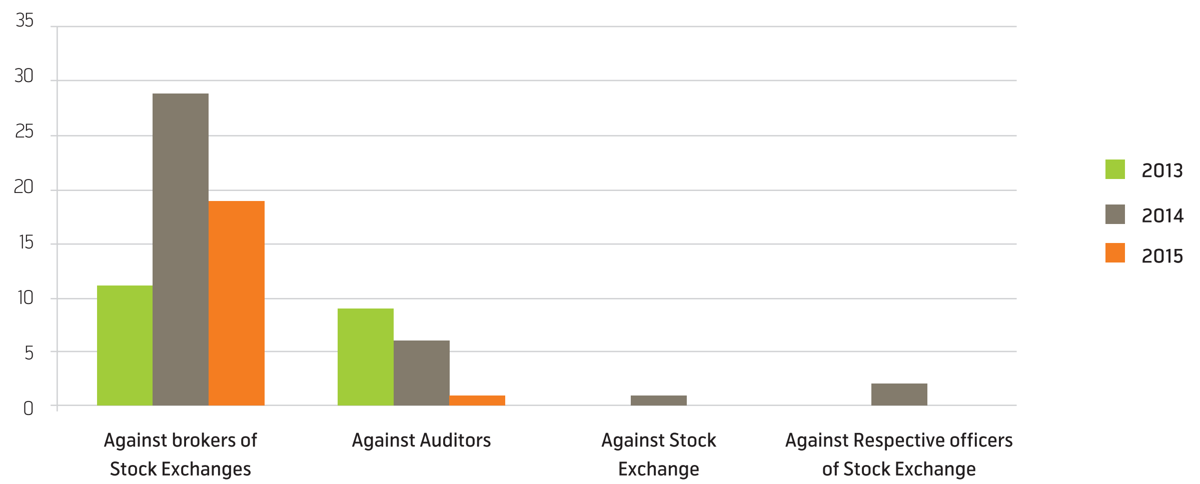
Non-compliance in several areas	7
Other	3
Total	**46**

Detail of actions against brokers			
	2013	2014	2015
Onsite inspections completed			
Brokers of KSE	22	25	18
Brokers of LSE	-	-	4
Enforcement actions taken			
Against brokers of stock exchanges	11	29	19
Against auditors	9	6	1
Against stock exchange	-	1	-
Against respective officers of stock exchange	-	2	-
Enquiries and investigations of defaulted brokers			
Enquiries initiated against unauthorized handling of clients' assets	-	1	2
Investigation initiated against unauthorized trading in client's account	-	-	1

Onsite inspections



Enforcement actions taken



Offsite monitoring and surveillance of capital market participants

During the period under review, 134 letters were issued to the brokerage houses who had failed to submit their financial returns and 90 letters were issued to the irregular filers requiring them to ensure submission of pending quarterly financial returns while ensuring full compliance in the future.

Review of information

The following information received from the exchanges, CDC and NCCPL was reviewed.

Offsite forms	2013	2014	2015
Stock Exchanges	438	438	438
CDC	36	36	36
NCCPL	84	84	84
PMEX	121	121	121
Review of system audit reports of stock exchange brokers	120	121	124
Review of system audit reports of brokers of PMEX brokers	34	34	44
Review of CDC inspection reports of participants	140	199	172

Actions under section 224(4) and section 246 of the Companies Ordinance, 1984 (late filing of returns of beneficial ownership and annual returns):

The returns of beneficial ownership and online annual returns by listed companies are required to be filed within the prescribed time limit. The following actions were taken, where the said returns were received with delay of more than 30 days. The actions taken during last three years along with the percentage change are as under:

Sr. No.	Category	Nature of violation	Number of cases in 2013	Number of cases in 2014	Number of cases in 2015	% Change 2014-2015
1	Warning letters issued	Late filing of returns of beneficial ownership and annual returns	52	134	71	(47)%
2	Orders issued		51	52	31	(40)%

Actions under section 224(2) of the Companies Ordinance (Recovery of Tenderable Gain):

During the period under review, four orders under Section 224(2) of the Companies Ordinance, for recovery of tenderable gain amounting to Rs. 2,615,350 have been passed. The gain cases disposed of during last three years along with the percentage change are as under:

Sr. No.	Nature of violation/Action	Number of cases in 2013	Number of cases in 2014	Number of cases in 2015	% Change 2014-2015
1	Recovery of gain from beneficial owners of listed companies	3	2	4	100%

Enforcement of the Public Sector Companies (Corporate Governance) Rules, 2013

The SECP adopted an evolutionary approach while applying the corporate governance principles upon public sector companies, majority of whom were found to be non-compliant even with the primary legal framework, i.e. the Companies Ordinance, 1984. The enforcement activities included the following:

- Issuance of compliance alert to all PSCs in November 2014 to apprise them of the requirement to file their annual returns, annual audited accounts as well as the statement of compliance specified under the Rules
- Issuance of a public notice in newspapers to make the PSCs aware of their statutory obligation to file their annual audited accounts as well as the statement of compliance
- Issuance of compliance alerts to all the companies found to be non-compliant with the requirement to file statement of compliance specified under the Public Sector Companies (Corporate Governance Compliance) Guidelines, 2013 read with rule 24 of the Rules
- Issuance of show-cause notices to all the defaulter companies that have failed to file their statement of compliance despite issuance of numerous compliance alerts by the Commission from time to time

Investigations into affairs of companies and special audit

The SECP processed 12 applications during 2014-15 under section 263 of the Ordinance, 1984 for investigation of affairs of the companies that were allegedly not being managed in accordance with the law.

Adjudication of cases under the ordinance

The registrar of companies and the CROs adjudicated 2,410 cases of violation of various provisions of the Ordinance and punitive actions were taken against the errant companies.

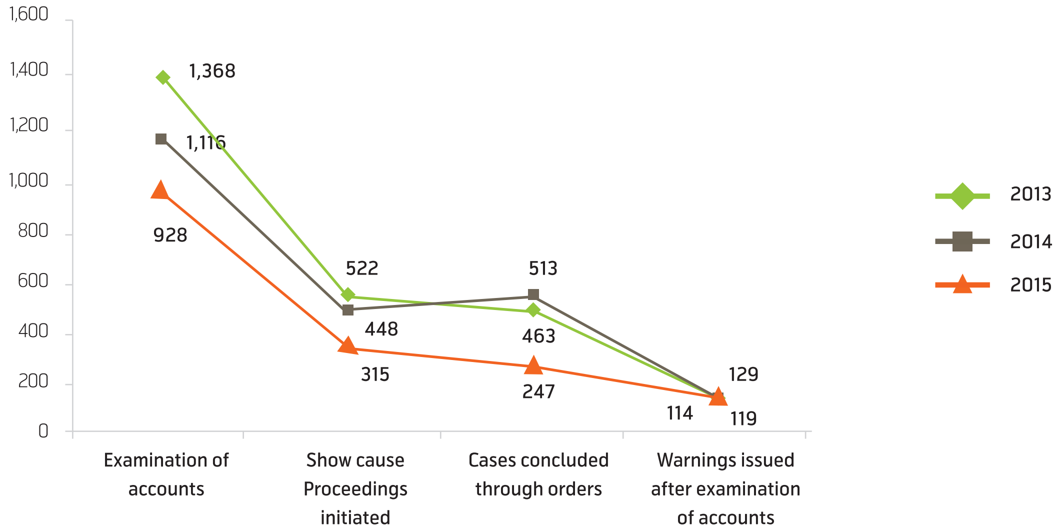
Monitoring and enforcement actions of listed and non-listed companies

During the year, 928 annual audited financial statements of listed and non-listed companies and companies registered under Section 42 and 43 of the Companies Ordinance, 1984 were examined and explanations with regard to various violations observed during the examination of the audited financial statements were sought.

A summary of actions taken against the companies and their statutory auditors on account of various defaults:

Regulatory actions taken during the last three years			
Particulars	**2013**	**2014**	**2015**
Examination of accounts	1,368	1,116	928
Show cause proceedings initiated	522	448	315
Cases concluded through orders	463	513	247
Warnings issued after examination of accounts	129	114	119

Regulatory actions taken during the last three years



Break-up of the regulatory actions taken against the companies and their auditors under various sections of the Ordinance over the last 3 years are given hereunder:

Break-up of regulatory actions taken during the last three years			
Particulars	**2012-13**	**2013-14**	**2014-15**
Inter-corporate financing	15	5	8
Powers of directors	17	12	2
Making false/incorrect statements	45	33	23
Actions against auditors	60	48	22
Non-preparation and submission of consolidated financial statements	12	14	4
Irregularities in provident fund	15	24	14
Surplus arising out of revaluation of fixed assets	5	6	3
Irregularities in utilization of security deposits	22	15	11

Authentication of balance sheet	20	27	8
Improper issue, circulation or publication of balance sheet or profit-and –loss accounts	118	180	53
Non-Late holding of annual general meeting	8	19	14
Meetings of board of directors and disclosure of interest	11	10	5
Enforcing compliance with the provisions of the ordinance	6	5	-
Circulation of quarterly accounts	31	12	17
Late filing of cost audit report and non-submission of applications by companies for appointment of cost auditors	10	6	3
Actions under listed companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002	7	6	1
Application for revision and review of orders	9	4	5

Inspection/Investigations of corporate sector

In total, 3 investigation proceedings were initiated during the year out of which 2 were initiated in the matter of non-listed companies and 1 in the matter of listed company. 2 investigation orders were issued during the year against which the companies have filed appeal in the Court. Investigation proceedings were initiated against the companies based on observations, including but not limited to deferred tax issues and blatant misstatements and omission of facts by the companies. The data relating to inspections/investigations conducted during the last three years is given below:

Inspections/Investigations conducted during the last three years			
Particulars	**2013**	**2014**	**2015**
Inspections	22	3	Nil
Investigations	7	3	3

Enforcement of NBF sector

Offsite examinations and enforcement

The SECP examines the financial health and assesses regulatory compliance level of NBFCs, Notified Entities and Modarabas on the basis of published information and data received electronically through Specialized Companies Returns System (SCRS) on monthly basis. Asset management companies, mutual funds, pension funds and investment advisory portfolios are reviewed on quarterly basis, deposit taking lending institutions (leasing companies, investment banks and modarabas) are reviewed on quarterly basis while non-deposit taking institutions & low risk entities are examined on half yearly basis.

Examination of entities broadly covers the following areas:

- Compliance with regulatory framework
- Performance of collective investment & pension schemes
- Risk concentration with respect to asset class and single entity
- Maturity mismatch on the balance sheet of depository/lending institutions
- Examination of classified assets and recoveries made there-against
- Liquidity related issues
- Assessment of equity
- Examination of profitability
- Composition of Board, audit committee and other committees, etc.

The findings observed during offsite examination of entities in the year 2014-15 were taken up with the respective entities primarily through compliance letters and warnings. Statistics of offsite examinations conducted during the last two years are as follows:

Category of the Entity	**Total # of offsite reviews**	
	2013-2014	**2014-2015**
Asset Management Cos.	74	70
Investment Banks	16	18

Leasing Companies	16	19
Modarabas	52	60
Investment Advisors	3	4
Total	**161**	**171**

During the period, independent reviews and analysis on the offsite reports and onsite inspection reports were carried out and actions were taken against non-compliant NBFCs and modarabas as per the following details:

- Order was issued in the matter of Show Cause Notice under Section 282 J (1) read with Section, 282 D and Section 282 M of the Companies Ordinance, 1984 to an asset management company and its officers for conducting sale/ purchase of equity securities between connected persons (i.e. between funds managed by the AMC) without obtaining consent of Trustee and approval of the Board of Directors of the AMC.
- Order was issued in the matter of Show Cause Notice under Section 282 J (1) read with Section, 282 D and Section 282 M of the Companies Ordinance, 1984 to an asset management company and its officers for violation of the constitutive documents of the mutual fund. The fund continued to allocate higher amount to government securities than prescribed in the constitutive documents.
- Criminal complaint was filed against the directors of a Modaraba management company with the Modaraba Tribunal for failure to submit accounts to the Registrar Modaraba as required under section 14 of the Modaraba Ordinance 1980.
- A direction under Section 282 D was issued to an asset management company advising it, not to withdraw its own investment from its managed fund unless the matter of deposit with KASB Bank Limited was resolved.
- Matters highlighted by trustees of mutual funds were also taken up with the respective Asset Management Companies for necessary compliance.
- Financially distressed NBFCs were focused for repayment to the small depositors, restructuring and revival. Most of the distressed entities were able to substantially repay the small depositors and improve their financial condition. Statistics pertaining to various types of enforcement actions taken during the last two years are given below:

Enforcement Actions	2013-2014	2014-2015
Compliance Letters	327	287
Warnings/Directions	6	12
Show Cause Notices	7	--
Orders	9	2
Total	**349**	**301**

Onsite Inspections

Onsite inspection of NBFCs, Modarabas and insurance companies plays a critical role in the efficient and effective monitoring of the entities. Selection of entities for inspection is based on the risk assessment criteria of the onsite inspection wing, as well as observations made during off-site examination. The on-site inspection mainly focuses on the following areas:

- Assessment of the level of corporate governance structure in the entity
- Evaluation of Internal controls of the entity including policies and procedures adopted by the entity
- Review of entity's financial health and its business performance
- Examination of financial records of the entity
- Compliance with the applicable regulatory framework
- Progress/ changes made by the entity based on the observations reported during previous inspections (wherever applicable)

During the year 2014–15, inspections of 15 entities (9 Asset Management Companies managing 88 notified entities, 2 Trustees, 2 Modarabas, one Investment Bank and one Insurance company) were conducted, covering 40% of the total NBFC and Modaraba Sector.

Inspections of the trustees were conducted during the year as per the requirements of the assessment program of International Organizations of Securities Commissions (IOSCO). Further, inspections of two insurance companies were also initiated, out of which one concluded during the year. Comparative statistics pertaining to onsite inspections, for the last two years, is given below:

Sector	Total Inspections Conducted	% Asset Size Covered (NBFC & Modaraba sector)
FY 2013-14	15	49
FY 2014-15	15	40

Enforcement of insurance sector

The SECP examines the financial health and assesses regulatory compliance level of life and non-life insurance Companies, and general and family takaful operators on the basis of published information and data received electronically through Insurance Companies Returns System (ICRS) on quarterly basis.

Offsite Examinations

The findings observed during offsite examination of entities in the year 2014-15 were taken up with the respective entities primarily through compliance letters and warnings. Examination of entities broadly covers the following areas:

- Compliance with regulatory framework
- Underwriting performance and investments
- Examination of assets
- Solvency-related issues
- Assessment of equity
- Examination of profitability
- Composition of Board, audit committee and other committees, etc.

Onsite Inspections

Onsite inspection of insurance companies and takaful operators plays a critical role in the efficient and effective monitoring of the entities. Selection of entities for inspection is based on the risk assessment criteria of the onsite inspection wing, as well as observations made during off-site inspection. The onsite inspection mainly focuses on the following areas:

- Assessment of the level of corporate governance structure in the entity
- Evaluation of Internal controls of the entity including policies and procedures adopted by the entity
- Review of entity's financial health and its business performance
- Examination of financial records of the entity
- Compliance with the applicable regulatory framework
- Progress/ changes made by the entity based on the observations reported during previous inspections (wherever applicable)

During the year 2014–15, inspections of two insurance companies were initiated, out of which one concluded during the year.

Adjudication function

A snapshot of enforcement actions taken by the Insurance Division against its regulated entities during the period under review are as follows:

Nature of Action / Correspondence	Jul 2014 - Jun 2015
Show-cause notices	22
Warning letters	17
Orders	35
Inter-Office memos	165
Hearing notices / adjournment notices	56
Miscellaneous letters	85

Future outlook

- Strengthening and stringent compliance of Know Your Customer (KYC) regime and Customer Due Diligence (CDD).
- Enhance collaboration with other regulatory bodies including SBP, NADRA, PTA, NAB, FBR, FIA etc.
- Regulation of off-market
- Revamping of existing Market Surveillance Suite (MSS) in line with the international levels.
- Offsite reviews of AMCs, mutual funds, pension funds and investment advisory portfolios covering 96% of the industry size will be carried out on quarterly basis while remaining 4% will be covered on a semi-annual basis

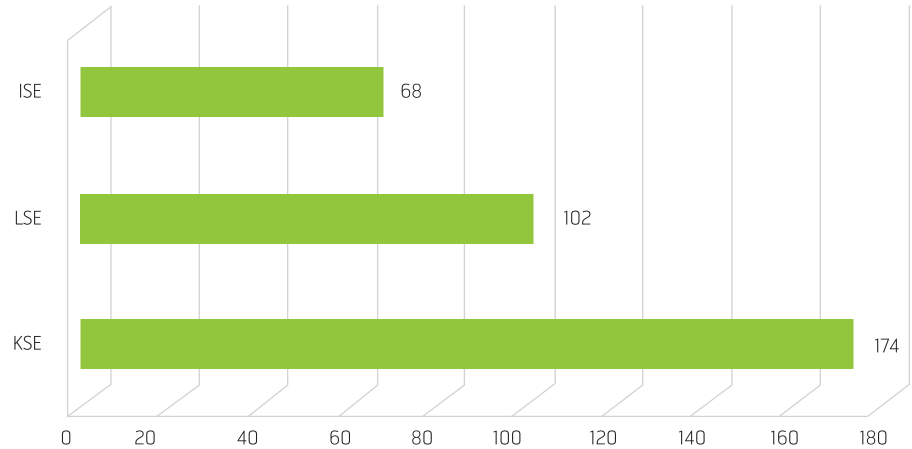
- Offsite reviews of lending entities (leasing companies, investment bank and modarabas) covering nearly 70% of the industry size will be conducted on quarterly basis, remaining on semi-annual basis
- Enhance efficiency of offsite surveillance function by improving current SCRS framework and bringing automation in function's various activities
- Review the existing SOPs / manual of offsite surveillance & monitoring wings and making necessary amendments into them keeping in view regulatory changes.
- Develop onsite inspection manual for life insurance /life, takaful companies.
- Upgrade onsite inspection manual for NBFCs, NEs and Modarabas based on changes in NBFCs regulatory framework.
- Synchronization of formats for requiring data from entities for the purpose of offsite examination and onsite inspection.
- The development of an online compliance monitoring system for public sector companies
- Review of the Companies (Asset Backed Securitization) Rules, 1999
- Amendments to the Credit Rating Rules, 1995
- Guidelines for the employees' stock option schemes
- Regulations for the contents of prospectus
- Rules for public offerings and private placement of securities
- Regulations for electronic Initial Public Offerings (e-IPO)
- Regulations for the issue of convertible and exchangeable debt securities
- Listing of short-term Shariah-compliant securities
- Development of corporate debt market reporting system (CDMRS)
- Development of e-IPO facility
- Development of the model employees' stock option scheme

Statistics

Capital market participants

Stock Exchange brokers	344
Stock Exchange agents	262
PMEX brokers	183

Stock exchange-wise detail of registered brokers



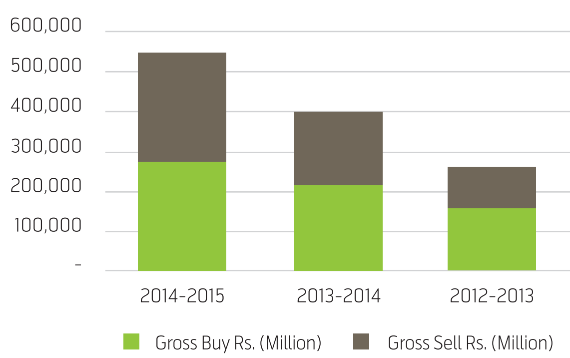
Statement showing the number of IPOs/SPOs

Year	Number of IPOs/SPOs	Fund raised (Including premium amount) (In billion rupees)	Capital listed (Face value) (In billion rupees)
2014-15	8	121.635	11.285
2013-14	5	57.182	14.891
2012-13	2	0.936	6.478

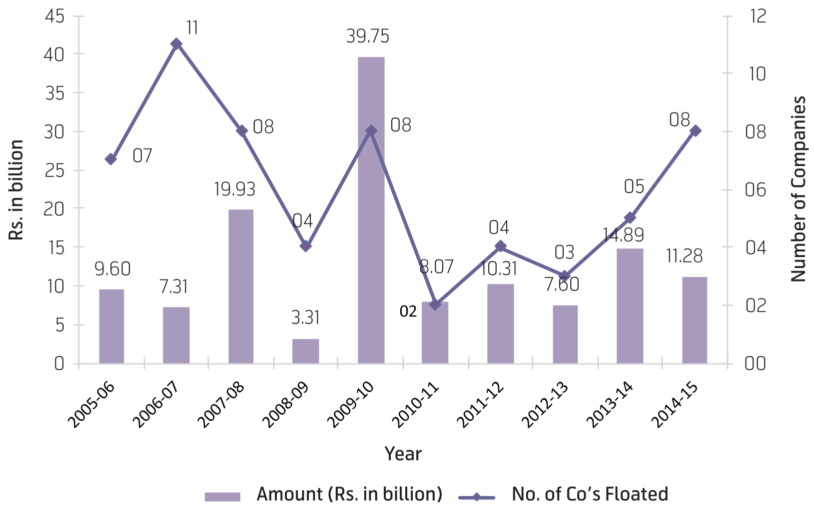
Consolidation foreign investors' portfolio

Period Year	Gross buy (In million rupees)	Gross sell (In million rupees)
2014 - 2015	275,838	271,984
2013 - 2014	214,967	188,785
2012 - 2013	157,193	101,930

Consolidated FIP 2012 - 2015



Number of equity issues to public during 1998-2015



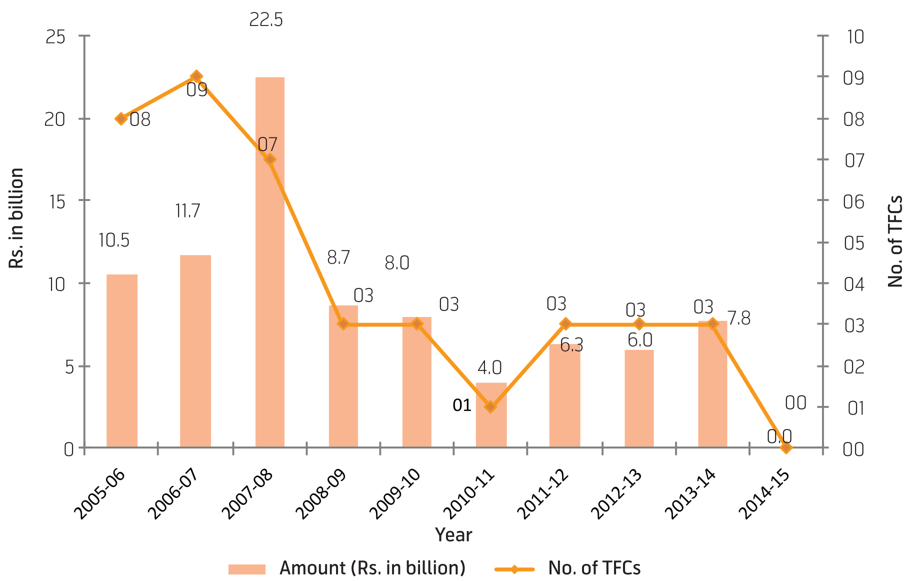
Privately placed debt securities

Sr.	Name of security	Number of issues	Amount (In billion rupees)
1	Term finance certificates	2	4.750
2	Sukuk	2	5.200
3	Commercial papers	1	0.500
	Total	**5**	**10.450**

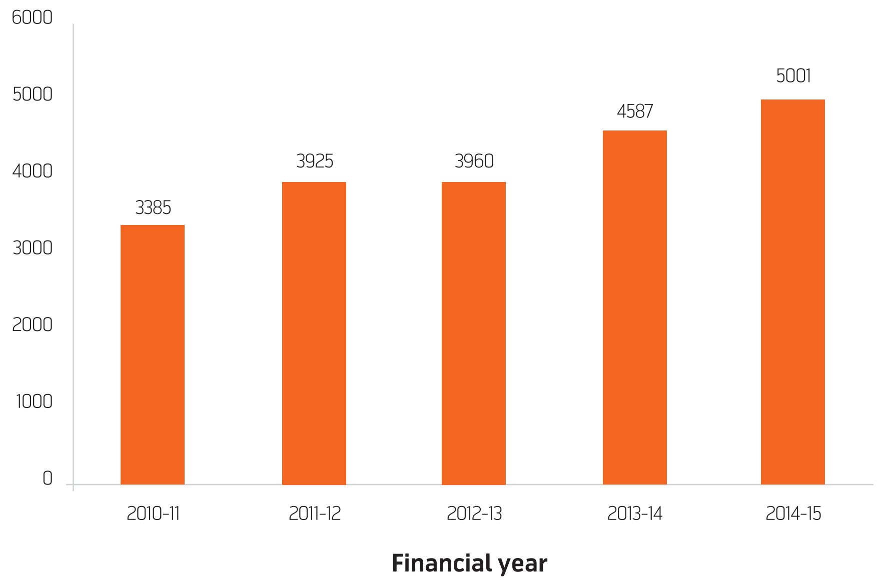
Corporate debt securities outstanding

Sr.	Name of security	Number of issues	Amount (In billion rupees)
1	Listed term finance certificates (L-TFCs)	20	30.36
2	Privately placed TFCs (PP-TFCs)	33	68.86
3	Sukuk	42	393.13
4	Commercial papers	01	0.50
	Total	**96**	**492.85**

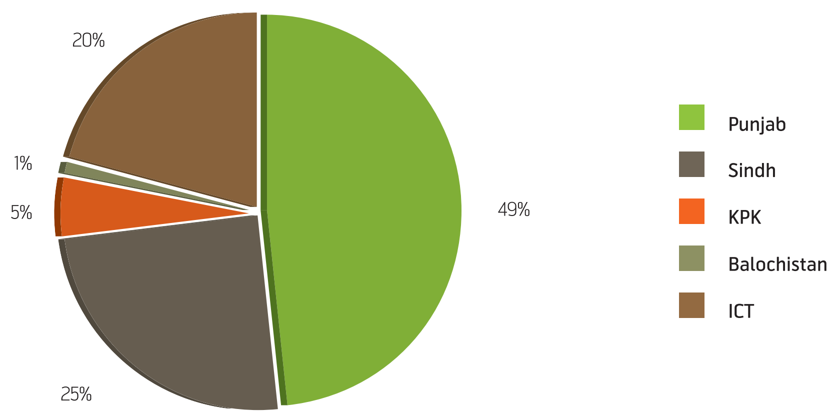
Number of TFCs floated - FY 1995-2015



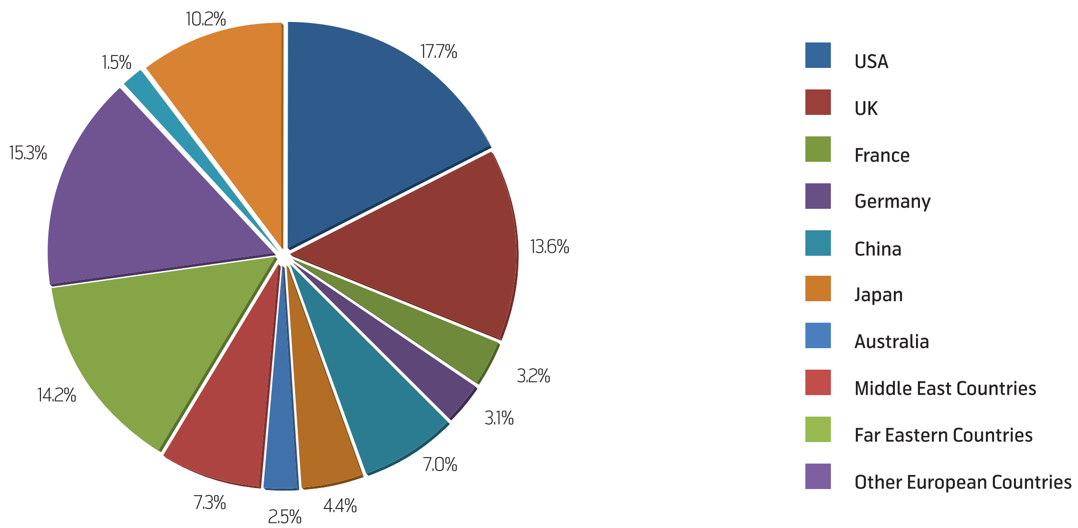
Year-wise company incorporation



Province-wise new incorporation during FY 2014-15



Breakup of foreign companies by country



Number and type of companies

Type of companies	Newly incorporated companies for the financial year ending June 30, 2015	Total companies as of June 30, 2015
Companies limited by shares		
Public listed	-	576
Public unlisted	67	2,322
Private	4512	60,758
SMCs	310	2,079
Total companies limited by shares	**4,889**	**65,735**
Associations not for profit u/s 42	61	680
Companies limited by guarantee u/s 43	1	72
Trade organizations	8	251
Foreign companies	42	881
Public companies with unlimited liability	-	1
Private companies with unlimited liability	-	2
Companies u/s 503(2)	-	2
Total companies	**5,001**	**67,624**

Capitalization breakdown as of June 30, 2015

	Listed companies	Unlisted public companies	Private companies	SMCs	Total	Percentage
Paid-up capital up to Rs. 100,000	-	398	22,882	1,288	24,561	37.37
Paid-up capital from Rs. 100,001 to 500,000.	-	283	9,327	350	9,960	15.15
Paid-up capital from Rs. 500,001 to 1,000,000	-	119	6,720	195	7,034	10.70
Paid-up capital from Rs. 1,000,001 to 10,000,000	16	341	16,350	174	16,881	25.68
Paid-up capital from Rs. 10,000,001 to 100,000,000	152	625	4463	67	5307	8.07
Paid-up capital from Rs. 100,000,001 to 500,000,000	206	338	827	4	1,375	2.09
Paid-up capital from Rs. 500,000,001 to 1,000,000,000	71	89	104	1	265	0.40
Paid-up capital from Rs. 1,000,000,001 to above	131	129	85	-	345	0.52
	576	**2,322**	**60,758**	**2,079**	**65,735**	**100.00**

Sector-wise distribution (limited by shares)

Sector	Newly incorporated companies for the financial year ending June 30, 2015	Total companies as of June 30, 2015
Auto and allied	48	804
Broadcasting and telecasting	107	667
Cables and electric goods	58	732

Carpets and rugs	-	68
Cement	2	101
Chemical	87	1,609
Pharmaceutical	117	1,474
Communications	142	2,731
Construction	338	3,443
Corporate agricultural farming	198	1,388
Education	168	1,157
Engineering	110	1,890
Finance and banking	31	1,110
Food and beverages	145	2,497
Footwear	3	76
Fuel and energy	152	1,380
Ginning	14	347
Glass and ceramics	7	261
Healthcare	89	658
Information technology	480	3,396
Insurance and allied	5	287
Jute	-	20
Leather and tanneries	12	370
Lodging	28	476
Mining and quarrying	48	605
Paper and board	75	1,191
Power generation	148	986
Real estate development	115	1,426
Services	644	7,707
Sport goods	8	203
Steel and allied	35	530
Sugar and allied	3	179
Synthetic and rayon	3	194
Textile	122	4,671
Tobacco	2	74
Tourism	401	6,951
Trading	583	7,682
Transport	85	1,351
Vanaspati and allied	17	453
Wood and wood products	11	216
Miscellaneous	360	6,263
Total	**5,001**	**67,624**

Foreign companies data by country

Country	Newly incorporated companies FY 2014-15	Number of companies as of June 30, 2015
US	1	156
UK	1	120
France	2	28
Germany	2	27
China	17	62
Japan	1	39
Australia	2	22
Middle East countries	4	64
Far Eastern countries	6	125
Other European countries	6	135
Other Asian countries	-	13
Other countries	-	90
Total	**42**	**881**

(Annexure II)

Auditors' Report

Auditors' Report

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building No. 5
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Independent Auditors' Report to the Federal Government of Pakistan

We have audited the accompanying financial statements of Securities and Exchange Commission of Pakistan (the "Commission"), which comprise the statement of financial position as at 30 June 2015, the statement of profit and loss and other comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. (here-in-after referred to as the financial statements for year then ended).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at 30 June 2015, and its financial performance and its cash flows for the year then ended in accordance with approved accounting standard as applicable in Pakistan.

KPMG Taseer Hadi & Co.

Islamabad
11 September 2015

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner
Syed Bakhtiyar Kazmi

Financial statements (Annexure III)

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	2015	2014
		(Rupees in thousand)	
NON-CURRENT ASSETS			
Property and equipment	5	374,243	327,944
Intangibles	6	18,348	34,157
Long term investments	7	-	-
Loans and advances	8	54,366	53,298
Deferred taxation	14	9,877	34,249
		456,834	449,648
CURRENT ASSETS			
Advances, deposits, prepayments and other receivables	9	176,369	123,957
Short term investments	10	1,888,606	1,556,469
Cash and bank balances	11	238,152	374,582
		2,303,127	2,055,008
CURRENT LIABILITIES			
Accrued and other liabilities	12	(874,468)	(776,241)
Payable to Federal Consolidated Fund	13	-	(63,424)
		(874,468)	(839,665)
Net current assets		1,428,659	1,215,343
NON-CURRENT LIABILITIES			
Deferred liability	15	(148,274)	(131,560)
		(148,274)	(131,560)
Net assets		1,737,219	1,533,431
REPRESENTED BY:			
SECP FUND		1,737,219	1,533,431
CONTINGENCIES AND COMMITMENTS	16		

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

CHAIRMAN

COMMISSIONER

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		(Rupees in thousand)	
INCOME			
Fees and other recoveries	17	**2,279,918**	1,788,363
Other income	18	**203,568**	225,903
		2,483,486	2,014,266
EXPENDITURE			
Salaries, allowances and other benefits	19	**1,332,353**	1,275,603
Operating expenses	20	**474,845**	412,630
Depreciation and amortization		**124,971**	130,665
		1,932,169	1,818,898
SURPLUS OF INCOME OVER EXPENDITURE BEFORE TAX		**551,317**	195,368
TAXATION	21	**191,503**	78,615
SURPLUS OF INCOME OVER EXPENDITURE AFTER TAX FOR THE YEAR		**359,814**	116,753
OTHER COMPREHENSIVE INCOME /(DEFICIT) - NET OF TAX			
Items which will be subsequently reclassified to profit or loss			
Surplus/ (Deficit) on remeasurement of available for sale investments to fair value		**3,557**	(2,242)
Related tax effect		**(1,067)**	740
		2,490	(1,502)
Items which will not be subsequently reclassified to profit or loss			
Actuarial (losses)/ gain on staff retirement funds	12.1.4	**(236,591)**	58,785
Related tax effect		**78,075**	(19,956)
		(158,516)	38,829
Total other comprehensive income - net of tax		**(156,026)**	37,327
TOTAL COMPREHENSIVE SURPLUS OF INCOME OVER EXPENDITURE		**203,788**	154,080

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

CHAIRMAN | **COMMISSIONER**

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Assets acquisition reserve	Reserve for loan to employees	Deficit on remeasurement of available for sale investments to fair value - net of tax	Accumulated comprehensive (deficit)/ surplus of income over expenditure	Total
	Rupees in thousand				
Balance at 01 July 2013	1,374,933	130,000	-	-	1,504,933
Comprehensive income:					
Surplus of income over expenditure	-	-	-	116,753	116,753
Other comprehensive income	-	-	(1,502)	38,829	37,327
	-	-	(1,502)	155,582	154,080
Total comprehensive income	1,374,933	130,000	(1,502)	155,582	1,659,013
Transferred to reserve for loan to employees	-	30,000	-	(30,000)	-
Transferred to Federal Consolidated Fund - note 13	-	-	-	(125,582)	(125,582)
Balance at 30 June 2014	1,374,933	160,000	(1,502)	-	1,533,431
Comprehensive income:					
Surplus of income over expenditure	-	-	-	359,814	359,814
Other comprehensive surplus/(deficit) of income	-	-	2,490	(158,516)	(156,026)
	-	-	2,490	201,298	203,788
Total comprehensive income	-	-	2,490	201,298	203,788
Transferred to reserve for loan to employees	-	110,000	-	(110,000)	-
Transferred to Asset Acquisition Reserve	91,298	-	-	(91,298)	-
Balance at 30 June 2015	1,466,231	270,000	988	-	1,737,219

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

CHAIRMAN

COMMISSIONER

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus of income over expenditure before tax		551,317	195,368
Adjustments for:			
- Depreciation and amortization		124,971	130,665
- Provision for pension		15,308	18,469
- Provision for gratuity		63,707	64,019
- Provision for compensated absences		22,883	45,458
- (unwinding of) discount on long term loans to employees - net		(2,418)	(7,676)
- Interest income		(191,745)	(209,727)
- Gain on sale of property and equipment		(7,564)	(5,734)
		25,142	35,474
Operating income before working capital changes		576,459	230,842
(Increase)/ decrease in advances, deposits, prepayments and other receivables		(6,216)	40,567
(Decrease)/ increase in accrued and other liabilities		(122,860)	93,484
		447,383	364,893
Contribution to pension fund		(24,667)	(29,249)
Contribution to gratuity fund		(69,853)	(71,491)
Compensated absences encashed		(6,169)	(3,268)
Payment to Federal Consolidated Fund		(63,424)	(2,368,193)
Taxes paid		(136,318)	(87,555)
		(300,431)	(2,559,756)
Increase in loans and advances		1,350	(6,769)
Net cash generated from/ (used in) operating activities		148,302	(2,201,632)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(170,671)	(64,546)
Proceeds from sale of property and equipment		22,774	11,951
Investments - net		(231,302)	2,189,174
Interest received on investments and bank deposits		94,467	313,746
Net cash (used in)/ generated from investing activities		(284,732)	2,450,325
Net (decrease)/ increase in cash and cash equivalents		(136,430)	248,693
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		374,582	125,889
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11	238,152	374,582

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

CHAIRMAN **COMMISSIONER**

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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. The Commission operates through Head office located in Islamabad, seven Commission registration offices across Pakistan and southern regional office located in Karachi.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified by the Commission to companies in Pakistan. The Commission is not required to comply with the requirements of IFRSs. However, to follow the best practices the Commission has adopted approved accounting stanadards as applicable in Pakistan as a frame work for preparation of Financial Statements.

3. BASIS OF PREPARATION

These financial statements have been prepared on the historical cost convention except for certain financial instruments which are measured at fair value and employee retirement benefit funds including staff compensated absences which are measured at their present values as determined under the provisions of IAS-19, "Employee Benefits".

3.1 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Commission's functional and presentation currency. Amounts presented in Pakistani Rupees have been rounded off to nearest thousand, unless otherwise indicated.

3.2 Significant accounting estimates

The preparation of financial statements in conformity with International Financial Reporting Standards, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision effects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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Judgments made by management in the application of International Financial Reporting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent years are discussed in the ensuing paragraphs:

(a) Income taxes

The Commission takes into account the current income tax law and decisions taken by the appellate authorities. Instances where the Commission's view differs from the view taken by the income tax department at the assessment stage and where the Commission considers that its view on items is of material nature is in accordance with law, the amounts are shown as contingent liabilities.

(b) Staff retirement benefits

The present value of the obligation for gratuity, pension and compensated absences depends on a number of factors that are determined on actuarial basis using number of assumptions. The assumptins used in determining the charge for the year include the discount rate, expected increase in eligible salary and mortality rate. Any changes in these assumptions will impact the carrying amount of obligations for gratuity, pension and compensated absences.

(c) Property, plant and equipment

The Commission reviews the useful life and residual values of property, plant and equipment on regular basis. Further, the Commission reviews the value of the assets for possible impairment. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

(d) Provision against Loans, advances and receivables

The Commission reviews the recoverability of its loan, advances and receivables to assess amount of bad debts and provision required there against, on a regular basis.

(e) 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. Any change in the estimates in future years might affect the carrying amounts of the respective assets with a corresponding affect on the depreciation / amortization charge and impairment.

(f) Fair value of investments - available for sale

The fair value of available for sale investment is determined by reference to market interest rate at the reporting date. Any change in the estimate might effect carrying amount of investments available for sale with corresponding effect in SECP fund.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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3.3 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Commission's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Commission's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Commission's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Commission's financial statements. The amendments are not likely to have an impact on Commission's financial statements.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Commission's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Commission's financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.The amendments are not likely to have an impact on Commission's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not likely to have an impact on Commission's financial statements.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.The amendments are not likely to have an impact on Commission's financial statements.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.The amendments are not likely to have an impact on Commission's financial statements.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. The amendments are not likely to have an impact on Commission's financial statements.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred. The amendments are not likely to have an impact on Commission's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below. The policies have been applied consistently to all years presented.

4.1 Property and equipment

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

Depreciation is calculated on straight line method to write off the depreciable amount of each asset over its estimated useful life. Rates of depreciation are specified in note 5 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 up to the date of disposal.

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

4.2 Intangibles

Intangible assets are stated at cost less accumulated amortization and impairment except for intangible assets under development which are stated at cost less impairment, if any. Amortization on intangible assets having finite useful life is calculated on straight-line basis at rates specified in note 6 to the financial statements.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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4.3 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 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 taxable profit.

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the date of issue of financial statements.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

4.4 Employee benefits

Defined contribution plan

The Commission maintains an approved defined contributory provident fund for its employees eligible for this benefit plan as per policies of the Commission. The Commission's contribution to defined contributory Provident Fund @10% of basic salary is charged to the statement of comprehensive income for the year.

Defined benefit plans

The Commission operates following defined benefit plans for its eligible employees:

(i) Pension Fund

The Commission maintains approved funded defined pension plan for its employees eligible for this benefit plan as per policies of the Commission. Annual contributions are made to the Fund on actuarial recommendations using "Projected Unit Credit Method". The most recent actuarial valuation was conducted on 30 June 2015.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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(ii) Gratuity Fund

The Commission maintains approved funded defined gratuity plan for its employees eligible for this benefit plan as per policies of the Commission. Annual contributions are made to the Fund on actuarial recommendations using "Projected Unit Credit Method". The most recent actuarial valuation was conducted on 30 June 2015.

Actuarial gains/losses arising on defined benefit plans are recognized in the Statement of Comprehensive Income as other comprehensive income.

(iii) *Compensated absences*

The Commission recognizes provision for compensated absences payable to employees at the time of retirement/ termination of service.

The provision for compensated absences is determined on the basis of actuarial recommendations using "Projected Unit Credit Method". The most recent actuarial valuation was conducted on 30 June 2015.

4.5 Deferred grant

Grants related to fixed assets are deferred and are recognized as income over the period necessary to match them with the carrying value of the related assets.

4.6 Revenue recognition

Fees and other recoveries are recognized on accrual basis.

All penalties/fines recovered are not credited to income of the Commission. Rather, these are credited to and deposited in the Federal Consolidated Fund.

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

4.7 Impairment

The carrying amounts of the Commision's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its receoveable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. An impairment loss or reversal of impairment loss is recognized in the statement of comprehensive income.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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4.8 Investments

Available for sale

Available-for-sale investments are investments that are either designated in this category or not classified in any of the other categories. These are initially measured at their fair value plus directly attributable transaction cost and at subsequent reporting dates measured at fair values and gains or losses from changes in fair values other than impairment loss are recognized in other comprehensive income until disposal at which time these are recycled to the statement of comprehensive income. Impairment loss on investments is recognized in the statement of comprehensive income.

Investment in associate

These are accounted for using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Commission's share of the net assets of the associate. The statement of comprehensive income reflects the Commission's share of the results of the operations of the associate. Where there has been a change recognised in the other comprehensive income of the associate, the Commission recognizes its share of any change in its other comprehensive income.

The Commission determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Commission calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the same in the statement of comprehensive income.

4,9 Long term loans to employees

Long term loans are initially recognized at present value of loan amount disbursed. On initial recognition, the discount representing difference between loan disbursed and its present value is charged in the statement of comprehensive income. Subsequently, the unwinding of discount on present value of loans is recognized as income over the loan term using effective interest rate method.

4,10 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.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

4.11 Financial instruments

Financial assets and financial liabilities are ecognized when the Comission become party to contractual provisions of the instruments. These are initially measured at cost, which is the fair value of the consideration given or received. 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.

4.12 Receivable

Receivable are stated initially at the fair value, subsequent to initial recognition these are stated at their fair value as reduced by appropriate provision for impairment. Known impaired receivable are written off, while receivebles considered doubtful of recovery are fully provided for.

4.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances.

4.14 Payables

These are initially recognized at the fair value. Subsequent to the initial recognition these are stated at their amortized cost.

4.15 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Commission has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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5. PROPERTY AND EQUIPMENT

	Leasehold land	Building	Leasehold improvements	Office equipment	Other equipment	Computer	Furniture and fixture	Vehicles	Sub-total	Capital Work-in-Progress (Note 5.1)	Total
	-----------------------------Rupees in thousand-----------------------------										
Cost											
Balance at 01 July 2013	2,053	38,948	73,449	61,600	15,512	378,967	36,167	269,887	876,583	29,465	906,048
Additions	-	-	143	1,483	-	2,380	193	52,640	56,839	1,601	58,440
Transfers	-	-	10,790	-	-	-	-	-	10,790	(10,790)	-
Disposals	-	-	(60)	(884)	(647)	(16,260)	(676)	(47,252)	(65,779)	-	(65,779)
Balance at 30 June 2014	2,053	38,948	84,322	62,199	14,865	365,087	35,684	275,275	878,433	20,276	898,709
Balance at 01 July 2014	**2,053**	**38,948**	**84,322**	**62,199**	**14,865**	**365,087**	**35,684**	**275,275**	**878,433**	**20,276**	**898,709**
Additions	-	-	**6,633**	**14,656**	**115**	**3,826**	**1,800**	**79,344**	**106,374**	**63,597**	**169,971**
Disposals	-	-	-	-	-	**(1,271)**	-	**(55,432)**	**(56,703)**	-	**(56,703)**
Balance at 30 June 2015	**2,053**	**38,948**	**90,955**	**76,855**	**14,980**	**367,642**	**37,484**	**299,187**	**928,104**	**83,873**	**1,011,977**
Accumulated depreciation											
Balance at 01 July 2013	-	22,057	52,841	46,434	9,428	260,768	19,134	109,598	520,260	-	520,260
Charge for the year	-	1,947	9,942	7,315	1,536	35,721	2,397	51,209	110,067	-	110,067
Charge for the year on disposals	-	-	(60)	(884)	(647)	(15,878)	(676)	(41,417)	(59,562)	-	(59,562)
Balance at 30 June 2014	-	24,004	62,723	52,865	10,317	280,611	20,855	119,390	570,765	-	570,765
Balance at 01 July 2014	-	**24,004**	**62,723**	**52,865**	**10,317**	**280,611**	**20,855**	**119,390**	**570,765**	-	**570,765**
Charge for the year	-	**1,947**	**8,497**	**8,859**	**1,382**	**33,171**	**2,398**	**52,208**	**108,462**	-	**108,462**
Charge for the year on disposals	-	-	-	-	-	**(847)**	-	**(40,646)**	**(41,493)**	-	**(41,493)**
Balance at 30 June 2015	-	**25,951**	**71,220**	**61,724**	**11,699**	**312,935**	**23,253**	**130,952**	**637,734**	-	**637,734**
Carrying amounts - 2015	**2,053**	**12,997**	**19,735**	**15,131**	**3,281**	**54,707**	**14,231**	**168,235**	**290,370**	**83,873**	**374,243**
Carrying amounts - 2014	2,053	14,944	21,599	9,334	4,548	84,476	14,829	155,885	307,668	20,276	327,944
Rates of depreciation per annum	-	5%	20%	30%	20%	20% / 25%	10%	20%			

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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		2015	2014
5.1	Capital work in progress includes the following:	(Rupees in thousand)	
	Leasehold land - note 5.1.1	**19,425**	19,425
	Leasehold improvements	**22,768**	851
	Advances for vehicles	**41,680**	-
		83,873	20,276

5.1.1 This represents 5% bid money paid to Pakistan Railway for purchase of land.

6. INTANGIBLES

	Computer Software (Rupees in thousand)
Cost	
Balance at 01 July 2013	105,438
Additions	6,106
Balance at 30 June 2014	**111,544**
Balance at 01 July 2014	**111,544**
Additions	**700**
Balance at 30 June 2015	**112,244**
Accumulated amortisation	
Balance at 01 July 2013	56,789
Amortisation	20,598
Balance at 30 June 2014	77,387
Balance at 01 July 2014	**77,387**
Amortisation	**16,509**
Balance at 30 June 2015	**93,896**
Carrying amount - 2015	**18,348**
Carrying amount - 2014	34,157
Amortization rate (%) per annum	25%

7. LONG TERM INVESTMENTS

	2015	2014
	(Rupees in thousand)	
Investment in associate - Unquoted		
Pakistan Institute of Capital Markets - note 7.1	**28,000**	28,000
Less: Impairment loss on investment	**(28,000)**	(28,000)
	-	-

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7.1 Investment in Pakistan Institute of Capital Markets

This represents 73.68% (2014: 73.68%) investment in issued, subscribed and paid-up capital of Pakistan Institute of Capital Markets (the Institute) representing 5,600 (2014: 5,600) ordinary shares of Rs 5,000 (2014: 5,000) each. However, the Institute is an associate of the Commission since the Commission has no controlling power over the financial and operating policies of the Institute, as the Commission has only 1 nominated director as at 30 June 2015 (2014: 1) out of a total of 12 directors.
Further, the commission has undertaken to contribute an amount not exceeding Rs. 50,000 (2014: 50,000) to the assets of the institute in the event of its being wound up.

7.1.1 Summary financial information of the Institute based on its latest available financial statements	**2015**	2014
	(Rupees in thousand)	
	Un-Audited	Audited
Assets	**7,821**	6,127
Liabilities	**1,458**	1,224
Equity	**6,362**	4,903
Revenue	**12,195**	33,232
Surpluse / (deficit) after tax	**1,459**	(4,696)

The information presented above for current year is based on unaudited financial statements of the Institute for the year ended 30 June 2015.

8. LOANS AND ADVANCES	**2015**	2014
	(Rupees in thousand)	
Loans and advances - considered good	**134,095**	134,574
Less: Current portion of loans and advances	**(61,371)**	(60,500)
	72,724	74,074
Less: Provision for imputed interest on loans and advances	**(18,358)**	(20,776)
	54,366	53,298

These represent interest free loans to employees for various purposes as per their employment terms, secured against employees' retirement benefits. Principal amount of loan is recoverable in periods upto January 2023 in monthly installments.

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9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015	2014
	(Rupees in thousand)	
Current portion of loans and advances - considered good	**61,371**	60,500
Short term loans to employees - secured, considered good - note 9.1	**3,131**	2,249
Advances	**14,137**	12,514
Deposits	**3,119**	3,119
Prepayments	**8,073**	7,296
Advance tax - net	**61,719**	15,523
Fee receivable - considered good	**12,596**	8,030
Other receivables - considered good	**12,223**	14,726
	176,369	123,957

9.1 These represent interest-free house rent advance and miscellaneous loans given to employees recoverable/adjustable on monthly basis. The amount is secured against the employees' share of post employment benefits.

10. SHORT TERM INVESTMENTS

	2015	2014
	(Rupees in thousand)	
Available for sale		
Government Treasury Bills (T-Bills) - note 10.1	**475,891**	937,661
Special Notice Deposit Receipts (SNDR) - note 10.2	**26,711**	618,808
Term Deposit Receipts (TDR) - note 10.3	**1,386,004**	-
	1,888,606	1,556,469

10.1 Investment in Treasury Bills ranges from six months to one year. The rate of mark-up ranges from 6.72% to 9.99% (2014: 9.98% to 9.99%) per annum.

10.2 Investment in seven days "Special Notice Deposit Receipts (SNDR)" of National Bank of Pakistan carry rate of mark-up of 8.9 % per annum (2014: 11.20%).

10.3 Investment in "Term Deposit Receipts (TDR)" of National Bank of Pakistan carry rate of mark-up ranges from 8.90% to 9.95 % per annum.

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	2015	2014
11 CASH AND BANK BALANCES	(Rupees in thousand)	
Cash in hand	**411**	405
Cash at bank - interest bearing accounts - note 11.1	**237,741**	374,177
	238,152	374,582

11.1 These carry mark-up rates ranging from 4.5% to 7.6% (2014: 6% to 8.25%) per annum.

	2015	2014
12 ACCRUED AND OTHER LIABILITIES	(Rupees in thousand)	
Accrued expenses	**98,573**	254,042
Bonus payable	**168,450**	151,307
Accounts payable	**12,337**	22,022
Withholding tax payable	**422**	773
Payable to staff retirement funds - note 12.1	**237,470**	16,383
Unearned income - note 12.2	**56,129**	56,063
Levies payable	**284,820**	260,408
Other liabilities	**16,267**	15,243
	874,468	776,241

12.1 Payable to staff retirement funds

Pension fund	**220,864**	9,580
Gratuity fund	**16,606**	6,803
	237,470	16,383

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12.1.1 *The amount recognized in the statement of financial position is as follows:*

	Pension fund		Gratuity fund	
	2015	2014	**2015**	2014
	---- Rupees in thousand ----			
Present value of defined benefit obligation - note 12.1.5	**668,230**	411,972	**567,064**	473,669
Fair value of plan assets - note 12.1.6	**(447,366)**	(402,392)	**(550,458)**	(466,866)
	220,864	9,580	**16,606**	6,803

12.1.2 **Changes in net liability**

	Pension fund 2015	Pension fund 2014	Gratuity fund 2015	Gratuity fund 2014
Opening liability	**9,580**	44,089	**6,803**	49,377
Amount charged to profit and loss account	**15,308**	18,469	**63,707**	64,019
Remeasurements charged in other comprehensive income	**220,642**	(23,729)	**15,949**	(35,102)
Contributions	**(24,667)**	(29,249)	**(69,853)**	(71,491)
Closing liability	**220,863**	9,580	**16,606**	6,803

12.1.3 *The amount charged to comprehensive surplus of income over expenditure is as follows:*

	Pension fund 2015	Pension fund 2014	Gratuity fund 2015	Gratuity fund 2014
Current service cost	**15,786**	13,880	**67,504**	56,774
Interest cost on defined benefit obligation	**54,044**	45,271	**60,760**	53,287
Interest income on plan assets	**(54,522)**	(40,682)	**(64,557)**	(46,042)
	15,308	18,469	**63,707**	64,019

12.1.4 *The amount charged to other comprehensive surplus of income over expenditure is as follows:*

	Pension fund 2015	Pension fund 2014	Gratuity fund 2015	Gratuity fund 2014
Remeasurement (loss) / gain - Experience adjustment	**(208,143)**	19,866	**(12,314)**	40,091
Return on plan assets, excluding interest income	**(12,499)**	3,863	**(3,635)**	(4,989)
	(220,642)	23,729	**(15,949)**	35,102

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	Pension fund		Gratuity fund	
12.1.5 Changes in present value of defined benefit obligation	**2015**	2014	**2015**	2014
	---------- Rupees in thousand ----------			
Opening balance	**411,973**	397,581	**473,669**	424,298
Current service cost	**15,786**	13,880	**67,504**	56,774
Interest cost	**54,044**	45,271	**60,760**	53,287
Benefits paid	**(23,286)**	(28,802)	**(47,183)**	(20,599)
Amount received from Government of Pakistan	**1,570**	3,908	-	-
Actuarial loss / (gain)	**208,143**	(19,866)	**12,314**	(40,091)
Closing balance	**668,230**	411,972	**567,064**	473,669
12.1.6 Changes in fair value of plan assets				
Opening balance	**402,392**	353,492	**466,866**	374,921
Interest income on plan assets	**54,522**	40,682	**64,557**	46,042
Contributions	**24,667**	29,249	**69,853**	71,491
Benefits paid	**(23,286)**	(28,802)	**(47,183)**	(20,599)
Amount received from Government of Pakistan	**1,570**	3,908	-	-
Return on plan assets, excluding interest income	**(12,499)**	3,863	**(3,635)**	(4,989)
Closing balance	**447,366**	402,392	**550,458**	466,866

The expected charge for next year on account of defined benefit pension and gratuity amounts to Rs. 19,090 thousand (2014: 15,088 thousand) and Rs. 65,631 thousand (2014: Rs. 63,050 thousand) respectively.

	Pension fund		Gratuity fund	
	2015	2014	2015	2014
	---------- Rupees in thousand ----------			
Actual return on plan assets	**42,023**	44,545	**60,923**	41,053

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12.1.7 Break-up of category of assets

	Pension fund		Gratuity fund	
	2015	2014	2015	2014
	------- Rupees in thousand -------			
Pakistan Investment Bonds	**50,000**	-	-	-
Special Savings Certificates	**361,309**	391,004	**373,819**	443,476
Bank accounts	**53,314**	11,388	**11,661**	23,390
Fair value of plan assets	**464,623**	402,392	**385,480**	466,866

Funds covered were invested within limits specified by regulations governing investment of approved retirement funds in Pakistan.

The pension plan is a defined benefits plan invested through approved trust fund. The trustees of the fund are responsible for plan administration and investment. The Commission appoints the trustees. All trustees are employees of the company.

The plan exposes the Company to various actuarial risks: investment risk, salary risk and longevity risk from the pension and gratuity plan.

12.1.8 Principal actuarial assumptions

Actuarial valuation is carried out annually. Latest actuarial valuation was carried out as at 30 June 2015 using Projected Unit Credit Method. Significant actuarial assumptions used are as follows:

	Pension fund		Gratuity fund	
	2015	2014	**2015**	2014
Valuafion discount rate - per annum	**10.50%**	13.50%	**10.50%**	13.50%
Salary increase rate - per annum	**10.50%**	13.50%	**10.50%**	13.50%

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12.1.9 Sensitivity analysis

Reasonably possible change at reporting date to one of the relevant actuarial assumptions, holding other assumption constant, would have affected the defined benefit obligation by amounts shown below;

	Pension fund		Gratuity fund	
	---- Defined benefit obligation ----			
	Increase	Decrease	Increase	Decrease
	---- Rupees in thousand ----			
Discount rate (1% movement)	**533,048**	**661,563**	**498,564**	**649,006**
Future salary growth (1% movement)	**632,741**	**557,022**	**651,104**	**495,728**

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximate of the sensitivity of the assumptions shown.

12.1.10 Disclosure for current and previous four annual periods for pension and gratuity plans

	2015	2014	2013	2012	2011
	---- Rupees in thousand ----				
Present value of the defined benefit obligations	**1,235,294**	885,641	821,879	665,096	556,338
Fair value of plan assets	**(997,824)**	(869,258)	(728,413)	(615,897)	(431,761)
Deficit in the plans	**237,470**	16,383	93,466	49,199	124,577
Experience adjustments on plan liabilities	**220,457**	(59,957)	53,125	20,361	(12,346)
Return on plan assets, excluding interest income	**(16,134)**	(1,126)	(5,780)	3,802	14,347

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12.1.11 Projected benefit payments form funds are as follows:

	Pension	Gratuity
	Rupees in thousand	
Year 1	50,924	14,559
Year 2	30,614	21,477
Year 3	29,524	24,765
Year 4	35,094	21,919
Year 5	41,117	28,796
Year 6 to Year 10	247,022	194,480
Year 11 and above	1,090,007	2,906,007

12.2 Unearned income

This represents amount received in advance from companies for various transactions under the Companies Ordinance,1984 and NBFC and Notified Entities Regulations, 2008.

13 PAYABLE TO FEDERAL CONSOLIDATED FUND (the Fund)	**2015**	2014
	(Rupees in thousand)	
Payable at beginning of the year	63,424	2,306,035
Payments to FCF during the year	(63,424)	(2,368,583)
Penalties collected during the year - note 13.1	11,603	12,857
Penalties deposited to the Fund during the year	(11,603)	(12,467)
Surplus for the year	-	125,582
	-	63,424

13.1 Penalties collected during the year

Under the Companies Ordinance, 1984	7,283	9,447
Under the Insurance Ordinance, 2000	1,040	600
On transactions executed at stock exchanges and other fees	3,280	2,625
Non Banking Finance Companies	-	185
	11,603	12,857

13.2 In terms of an amendment to the SECP Act 1997 through Finance Act 2012, effective July 1, 2012, all penalties/ fines recovered are not credited to income of the Commission, rather, they are credited to and deposited in the Federal Consolidated Fund.

As per amendment in SECP Act 1997 through Finance Act 2012, "any surplus of receipts over the actual expenditure in a year, after payment of tax, shall be remitted to the Federal Consolidated Fund. Any deficit from the actual expenditure shall be borne by the Federal Government." In 2013 Finance Division of the Government of Pakistan asked the Commission to transfer accumulated surplus as at June 30, 2012 in addition to the surplus for the year ended 30 June 2013. The amount payable to the Fund based on audited results is detailed below:

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	2015	2014
	(Rupees in thousand)	
Accumulated surplus transferred to the Fund	**201,298**	155,582
Less: Transfer to reserve for loan to employees	**(110,000)**	(30,000)
Less: Amount retained for capital expenditures	**(91,298)**	-
	-	125,582
Payable to the Fund	**-**	125,582

14 DEFERRED TAXATION

	2015	2014
	(Rupees in thousand)	
The net balance of deferred taxation is in respect of the following temporary differences:		
- Accelerated depreciation and amortization	**7,001**	3,219
- Profit on short term investments accrued but not due	**(10,077)**	(10,345)
- Discount on long term loan	**5,620**	7,272
- Impairment loss on investment in associate	**8,400**	9,800
- Liabilities written back	**-**	23,494
- Remeasurement of investment available for sale	**(1,067)**	809
	9,877	34,249

15 DEFERRED LIABILITY

This represents the Commission's liability towards employees' compensated absences which is payable

	2015	2014
	(Rupees in thousand)	
Obligation at beginning of the year	**131,560**	89,370
Expense for the year	**22,883**	45,458
Encashed during the year	**(6,169)**	(3,268)
Obligation at end of the year	**148,274**	131,560

Principal actuarial assumptions

Latest actuarial valuation was carried out as at 30 June 2015 using Projected Unit Credit Method.

	2015	2014
Valuation discount rate - per annum	**10.50%**	11.50%
Salary increase rate - per annum	**10.50%**	13.50%

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16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

(i) Certain companies/ individuals filed suits against the Commission in respect of claims aggregating to Rs. 4.439 billion (2014: 4.253 billion) for damages. Based on legal advise, the Commission is confident of a favorable outcome of these cases and that there will be no financial impact of these cases.

(ii) The Commission has been made party in various other legal cases. The Commission believes that the outcome of these cases would not result in any financial exposure to the Commission.

16.2 COMMITMENTS

Aggregate commitments for contracted capital expenditure at end of the year amounted to Rs. 428 million. (2014: Rs. 422 million).

17 FEES AND OTHER RECOVERIES

		2015	2014
		(Rupees in thousand)	
	Fees and other recoveries - note 17.1	**2,350,431**	1,843,608
	less: Competition commission levy - note 17.2	**(70,513.00)**	(55,245.00)
		2,279,918	1,788,363
17.1	Under the Companies Ordinance, 1984	**1,460,049**	1,090,667
	Under the Modaraba Ordinance, 1980	**36,783**	6,453
	Under the Insurance Ordinance, 2000	**263,122**	229,938
	On transactions executed at stock exchanges and other fees	**159,956**	111,670
	Brokers' registration	**30,130**	22,724
	Non Banking Finance Companies	**400,391**	382,156
		2,350,431	1,843,608

17.2 Commepetiion Commission of Pakistan levy has been reclasified from operating expenses and has now been presentaed as a deduction from revenue.

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		2015	2014
		(Rupees in thousand)	
18	**OTHER INCOME**		
	Income on bank deposits	13,145	22,957
	Income on investments	178,600	186,770
	Gain on sale of property and equipment	7,564	5,734
	Miscellaneous income	1,841	2,766
	Unwinding of discount on loans to employees	2,418	7,676
		203,568	225,903
19	**SALARIES, ALLOWANCES AND OTHER BENEFITS**		
	Salaries	456,851	437,536
	House rent allowance	267,817	255,707
	Medical allowance	69,585	67,273
	Conveyance allowance	13,846	14,067
	Utilities	44,612	42,539
	Other allowance	336,914	290,216
	Provision for pension	15,308	18,469
	Provident fund contribution	40,830	40,319
	Provision for gratuity	63,707	64,019
	Provision for compensated absences	22,883	45,458
		1,332,353	1,275,603
20	**OPERATING EXPENSES**		
	Repair and maintenance	70,002	51,988
	Outsourced support Staff cost	39,305	27,170
	Travelling and conveyance	58,592	62,400
	Telephone, postage and courier	26,275	25,246
	Utilities	35,946	18,187
	Rent and rates	127,467	119,521
	Printing and stationery	17,794	13,894
	Legal and professional charges	40,830	33,445
	Fees and subscription	6,554	5,633
	Human resource development	6,716	6,270
	Insurance	11,486	11,122
	Advertisement	5,405	9,477
	Entertainment	633	746
	Audit fee - note 20.1	435	313
	Provision for discount on loans to employees	-	-
	Others	27,405	27,218
		474,845	412,630

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		2015	2014
20.1	**Audit fee**	(Rupees in thousand)	
	Statutory audit fee	**435**	285
	Out of pocket expenses	**-**	28
		435	313

21	**TAXATION**		
	Current tax		
	- current year	**165,966**	114,930
	- prior years	**1,165**	3,553
		167,131	118,483
	Deferred tax	**24,372**	(39,868)
		191,503	78,615

21.1 The relationship between the tax expense and surplus of income over expenditure is as follows:

	2015	2014
	(Rupees in thousand)	
Surplus of income over expenditure	**551,317**	195,368
Tax at applicable tax rate of 33% (2014: 34%)	**181,935**	66,425
Effect of prior years charge	**1,165**	3,553
Others including permanent differences	**8,403**	8,637
Tax expense for the year	**191,503**	78,615

22 TAX STATUS

The Commission has filed the tax return for the tax years 2003 to 2007 in pursuance of the order of the Honorable Federal High Court, by claiming exemption on total income in terms of section 49 of the Income Tax Ordinance, 2001 (the Ordinance). However the Additional Commissioner, Audit Division (ACIT) amended the assessments of the Commission under section 122 (5A) of the Ordinance by rejecting the claim of exemption and thereby creating tax demand aggregating to Rs. 892.60 million. The Appellate Tribunal Inland Revenue (ATIR) had upheld the annulment of order of ACIT for tax year 2003 and maintained the order for the tax years 2004 to 2007, while disposing of the appeals filed by the Commission against the order of the Commissioner Appeals (CIR(A)). The Commission has filed the reference applications before the Honorable Islamabad High Court (IHC) which are pending adjudication to date. However the Commission has made payment of total outstanding demand under protest.

The Officer Inland Revenue (OIR) charged default surcharge aggregating to Rs. 111.90 million for delay in payment of the tax demands for the tax years 2004 to 2007. While disposing off the appeals filed by the Commission, the CIR (A) has upheld the charge of additional tax and directed the OIR to re-compute the amount of default surcharge after taking cognizance of the tax refunds available with the Commission for the tax years 2008 and 2009. During the reassessment proceedings, the OIR followed the same procedure to work out the default surcharge which action was rejected by the CIR(A) with the directions to follow the instructions earlier given by the CIR(A). The Commission has contested the order of CIR(A) to uphold the charge of default surcharge before the ATIR. The ATIR also upheld the order of the CIR(A) for charge of default surcharge, however the ATIR ordered for deletion of the default surcharge for the period for which the stay granted by the Honorable Islamabad High Court through order dated 19 February 2009 was in force. The appeal effect order of the tax authority is still awaited.

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The tax authority has amended the assessment of the Commission for the Tax Year 2008, thereby, disallowing the excessive tax depreciation of Rs. 24.47 million allegedly claimed by the Commission. While disposing of the appeal field by the Commission against the said order, the CIR(A) has set-aside the amended assessment order. Against the appellate order of the CIR(A), the Commission has filed an appeal before the ATIR, which is subjudice till to-date.

The tax authority has also imposed penalty of Rs. 50,000 for alleged default in filing of a monthly withholding tax statements. On appeal field by the Commission against the said order, the CIR(A) has annulled the order of the tax authority.

The Commission has filed the return for the tax years 2008 to 2014, which stood assessed in terms of Section 120 of the Ordinance. The Commissioner Inland Revenue (CIR) selected the Commission for audit relating to the tax year 2010. However, the Commission has challenged its selection for audit by CIR in the Honorable Islamabad High Court. The writ petition of the Commission was rejected by the Honorable Islamabad High Court. Against this rejection, the Commission has filed an Intra Court appeal to the Division Bench of the Honorable Islamabad High Court, which is subjudice till to-date.

Consequent to reassessment proceedings for the Tax Year 2013, the tax authority amended the assessment of the Commission thereby making certain disallowances and curtailing income tax refund by Rs. 31,939,949. The Commission has preferred an appeal before the CIR(A), which is pending disposal till to-date

The management expects favorable outcome of the appeals and therefore no provision against these cases has been recognized on these matters in these financial statements.

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23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Commission has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

Commission has overall responsibility for the establishment and oversight of the Commission's risk management framework. The Commission is responsible for developing and monitoring the Commission's risk management policies.

The Commission's risk management policies are established to identify and analyze the risks faced by the Commission, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Commission's activities. The Commission, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Commission's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Commission. Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

23.1 Credit risk

Credit risk is the risk of financial loss to the Commission if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Commission has placed funds in government securities and financial institutions with high credit worthiness and assesses the credit quality of the counter parties as satisfactory. The Commission does not hold any collateral as security against any of its financial assets. The Commission believes that it is not exposed to major concentration of credit risk.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

	2015	2014
	(Rupees in thousand)	
Loans and advances	**134,095**	134,574
Fee receivable - considered good	**12,596**	8,030
Short term loans to employees	**3,131**	2,249
Deposits	**3,119**	3,119
Other receivables	**12,223**	14,726
Short term investments	**1,888,606**	1,556,469
Cash at banks	**237,741**	374,177
	2,291,511	2,093,344

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Geographically there is no concentration of credit risk. As at the year end, the Commission's most significant receivables represents investment in Government Treasury Bills and Special Notice Deposit Receipts with bank of aggregate amount of Rs. 1,790 million (excluding markup). The management believes that no impairment allowance is necessary in respect of the Commission's financial assets as the most significant financial assets represent investment and bank balances which are with banks and instituions of high credit ratings.

23.2 Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Commission's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Commission's reputation.

The maturity profile of the Commission's financial liabilities based on the contractual amounts is as follows:

	Carrying amounts	Contractual cash flows	Maturity up to one year
	2015	**2015**	**2015**
	(Rs.'000)	**(Rs.'000)**	**(Rs.'000)**
Accrued and other liabilities	**295,627**	**295,627**	**295,627**
	295,627	**295,627**	**295,627**
	2014	2014	2014
	(Rs.'000)	(Rs.'000)	(Rs.'000)
Accrued and other liabilities	442,614	442,614	442,614
Payable to Federal Consolidated Fund	63,424	63,424	63,424
	506,038	506,038	506,038

23.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Commission's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(a) Interest rate risk management

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from short term investment, and balances in deposit and saving accounts. At the balance sheet date the interest rate risk profile of the Commission's interest bearing financial instruments are as follows:

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	Carrying amounts	
	2015	2014
	(Rs. '000)	(Rs. '000)
(i) Fixed rate instruments		
Cash at bank	**237,741**	374,177
Short term investment	**1,888,606**	1,556,469
	2,126,347	1,930,646

(ii) Fair value sensitivity analysis for fixed rate instruments

The Commission does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not effect profit and loss account.

(b) Currency risk management

(i) Exposure to currency risk

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.

23.4 Fair value

(i) The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2015	**2015**	2014	2014
	(Rs.'000)	**(Rs.'000)**	(Rs.'000)	(Rs.'000)
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Asset carried at fair value				
Short term investment	**1,888,606**	**1,888,606**	1,556,469	1,556,469
Assets carried at amortized cost				
Loans and advances	**134,095**	**134,095**	134,574	134,574
Fee receivable - considered good	**12,596**	**12,596**	8,030	8,030
Short term loans to employees	**3,131**	**3,131**	2,249	2,249
Deposits	**3,119**	**3,119**	3,119	3,119
Other receivables	**12,223**	**12,223**	14,726	14,726
Cash at bank	**238,152**	**238,152**	374,582	374,582
	403,316	**403,316**	537,280	537,280
Liabilities carried at amortized cost				
Accrued and other liabilities	**295,627**	**295,627**	442,614	442,614
Payable to Federal Consolidated fund	**-**	**-**	63,424	63,424
	295,627	**295,627**	506,038	506,038

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(ii) Determination of fair values

A number of the Commission's accounting policies and disclosures require the determination of fair value, for both financial and non - financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Non - derivative financial assets

The fair value of non - derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non - derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
Assets carried at fair value		(Rupees in thousand)	
2015			
Financial assets at fair value through profit or loss - held for trading	-	**1,888,606**	-
2014			
Financial assets at fair value through profit or loss - held for trading	-	1,556,469	-

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

24 CAPITAL RISK MANAGEMENT

Policy Board monitors the Commission's performance along with funds 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.

25 RELATED PARTY TRANSACTIONS

The Commission deals with several state-controlled entities, directly or indirectly controlled by the Government of Pakistan through its Government authorities, agencies, affiliates and other organizations. Transactions with these state-controlled entities are not very significant.

In addition to above, Pakistan Institute of Capital Markets, Pakistan Institute of Corporate Governance, key management personnel and employee benefit plans are related parties of the Commission.

Transactions with related parties during the year and balances outstanding at the year end are as follows:

Transactions and balances during the year

Transaction and balances with key management personnels

(i) Loans

During 2015, secured loans advanced to Chairman and Commissioners were Rs. 6,700 thousand (2014: Rs. 960 thousand). No interest is payable on these loans and these loans are repayable in 24 months after issue date. At 30 June 2015, outstanding balance against loans advanced to the Chairman and Commissioners was Rs. 5,525 thousand (2014: Rs. 1,575 thousand) included in loan and advances.

(ii) Key management personnel compensation

Key management personnel compensation comprised of the following;

	2015	2014
	(Rupees in thousand)	
Short term employee benefits	**65,290**	58,964
Post employment benefit	**5,229**	4,616

Compensation of the Commission's key management personnel include salaries, non-cash benefits and contribution to post employment defined benefit plan.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
Other related party transactions	(Rupees in thousand)	
Contributions made to employees funds'	**94,520**	140,448
Contribution to Pakistan Institute of Corporate Governance	**100**	100
Payment to Federal Board of Revenue against taxes	**136,318**	87,555
Balances outstanding at the year end		
Due to employees benefit plans	**237,470**	16,383
Investments in the Pakistan Institute of Capital Markets - at cost	**28,000**	28,000
Payable to Federal Consolidated Fund	**-**	63,424

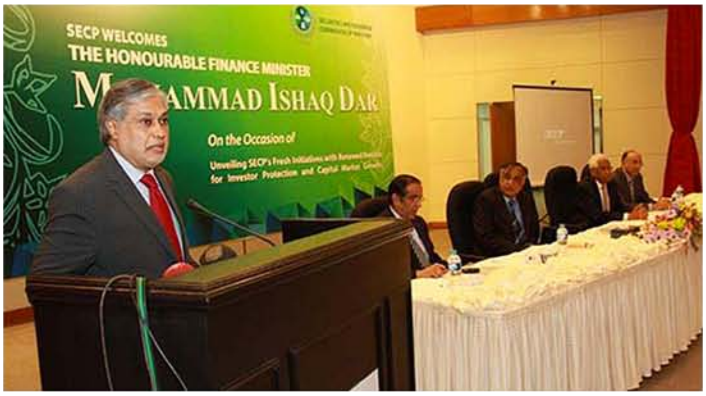
26 AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Commission on 11 SEP 2015

Chairman

COMMISSIONER

Press/photo gallery



Federal Minister for Finance, Revenue and Statistics Senator Muhammad Ishaq Dar visited SECP head office on February 16, 2015.

The ceremony for the signing of Memorandum of Understanding (MoU) for the integration of Karachi Stock Exchange (KSE), Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE) held at the SECP head office on August 27. Federal Finance Minister, Senator Muhammad Ishaq Dar was the chief guest at the occasion.

The SECP Chairman Zafar Hijazi rung the gong to list Asia's first 'Dolmen City REIT' at KSE on June 8, 2015

Federal Minister for Finance, Senator Muhammad Ishaq Dar on June 8 inaugurated SECP's investor education web portal 'Jama Punji'.

A meeting of the SECP Policy Board held at its head office on August 13, 2015 to consider various policy matters and issues brought to its consideration.

Every year, the SECP bear expenses to send its 3 low cadre employees for Hajj. The blessed persons are selected through balloting. This year the Hajj Balloting for the year 2015 held on March 24 at SECP, Head Office.

The SECP regularly organizes training and capacity building events for it's employees.

The SECP 7th tape ball cricket tournaments 2015 were held in Islamabad, Lahore and Karachi in May, 2015

The SECP won the friendly T20 cricket match between CCP and SECP held on June 11, 2015

The annual dinner of the SECP employees was organized in June 2015 in Islamabad. Separate annual diner events were held at CRO Peshawar, Lahore, Faisalabad, Sukkur, Quetta and Karachi.

A number of SECP staffers participated in a hiking trip, organized by the T&OD


Monday, April 6, 2015
SECP HAS ROADMAP FOR PROMOTION OF ISLAMIC

Thursday, March
SECP issues notices to NGOs for filing account, returns

THE NEWS
Thursday, April 30, 2015

BUSINESS RECORDER
SECP issues draft of Real Estate Investment Trust Regulations 2015

Dawn, Tuesday, August 4, 2015
SECP notifies Bancassurance Regulations
By A Reporter

Red chillies to trade on mercantile exchange

TRIBUNE
THE EXPRESS
WITH THE International Herald Tribune
Tuesday, July 07, 2015
Six-month suspension
Pak Meezan Securities red card from SECP

PAKISTAN OBSERVER
EYES & EARS OF PAKISTAN | WIDELY READ & TRUSTED DAILY
Tuesday, June 16, 2015
New securities law to enhance investors' protection: SECP
STAFF REPORTER

The News, Friday, August 7, 2015
Elimination of corruption
NAB chairman calls for sustainable relationship with SECP

Capital market business hub to be set up in Abbottabad

Daily Times
Tuesday, June 10, 2015
SECP sets up board for Shariah-compliant market

PAKISTAN OBSERVER
Tuesday, June 9, 2015
Pakistan's first REIT launched at KSE

TRIBUNE
WITH THE International Herald Tribune
Monday,
Curbing corruption
NAB to work on cases referred
OUR CORRESPONDENT
ISLAMABAD
The National Accountability Bureau (NAB) and the Securities and Exchange Commission of Pakistan (SECP) have agreed to create a joint task force that will work expeditiously on 16 cases referred by the SECP to the NAB.

THE NEWS
Sunday, August 23, 2015
SECP approves bodies to resolve disputes

Saturday, June 13, 2015
SECP forms committee for dispute resolution
By our correspondent

Daily Times
Tuesday, June 9, 2015
Dar inaugurates SECP's web portal
Finance minister says launch of web portal would have positive impact on investment trend

DAWN
Saturday, August 8, 2015
SECP warns brokers against misusing investors' assets
By Our Equities Correspondent

BUSINESS RECORDER
Wednesday, June 3, 2015
Bonus shares
SECP suggests FBR to withdraw 5pc tax apply 12.5pc CGT

PAKISTAN OBSERVER
Tuesday, June 2, 2015
SECP promulgates new securities' law
STAFF REPORTER
ISLAMABAD—The Securities Act, 2015, has been promulgated after receiving the Presidential assent and publication in the Official Gazette.

BUSINESS RECORDER
Tuesday, May 12, 2015
NCCPL's settling banks
SECP tightens credit rating criterion

How to contact us

How to make complaints

In the 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 SECP 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 the public can forward complaints online through the links available at the SECP website.

http://www.secp.gov.pk/ComplaintForm1.asp

There is a reporting mechanism in place whereby a track is kept of the status of complaints and queries received.

How to ask other questions

Investors, entities and general public can forward any queries or complaints on the following email addresses:

General Information: enquiries@secp.gov.pk

Complaints: complaints@secp.gov.pk

Head Office **NIC Building, 63 Jinnah Avenue, Blue Area, Islamabad** **Tel: 051-9207091-4 Fax: 051-9204915 UAN: 051-111-117-327**	
Karachi State Life Building No 2, Fourth Floor, North Wing, Wallace Road, Off I.I. Chundrigar Road Tel: 021-99213272 Fax: 021-99213278	**Islamabad** State Life Building 7, Blue Area Tel: 051-9206219 Fax: 051-9206893
Multan 63-A, Nawa-i-Waqat Building Second Floor, Abdali Road Tel: 061-9200920 Fax: 061-9200530	**Lahore** Associated House, Third & Fourth Floor, 7 Egerton Road Tel: 042-99204962-6 Fax: 042-99202044
Peshawar State Life Building First Floor, The Mall, Peshawar Cantt Tel: 091-9213275 Fax: 091-9213686	**Faisalabad** Faisalabad Chamber of Commerce and Industry Building, Second Floor, East Canal Road Tel: 041-9230264 Fax: 041-9230263
Sukkur House No 73-B, Hamdard Housing Society Airport Road Tel: 071-5630517 Fax: 071-5630517	**Quetta** Aiwan-e-Mashriq, Plot No 4-A, Ground Floor, opposite FC Head-quarters, Hali Road, Model Town Tel: 081-2844136 Fax: 081-2827538

Management directory

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Fida Hussain Samoo	Commissioner, Insurance Division	fida.hussain@secp.gov.pk
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Muin-ul-Sami Qureshi	Assistant Registrar, CRO, Quetta	msami@secp.gov.pk

Abbreviations and acronyms

AAOIFI: Accounting and Auditing Organization for Islamic Financial Institutions

ADB: Asian Development Bank

AFRS: Annual Financial Reporting System

AMC: Asset Management Company

CCG: Code of Corporate Governance

CDC: Central Depository Company

CDD: Customer Due Diligence

CDS: Central Depository System

CLD: Company Law Division

CRO: Company Registration Office

CDMRS: Corporate Debt Market Reporting System

CIS: Collective Investment Schemes

EM: Emerging Markets

EOBI: Employees Old-Age Benefit Institution

FATCA: Foreign Account Tax Compliance Act

FBR: Federal Board of Revenue

FDI: Foreign Direct Investment

FIA: Federal Investigation Authority

FMC: Fund Management Company

GEM: Growth and Emerging Markets

HOD: Head of Department

IAIS: International Association of Insurance Supervisors

IBD: Islamic Banking Department

ICPs: Insurance Core Principles

ICRS: Insurance Companies Returns System

ICSP: Institute of Corporate Secretaries of Pakistan

ICAP: Institute of Chartered Accountants of Pakistan

ICMAP: Institute of Cost and Management Accountants of Pakistan

ICM: Institute of Capital Markets

IDF: Institutional Development Fund

IEF: Investor Education Fund

IFRS: International Financial Reporting Standards

IFRS-4: International Financial Reporting Standard-4

IFD: Islamic Finance Department

IOPS: International Organization of Pension Supervisors

IOSCO: International Organization of Securities Commissions

ISE: Islamabad Stock Exchange

IPO: Initial Public Offering

KSE: Karachi Stock Exchange

KYC: Know Your Customer

LLP: Limited Liability Partnership

LSE: Lahore Stock Exchange

MSS: Market Surveillance Suite

MSCI: Morgan Stanley Capital International

MUFAP: Mutual Fund Association of Pakistan

NAB: National Accountability Bureau

NADRA: National Database Registration Authority

NBFC: Non-banking Finance Company

NCCPL: National Clearing Company of Pakistan Limited

NLC's: Non Listed Companies

NOC: No Objection Certificate

NOCs: No Objection Certificates

OIC: Organization of Islamic Countries

PMR: Pakistan Market Regulations

PMEX: Pakistan Mercantile Exchange

PMF: Pension Fund Manager

PSCs: Public Sector Companies

PTA: Pakistan Telecommunications Authority

PRCL: Pakistan Reinsurance Company Limited

REIT: Real Estate Investment Trust

RMC: REIT Management Company

ROSE: Reports on the Observance of Standards and Codes

SAARC: South Asian Association for Regional Cooperation

SAB: Shariah Advisory Board

SASRF: South Asian Securities Regulators Forum

SAFA: South Asian Federation of Accountants

SBP: State Bank of Pakistan

SCRS: Specialized Companies Return Submission System

SMC: Single Member Company

SME: Small and Medium Enterprises

SOPs: Standard Operating Procedures

SSEs: Small Scale Enterprises

TCIP: Turkish Catastrophe Insurance Pool

TFC: Term Finance Certificate

TORs: Term of References

VPS: Voluntary Pension System

Declaration of Investment as of June 30, 2015

1. Submitted to the Secretary to the Commission by Mr. Muhammad Zafar-ul-Haq Hijazi, Chairman, SECP in pursuance of sub-section (6) of section 16 of the Securities and Exchange Commission of Pakistan Act, 1997

S No.	Name of Company	Nature of interest	Number of Units
1	NIT	NIT Unit Trust	27,404
2	NIT	NIT Islamic Equity Fund	329,774

2. Submitted to the Secretary to the Commission by Mr. Akif Saeed, Commissioner, SECP in pursuance of sub-section (6) of section 16 of the Securities and Exchange Commission of Pakistan Act, 1997

S No.	Name of Company	Nature of interest	Number of Units
1.	Tri -Pack Films Limited	Shares	500
2.	JS Growth Fund	Units	681
3.	Ibrahim Fiber Limited	Shares	3000
4.	Oil & Gas Development Co. Limited	Shares	1000
5.	Sui Southern Gas Co. Limited	Shares	500
6.	Chenab Limited	Shares	500
7.	Dewan Farooque Spinning Mills	Shares	500

SECP