



Annual Report 2016

Securities and Exchange Commission of Pakistan

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
الْحَمْدُ لِلَّهِ الَّذِي
خَلَقَ السَّمَوَاتِ وَالْأَرْضَ
وَالَّذِي جَعَلَ مِنَ
النَّارِ سِرًّا
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خَلَقَ اللَّهُ
الْحَمْدُ لِلَّهِ

Vision, Mission and Strategy

Vision

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

تصور

ایک جدید اور کارگر کارپوریٹ سیکٹر اور کیپٹل مارکیٹ کا قیام، جو کہ مضبوط قوانین اور اصولوں پر قائم ہو اور ملک کی معاشی ترقی کے لئے متحرک کردار ادا کرے اور معاشرتی ہم آہنگی کو فروغ دینے کا باعث بنے۔

Mission

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

مقصد

ایک ایسے شفاف، منصفانہ اور مستعد ریگولیٹری فریم ورک کا قیام جس کی بنیادیں عالمی قانونی معیارات اور بہترین طریقہ کار پر قائم ہوں، جو سرمایہ کاروں کو تحفظ فراہم کرے اور سرمایہ کاری سے منسلک خطرات میں ممکنہ حد تک کمی کو یقینی بنائے اور ایک منظم کارپوریٹ سیکٹر اور وسیع اور مستحکم کیپٹل مارکیٹ کا قیام عمل میں لائے اور اس کو مزید فروغ دے۔

Strategy

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

حکمت عملی

ایک مستعد ترین اور متحرک ریگولیٹری ادارے کا فروغ جو کہ کارپوریٹ سیکٹر میں گورننس کے بہترین اصولوں کو پروان چڑھائے اور کیپٹل مارکیٹ میں سرمایہ کاری سے منسلک خطرات میں کمی کو یقینی بنائے اور اپنی موثر پالیسیوں اور اقدامات کے ذریعے سرمایہ کاروں کے مفادات کا تحفظ کرے۔



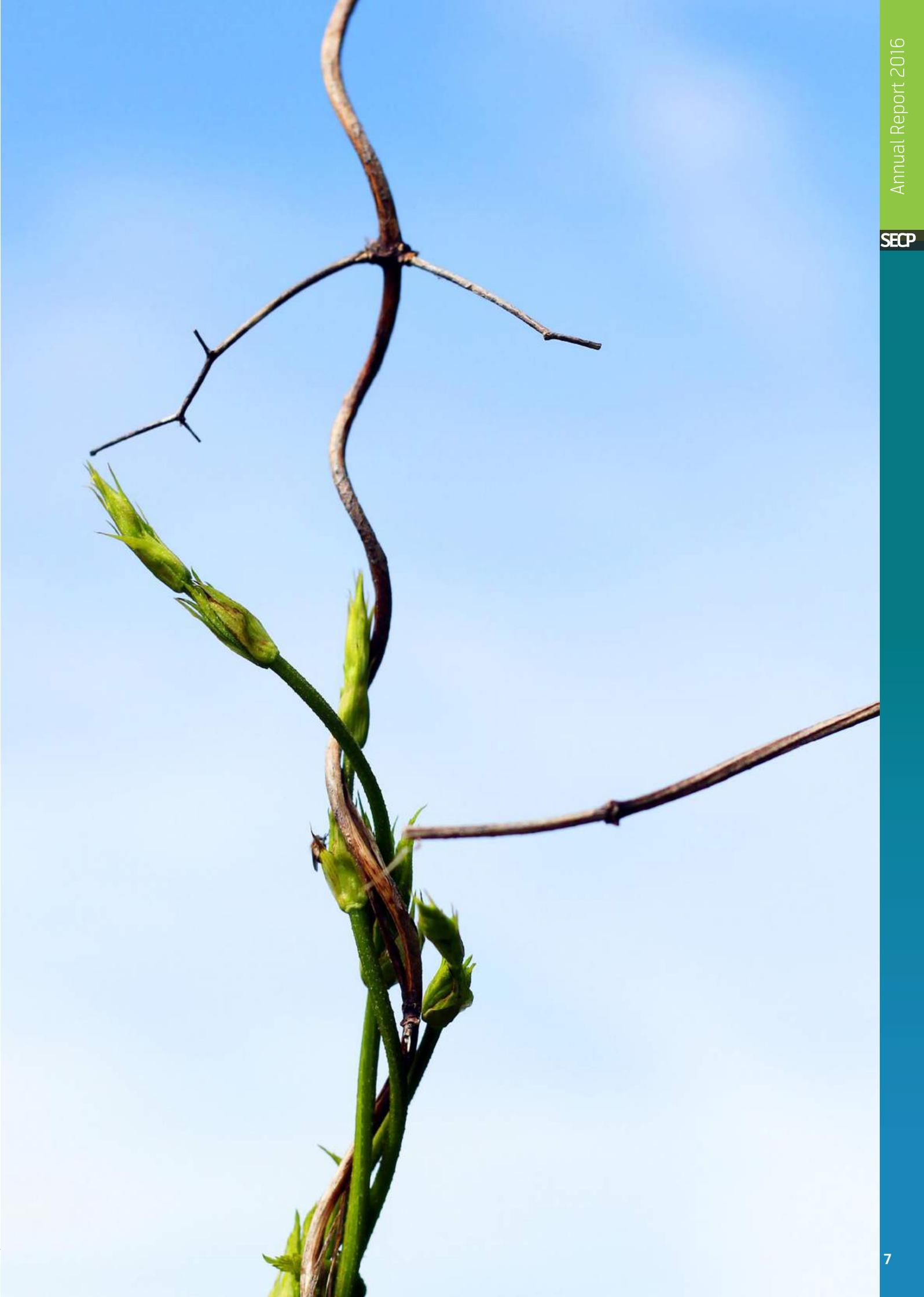
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Key highlights

- The three stock exchanges located in Karachi, Lahore and Islamabad were integrated into a single, unified, national level trading platform under the name of Pakistan Stock Exchange Limited (PSX).
- Pakistan was successfully upgraded from the Morgan Stanley Capital International's (MSCI) Frontier Markets to Emerging Markets (EM).
- The notable statutes, rules and regulations that were promulgated during the year include the Securities and Exchange Commission of Pakistan (Amendment) Act, 2016, Corporate Restructuring Companies Act, 2016, Futures Market Act, 2016, Book Building Regulation, 2015, Research Analyst Regulations, 2015, Joint Inspection Regulations, 2015, Reporting and Disclosure (of Shareholding by Directors, Executive Officers and Substantial Shareholders in Listed Companies) Regulations, 2015, Private Funds Regulations, 2015, Licensed Persons (Obligation under Voluntary Winding-up) Regulations, 2016, SECP (Opportunity of Hearing) Regulations, 2016, Companies (E-Voting) Regulations, 2016 Bancassurance Regulations, 2015, Small Dispute Resolution Committees (Constitution and Procedure) Rules, 2015, Securities Brokers (Licensing and Operations) Regulations, 2016.
- A comprehensive Capital Market Development Plan (2016-18), outlining the future roadmap for the capital market, including reforms for issuers and capital market intermediaries, reforms for product and market development and reforms for investors' awareness and facilitation, has been formulate.
- Regulatory framework at the NCCPL, enabling it to provide SMS and e-alerts to investors.
- The Central Depositories (Licensing and Operations) Regulations, 2016, were approved.
- Amendments to regulatory framework of PSX, NCCPL and CDC were approved.
- Growth in the commodities' market can also be attributed to the listing of new products such as red chilli weekly futures contracts and gold futures contracts denominated in Canadian dollar, Australian dollar and Swiss franc.
- The web portal (www.JamaPunji.pk) started playing a pivotal role in the investor education plan (IEP). It published 70 public service messages in newspapers. It has 7,600 registered users.
- About 11,000 inquiries were answered and over 2,000 complaints handled.
- The SECP re-elected to the IOSCO's governing body for a third term from the Asia Pacific region.
- Twenty-four percent growth registered in new incorporations. The total corporate portfolio rose to 73,207.
- Issuance of SEC Guidelines on Estimation of IBNR Claims Reserve, 2016.
- Code of Corporate Governance for Insurers, 2016.
- Private Fund Management Regulations, 2015, promulgated to facilitate launch of private equity, venture capital and alternative funds such as hedge funds, infrastructure fund, SME fund, debt fund etc.
- The maximum level of sales load reduced from 5% to 3% of NAV.
- Adoption of IFRS for SMEs and AFRS for SSEs (Revised) issued by the ICAP.





Chairman's review



I am pleased to present the annual report of the Securities and Exchange Commission of Pakistan (SECP) for the fiscal year 2015-2016. It is very gratifying for me to state that during the year, we were able to achieve the specified targets, stipulated in the SECP's mission.

The SECP's mission is the advancement of an efficient and transparent regulatory framework, which is consistent with the international standards and strives for the protection of investors and mitigation of systemic risk. We aim at fostering growth of a full-bodied non-banking financial sector, a broad-based capital market and a robust corporate sector in Pakistan. In order to achieve this mission, the SECP is anticipating and appropriately responding to factors such as increasing industry's growth, public interest, participation in the securities markets, technological and market structure changes, and the internationalization of our markets.

At the time I joined the SECP in December 2014, several high profile corporate scandals and cases of ethical lapses had raised very serious questions about the integrity of our markets. This was an unacceptable situation. Since then my focus has been on implementing a robust reform agenda. This agenda was designed to strengthen our enforcement regime, enhance the monitoring and surveillance of Securities Market Division for timely detection of unfair practices, and demonstrate zero tolerance towards misconduct to restore investors'

confidence in the market's integrity. Accordingly, many steps have been taken in the last one year, i.e. the launch of an investor education program, capacity building of human resource, implementation of effective monitoring tools for the regulated entities such as the introduction of dynamic alerts, methodology for measuring systemic risk and minimum benchmarks devised for each sector and an evaluation process for the same is in place. This has enabled surveillance officers to develop detailed understanding of different sectors, resulting in efficient and effective surveillance and ensuring timely enforcement action. Furthermore, numerous laws, rules, and regulations have been enacted to provide a legal framework keeping in view the best practices. Now I can confidently say that today the SECP is able and determined to match any foreign regulatory regime. This became possible through the efforts of a dedicated team.

The following major initiatives were taken by the SECP during 2015-16:

Legislation and legal reforms

Notable statutes worked upon by the SECP during the year which were promulgated include the Securities and Exchange Commission of Pakistan (Amendment) Act, 2016, Corporate Restructuring Companies Act, 2016, and Futures Market Act, 2016. These statutes were drafted in light of the recommendations of the International Organization of Securities Commissions (IOSCO), which sets the standards in securities markets regulation. The enactment of the Securities and Exchange Commission of Pakistan (Amendment) Act, 2016, has removed the deficiencies of the SECP Act, 1997, and further enhanced the scope of its powers and functions. Similarly, the Corporate Restructuring Companies Act, 2016, seeks to declare the corporate restructuring as a new form of business under which companies can be formed in Pakistan for the purpose of turning the financially distressed companies into financially and operationally viable companies. Furthermore, the Futures Market Act, 2016, will lead to effective regulation of the futures market and result in a number of economic benefits. Increased activity in the futures market of agricultural commodities will benefit the domestic agricultural sector.

Many rules and regulations for the capital market, insurance, corporate and NBF sector have been introduced during the year. Some significant rules and regulations include Book Building Regulation, 2015, Research Analyst Regulations, 2015, Joint Inspection Regulations, 2015, Reporting and Disclosure (of Shareholding by Directors, Executive Officers and Substantial Shareholders in Listed Companies) Regulations, 2015, Private Funds Regulations,

2015, Licensed Persons (Obligation under Voluntary Winding-up) Regulations, 2016, SECP (Opportunity of Hearing) Regulations, 2016, Companies (E-Voting) Regulations, 2016, amendments to the Companies (Issue of Capital) Rules, 1996, Bancassurance Regulations, 2015, Small Dispute Resolution Committees (Constitution and Procedure) Rules, 2015, amendments to the NBFC (Establishment and Regulation) Rules, 2003, amendments to the NBFC and Notified Entities Regulations, 2008 and Securities Brokers (Licensing and Operations) Regulations 2016.

Capital market

During the year, the three stock exchanges, i.e., Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange were integrated into a single, unified, national level trading platform under the name of Pakistan Stock Exchange Limited (PSX). Integration of the stock exchanges is aimed at providing numerous benefits in terms of reducing fragmentation, increasing efficiency, and improving governance standards. The measure is also playing a crucial role in attracting strategic partners and international investors for divestment of shares of PSX. The Expression of Interest has been received for divestment of shares of PSX. It is expected that the divestment process shall be completed in the next financial year. Furthermore, Pakistan was successfully upgraded from the Morgan Stanley Capital International's (MSCI) Frontier Markets to Emerging Markets (EM).

A comprehensive Capital Market Development Plan (2016-18) has been formulated outlining the future roadmap for the capital market, including reforms for issuers and capital market intermediaries, reforms for product and market development and reforms for investors' awareness and facilitation. Furthermore, a number of other legal, regulatory and operational reform initiatives, expected to promote an investment-friendly climate and help achieve sustainable capital market growth, have also been taken.

In order to promote Islamic finance in the country and on the SECP's proposal, a two percentage point's tax rebate for Sharia-compliant listed manufacturing companies was also approved in the Finance Act, 2016. Subsequently the federal government, on the recommendations of the SECP, has accorded tax neutrality to sukuk by allowing certain tax exemptions that were earlier available only to conventional securitization issues. It is hoped these measures would result in growth of Islamic finance in the country as the corporate entities have the compatible option to raise capital requirements in accordance with Sharia. Various pieces of legislation were promulgated, including the Futures Market Act, 2016, establishment of NCCPL as a central counterparty and settlement guarantee fund, new brokers' regime and others have contributed to better superintendence and control over capital and financial services market.

Commodities' market

Growth in the commodities' market can also be attributed to the listing of new products such as red chilli weekly futures contracts and gold futures contracts denominated in Canadian dollar, Australian dollar and Swiss Franc. Additionally, factors such as increased volatility of the overall market, induction of new brokers and steps taken for creating awareness among the masses about the benefits of trading in commodity futures contracts also contributed to the surge in trading activity at the PMEX.

Audit Oversight Board

The Securities and Exchange Commission of Pakistan (Amendment) Act, 2016, provides for the establishment of an independent Audit Oversight Board (AOB). The AOB shall regulate the audit firms which carry out or intend to carry out audit of public interest companies. Its establishment would ensure effective oversight of the quality of audit of public interest companies. The nominating committee is busy finalizing its recommendations with regard to names for the board, which will then be forwarded to the federal government.

Investor education

The SECP's web portal (www.JamaPunji.pk) is playing a pivotal role in the overall investor education plan (IEP). It is a single point learning resource for investors.



During the year, MOUs with the Higher Education Commission (HEC) and nearly 20 educational institutions were signed in order to create awareness and financial literacy among the youth and academia. In this respect seminars for faculty development were conducted with the HEC's assistance in Lahore and Islamabad. Approximately 200 management sciences academics from various universities based in Karachi, Islamabad, Rawalpindi and Peshawar benefited by attending these seminars. In addition, as part of the SECP's commitment to investor education, a dedicated conference for university students was conducted on financial literacy and personal financial planning. The IEP covers the capital market, including the insurance and NBFC (Non-Banking Finance Companies) sectors.

In addition to these regulated sectors, the program disseminates information about company registration and entrepreneurships as well. The IEP's focus is on financial inclusion, financial planning and budgeting, market set-up and operations, highlighting product features and risks, rights and obligations of providers of financial products etc. Under the program, education is imparted through digital means—web portal, text messages (SMS service 8181), social media and interactive seminars.

As a result of the SECP's outreach through these initiatives, significant headway has also been made in resolving investor complaints in an efficient manner. To achieve this objective, a dedicated service desk has been established to facilitate the corporate sector, capital markets investors and the public. Every possible means of communication is used for investor awareness in this context for better facilitation.

International relations

The SECP is a member of the international regulatory standard setting bodies for securities, insurance and pension sectors, i.e., International Association of Insurance Supervisors (IAIS), the Islamic Financial Services Board (IFSB) and the International Organization of Securities Commissions (IOSCO). The IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation.

During the year, the SECP was re-elected to the IOSCO's governing body for a third term from the Asia Pacific region. The SECP became a member of the Islamic Financial Services Board, Malaysia, in order to be updated on the development of Islamic finance and to remain on a par with the rest of the Islamic financial regulators. It is an international standard-setting body of regulatory and supervisory agencies that ensures the soundness and stability of the Islamic financial services industry, which is defined broadly to include banking, capital market and insurance.

In order to strengthen our international linkages, the SECP and Bimeh Markazi of Islamic Republic of Iran (the insurance regulator) signed an MOU in March 2016 to enhance cooperation and exchange of information between the two countries in the field of insurance.

Corporate sector

The SECP took a proactive approach with regard to regulation and development of the corporate sector. During the year, company registrations saw a healthy growth. In order to bring the regulation of corporate sector on a par with international jurisdictions and implement the best business practices, rules and regulations of a number of jurisdictions were studied. Accordingly, a number of facilitative measures were taken, which include reduced time for business start-up through e-governance, reduced cost of incorporation and ease of doing business, establishment of facilitation counters and a capital market hub.

In order to establish its place in the global market, it is imperative for Pakistan to ensure that its corporate laws keep pace with the developments in other jurisdictions. Pakistan is a developing economy, and with growth in economy the need arose to overhaul the Companies Law. It had to be brought into conformity with international trends. In this regard, the SECP has come up with the draft Companies Bill, 2016. It focuses on facilitating the corporate sector and other stakeholders as well as on strengthening the regulatory framework. The law places maximum emphasis on the use of modern technology. Unnecessary requirements are being abolished and the defects of the existing law are being removed. The proposed law is particularly encouraging for new entrepreneurs. In order to facilitate corporate growth, a Company Registration Office has been opened in Gilgit Baltistan. In future, a similar office will be set up in Sialkot.

As a result of strict enforcement actions, the public sector companies' compliance with the code of corporate governance and other applicable laws improved during the year.

NBF sector

Recent amendments to the Non-Banking Finance Companies and Notified Entities Regulations, 2008, had enabled segregation of the NBFs into two categories, Fund Management and Lending NBFs. The amendments included Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, and Non-Banking Finance Companies and Notified Entities Regulations, 2008, New Private Fund Regulations, 2015, Real Estate Investment Trust (REIT) Regulations, 2015, Reconstitution of Religious Board and Modaraba Tribunals and others which have imposed a balance between the inherent risk in the operating structure of the NBFs and the level of regulatory oversight and conditions imposed upon them.

The idea behind these amendments is to improve access to finance and promote a culture of savings and investment, leading to an increase in the participation of retail investors in the capital market. The proposed regulatory framework has also improved the fit and proper criteria for the promoters and majority shareholders of the NBFs to ensure that the best suitable people are there at the helm of affairs.

Furthermore, in order to increase retail outreach, the SECP is considering taking measures to promote independent distributors network with minimum equity and regulatory requirements. Asset management companies are being advised to open new branches in major cities for raising retail penetration. These measures are being taken because the expanding retail base is very important for sustainable growth of the industry.

Insurance

Keeping in view the international practices, a comprehensive review and revision of the existing insurance regulatory framework was initiated. This was done with the World Bank's technical assistance. The project is aimed at identifying the gaps and shortcomings inherent in the existing regulatory framework and replacing them with the best international practices in insurance supervision and regulation. The project also aimed at bringing the areas that have not been addressed by the law within the SECP's regulatory ambit.

Recent major reforms in the insurance sector include Bancassurance Regulations, 2015, Issuance of SEC Guidelines on Estimation of IBNR Claims Reserve, 2016, Draft SEC (Reinsurance Brokers) Regulations, 2015, Code of Corporate Governance for Insurers, 2016, Draft Credit & Suretyship (Conduct of Business) Rules, 2016, Compulsory Group Life Insurance (Amendment) Bill, 2016. They highlight a strengthened role for the SECP as an effective facilitator for sound development of the insurance sector and to achieve the underlying objective of protecting the interests of policyholders and raising the insurance penetration level. Moreover, measures such as increase in the paid-up capital requirements, solvency requirements and statutory deposit requirements to protect the interests of policyholders and other stakeholders and the constitution of Small Dispute Resolution Committees for effective and efficient resolution of complaints of the aggrieved policyholders reflect the SECP's commitment to reforming and developing the insurance industry.

Appellate Bench

Appeals filed with the Appellate Bench in the previous years could not be decided in a timely manner due to various factors. For the first time since the SECP's inception, the appeal pendency has been cleared during the year. So, all the appeals filed during the year have been decided.

Implementation of Urdu

Pursuant to the directions of the Honourable Supreme Court, the SECP has set up a department to translate its laws, rules and regulations into Urdu. As a first step, all relevant laws, rules and regulations have been translated. A bilingual website, i.e. in English and Urdu, has also been launched. All the translated laws, rules and regulations are available on the SECP's website.

Financial position

The financial results of the SECP for the year 2015-16 show surplus of income over expenditure after tax Rs254 million as against last year's surplus of Rs203 million, registering an increase of Rs51 million (25%) over the last year.

The total revenues (net of levies) for the financial year 2015-16 are Rs2,675 million which are higher by Rs192 million (8%) as compared to last year's revenue of Rs2,483 million.



Revenues of Company Law Division, Security Market Division, Specialized Companies Division and Insurance Division increased during the year by 11%, 4%, 7% and 11% respectively, when compared to last year's revenues. Investment and other income decreased by Rs23 million (15%), mainly due to decrease in discount rate by the State Bank of Pakistan during the year.

The total operating expenses for the year under review were Rs2,259 million, showing an increase of Rs327 million (16%) over the previous year. The increase is mainly due to hiring on vacant positions, 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 Rs25 million received as penalties by the Commission during the current year has been deposited in 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 the approved accounting standards.

Future roadmap

In order to catalyse the next phase of growth within our market, I firmly believe that it is essential for us to maximize our efforts to promote greater vitality in the face of competitive pressures from across the region. We realize that we have a primary responsibility to contribute to the strengthening of the economy, and documentation of economy is an important way of doing it. Further, we are focusing our energies on development and revival of the capital market, insurance and non-bank finance sectors. The SECP's future reform agenda will encompass key governance, transparency, market and product development and risk management reforms, which are enumerated below:

- An all-out effort will be made for the divestment of PSX shares. A dedicated divestment committee has been constituted to ensure the sale of PSX shares. Moreover, in order to achieve the objective of good governance, the SECP is pursuing critical governance reforms such as strengthening and reconstitution of the boards of directors of PSX, CDC and NCCPL, their internal committees and limits on their shareholding etc.
- Many new rules and regulations will be framed under the Securities Act, 2015, and the Futures Market Act, 2016. These include rules and regulations for licensing, conduct, financial resource and other aspects of the licensed entities and regulated persons such as securities exchanges, futures exchanges, clearing houses, securities and futures advisers, futures brokers, securities managers and accredited representatives of the regulated persons.
- The establishment of a federal level brokers' association. The association will act as a self-regulatory organization in terms of compliance and regulatory oversight for the brokerage industry and will ensure professional training and exposure to the brokers.
- Consultative sessions on the Companies Bill, 2016, have been concluded. We hope that it would soon become a law.
- In order to meet the international regulatory standards, we will carry out a self-assessment against IOSCO's Principle 38 covering financial market infrastructures to further validate the improvements in the practice and regulation of securities market institutions in Pakistan.
- We are committed to developing a derivatives' market. In this regard, trading in stock options would be introduced in order to broaden the scope of trading activity at PSX, provide investors with avenues to develop better investment and hedging strategies and reduce element of speculation in the cash segment.
- As investor protection is our top priority the rules and regulations for a centralized customer protection compensation fund are being drafted. The fund will be established as a trust to ensure that the assets of the fund are kept segregated from assets of the securities exchange.

- We are also planning to establish a Centralized KYC Organization (CKO) to ensure that the KYC data used by the CDC, NCCPL, brokers and traders is verified, well maintained and centralized. This will also eliminate duplication in the KYC process. The relevant rules are being finalized.
- The existing regulatory framework for small and mid-sized non-deposit taking NBFs is also being reviewed to facilitate and develop the NBF sector.

Gratitude

In conclusion, I would like to express my gratitude to the federal government and the Honourable Finance Minister Mohammad Ishaq Dar for their valuable and continued support for the development of the capital market. I must also thank the Parliament for enacting important legislation in this regard. I am grateful to the Chairman and members of the Policy Board as well as my colleague Commissioners for their guidance and support. A special mention needs to be made of the SECP's senior management, officers and staff for their hard work and commitment. Credit is also due to the market participants and stakeholders for their invaluable ideas and suggestions.



Capital markets

Stock market overview

The year witnessed a significant and steady rise in the stock market indices with historic and unprecedented levels being reached. The KSE-100 index began the year at 34,843.61 points and reached 39,040.78 on June 16, 2016, i.e., an increase of almost 12% since the start of the year. KSE 100 touched its lowest level, i.e. 29,785.36 on January 18, 2016. KSE-100 closed at 37,783.54 points by close of trading on June 30, 2016, registering a growth of 8% from the start of period. Average daily turnover of 209.34 million shares was recorded by June 30, 2016. A total of 559 companies with total paid-up capital of Rs1,289.08 billion are listed on the Pakistan Stock Exchange. Market capitalization stood at Rs7,588.47 billion on June 30, 2016, which reflects 2.25% increase over last year. Foreign investment in the stock market exhibited a net outflow of \$281.6 million during the year, which reflects a negative 831% over the last year.

Some of the more important developments that have contributed to this exceptional performance of the Pakistani stock market are: stable political environment, induction of Pakistan Stock Exchange into Emerging Market Index (MSCI); investment projects backed by China; stable exchange rate against the US 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.

Commodities market overview

During the year, the trading volume at the Pakistan Mercantile Exchange (PMEX) showed substantial growth as a total of 3.8 million commodity futures contracts with a value of Rs1.295 trillion were traded as compared to the traded value of Rs701 billion in FY 2014-15. Actively traded commodities in terms of value were currencies through composite order trading system (COTS), contributing 41 percent to the overall traded value at the exchange followed by gold (40 percent) and crude oil (17 percent).

The growth in value traded can also be attributed to the listing of new products such as Red Chilli Weekly Futures contracts and Gold Futures contracts denominated in Canadian dollar, Australian dollar and Swiss franc. Additionally, factors such as increased volatility of the overall market, induction of new brokers and steps taken for creating awareness among the masses about the benefits of trading in commodity futures contracts also contributed to the surge in trading activity at the exchange.

Capital issues

Issue of share capital

During the year, shares of 5 companies were offered to the public as compared to 8 companies last year. New capital of Rs8.13 billion was listed in FY 2016 as compared to Rs11.28 billion in FY 2015. The details of these issues may be seen in tables 5 and 6.

Issue of redeemable capital

During the year, one issue of listed term finance certificates was offered to the public, i.e. issuance of TFCs of Rs3 billion by Soneri Bank Limited. TFC issued by Soneri Bank Limited was offered to both retail investors and pre-IPO investors. Out of total issue of 3 billion, Rs0.750 billion were offered to retail investors, whereas, Rs2.250 billion were offered to pre-IPO investors. The detail of this issue may be seen in table 8.

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 the 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 provide comparison of capital issue cases dealt during the preceding three years along with their category-wise breakdown.

Capital issue cases			
	2014	2015	2016
Applications approved	21	20	9
Applications rejected	1	2	5
Applications in process	6	5	10
Total	28	27	24

Category wise break-up of capital issue cases

Particulars	Otherwise than right discount			Issue of preference shares			Issue of shares at discount			Relaxation of rules		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Applications approved	8	8	5	2	4	1	5	4	0	6	4	3
Applications rejected	-	1	3	-	1	-	-	-	1	1	-	1
Applications in process	-	3	4	1	-	-	1	-	1	4	2	5
Total	8	12	12	3	5	1	6	4	2	11	6	9

Takeovers

Takeovers regulatory framework ensures fair and transparent takeover of the listed companies and simultaneously safeguards the rights of the minority shareholders. Upon promulgation of the Securities Act, 2015 the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002 has been repealed. During the year, the public announcements of intention were made in 13 cases, of which the takeover process was completed in 7 cases and the rest of the cases are in process.

Employees stock option schemes

The employees' stock option schemes are issued by public limited companies to reward their employees, and also as a retention tool to earn long-term loyalties of their key employees. During the year, amendments to three earlier offered schemes of Engro Foods Limited, Netsol Technologies Limited and Systems Limited were approved.

Promulgation of Book Building Regulations, 2015

The equity capital market is an important segment of our capital market and is considered a viable and efficient alternative for fund raising. In order to promote the primary market, the SECP had introduced the book building mechanism in IPOs in 2008. Keeping in view the problems faced and to bring about efficiency and transparency



in the book building process, the SECP has reviewed the existing framework for book building and formulated Book Building Regulations, 2015. Pursuant to the said regulations book runners to the book building issue are required to be registered with the Commission. So far, 9 book runners have been registered with the SECP.

Amendments to the regulatory framework for listing of small and medium enterprises on PSX

Small and medium enterprises (SMEs) play vital role in the development of a country and availability of cheaper source of funds is crucial for the growth as well as survival of SMEs. The SECP has approved the amendments to regulations for the listing of SMEs on PSX. The regulations in addition to certain prerequisites provide a set of procedures for issuing, listing and trading of shares of SMEs. Now the SMEs can raise funds from the capital market to meet their financial needs, execute new projects and expand their existing businesses.

Implementation of e-IPO

In order to facilitate the public during IPOs, the SECP has introduced the concept of e-IPO, i.e. electronic submission of subscription form. e-IPO facility enables the investors to make application for subscription of shares via the internet/e-Banking. The e-IPO aims to facilitate simultaneously, both the companies that intend to raise fund from the capital market through IPO and the general public applying for subscription of shares. Further, e-IPO will bring transparency and efficiency in the IPO process. So far two banks have developed their own systems and are providing e-IPO facilities to their customers. These banks are United Bank Ltd. and Summit Bank Ltd. In order to regulate affairs of the banks to the extent of their role as bankers to the issue, a regulatory framework has been drafted which requires all those banks that are providing services as bankers to the issue, requires development of e-IPO systems.

Review of the Companies (Issue of Capital) Rules, 1996

The Companies (Issue of Capital) Rules (the CI Rules) promulgated on February 8, 1996, contain a set of requirements and procedures for the companies proposing to offer share capital to the public. Since then, no amendments have been made to the CI Rules. Pursuant to changes in market dynamics and introduction of the book-building process, it was felt necessary to make certain amendments to the CI Rules. Consequently amendments to CI Rules, in light of comments of the stakeholders, were notified in January 2016.

Guidelines for structuring and offering of the employees' stock option schemes

In order to facilitate and encourage offer of employees' stock option schemes, the SECP on April 27, 2016, promulgated Guidelines for Structuring and Offering of the Employees Stock Option Schemes, 2016 in line with the best international practices. These guidelines provide the procedure for structuring and offering of schemes by providing therein the procedure for approval of the scheme, disclosures to be made in the notice of general meeting wherein a scheme is to be considered for approval by the members, disclosures to be made in the scheme, documents required to be submitted along with application for approval of the schemes and a model scheme.

Review of the Issue of Sukuk Regulations, 2015

The Issue of Sukuk Regulations, 2015, were reviewed and amendments were made to facilitate issuance of government guaranteed sukuk. Now the government guaranteed sukuk are not required to be rated and collateralized.

Draft rules/regulations notified for public comments

- The draft Bankers to an Issue of Securities Rules, 2015
- Draft Companies (Buy-Back of Shares) Regulations, 2015
- The draft Underwriters Regulations, 2015

- The draft Private Placement of Securities Rules, 2015
- The draft Public Offering of Securities Rules, 2015
- The draft Advisors' and Consultants to the Issue Rules, 2015
- The draft Share Registrars and Balloters Regulations, 2016
- In order to regulate the CRAs more effectively the Credit Rating Regulations, 2015 have been framed under the Securities Act, 2015 and these regulations will replace the existing Credit Rating Companies Rules, 1995 and the Code of Conduct for Credit Rating Agencies dated January 13, 2014

Key achievements

- The integration of three stock exchanges into the Pakistan Stock Exchange Limited
- Pakistan was successfully upgraded from the Morgan Stanley Capital International's (MSCI) Frontier Markets to Emerging Markets (EM)
- Capital Market Development Plan has been drawn up, providing for a focused approach towards achievement of key developmental objectives for the capital market
- Establishment of NCCPL as a central counterparty with a consolidated settlement guarantee fund and transfer of risk management from the stock exchange to NCCPL
- A revised regime for securities' brokers has been introduced, categorizing brokers according to their financial strength and capacity to undertake different functions
- Reforms for the SME Board to incentivize listings of small and medium enterprises (SMEs) on the SME counter of PSX
- Regulatory framework at the NCCPL, enabling it to provide SMS and e-alerts to investors
- Rules and regulations for centralized customer protection compensation fund have been circulated for public feedback
- Maintaining functional website made mandatory for brokers
- Onsite visits to brokerage houses prior to registration/renewal initiated
- Mandatory certification for professional in capital market has been prescribed
- A new regulatory regime for credit rating companies is being developed
- The Futures Market Act, 2016, in conjunction with the earlier promulgated Securities Act, 2015, replaced the Securities and Exchange Ordinance, 1969
- Addition of red chilli, copper, fennel seed and gold (denominated in CAD, AUD and CHF) contracts at PMEX
- The Central Depositories (Licensing and Operations) Regulations, 2016, were approved
- Amendments to regulatory framework of PSX, NCCPL and CDC were approved



Future outlook

- Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012, are being augmented to prescribe framework for self-listing of the PSX
- A number of new rules and regulations are being framed under the Securities Act, 2015, and the Futures Market Act, 2016
- The concept of general/professional clearing member is in the pipeline
- A centralized KYC organization will be established
- Efforts will be made for establishment of an independent bond pricing agency
- The concept of index-based market halts will be introduced and existing circuit breakers will be rationalized to ensure more efficient price discovery and transparency
- It is envisaged that listed companies will be required to ensure minimum specified free float within a given period of time, to ensure liquidity and efficient price discovery
- Efforts shall be made to launch and bolster activity in the index options segment for which regulatory framework is already in place
- A comprehensive review of the Code of Corporate Governance will be undertaken
- Formulation of warehousing and collateral management framework
- Enhancement of product portfolio by listing at least ten agri-products at PMEX (wheat, rice, maize, pulses, cotton, etc.)
- Introduction of farmer producer company and a separate regulatory authority for warehousing activity
- The Companies (Asset Backed Securitization) Rules, 1999, will be reviewed to bring them compatible with the latest developments in the securitization market and the best international practices
- Debt Securities Trustees' Regulations, 2012, will be reviewed to meet the needs of the Securities Act, 2015

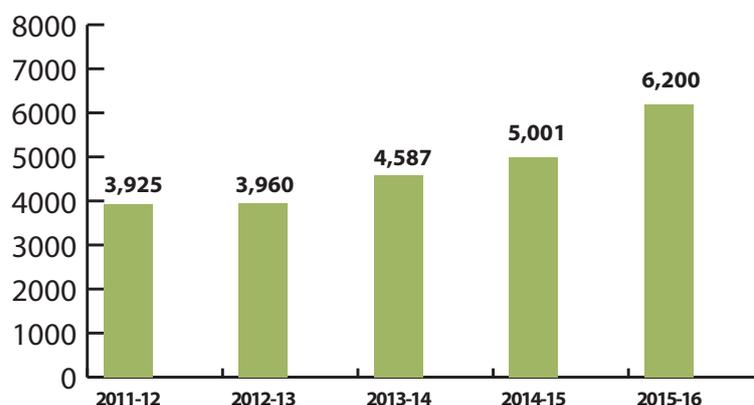
Corporatization

Sector overview

Incorporation of companies

During the year, 6,200 new companies were registered. As compared with the corresponding period of last financial year, a growth of 24 percent has been witnessed. This has raised the total number of registered companies to 73,207. The trend witnessed in formation of companies was that approximately 90 percent companies were registered as private limited companies, 7 percent were registered as single-member companies. Three percent were registered as public unlisted, non-profit associations, under section 43, trade organizations and foreign companies.

Number of companies



Financial year

The trading sector took a lead with the incorporation of 777 companies, followed by services with 770, information technology with 586, construction with 517, tourism with 433, food and beverages with 199, power generation with 192, communications with 188, corporate agricultural farming with 181, fuel and energy with 173, education with 166, real estate development with 165, broadcasting and telecasting with 162, textile with 148, pharmaceutical and engineering with 145 each, transport with 134, healthcare with 110 and 1009 companies in other sectors.

Foreign investment has been reported in 389 new companies. These companies have foreign investors from Afghanistan, Australia, Bahrain, Belgium, Bosnia Herzegovina, Myanmar, Canada, Cayman Islands, China, Czech Republic, Denmark, France, Georgia, Germany, Ghana, Hong Kong, Indonesia, Ireland, Italy, Japan, Jordan, Kazakhstan, South Korea, Kuwait, Lebanon, Libya, Malaysia, Mexico, the Netherlands, New Zealand, Nigeria, Norway, Oman, the Philippines, Qatar, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Taiwan, Tajikistan, Thailand, Turkey, Ukraine, the UAE, the UK and the US.

Moreover, 54 foreign companies from Australia, Canada, China, Egypt, France, Germany, Hong Kong, Italy, South Korea, the Netherlands, Qatar, Saudi Arabia, Switzerland, the UAE, the UK and the US have established places of business in Pakistan during the last fiscal year. These companies are engaged in the fields of cable and electric goods, communication, construction, engineering, services, power generation, trading, fuel and energy, information technology, steel and allied and other sectors.



Registration of brokers and agents

Brokers and agents are required to be registered with the SECP under the Brokers and Agents Registration Rules, 2001. Pursuant to integration of three stock exchanges into Pakistan Stock Exchange (PSX), the brokers are required to be registered with PSX. As of June 30, 2016, the PSX had 342 registered brokers and 250 registered agents.

Registration/renewals of underwriters, balloter, share registrar and book-runners

The SECP processes and examines applications for registration as debt securities trustees (DSTs); underwriters, balloters, share registrars and book-runners under the Debt Securities Trustee Regulations, 2012, the Underwriters Rules, 2015, the Balloters and Transfer Agents Rules, 2015, and the Book-Building Regulations, 2015, respectively. The details of registrations and renewals made during the last three years are as under:

Type of entities	2013-14	2014-15	2015-16
Registration as a Debt Securities Trustee (DST)	-	-	03
Renewal of registration of DSTs	-	03	06
Registration as underwriters	-	-	25
Registration as balloters and transfer agents	-	-	20
Registration as book runners	-	-	09

The updated lists of all the registered DSTs, underwrites, BTAs and book-runners are available on the SECP's website at the link <https://www.secp.gov.pk/licensing/capital-markets/>

Registration of credit rating companies

Credible credit rating agencies (CRAs) form an integral part of a vibrant and healthy debt capital market. Credit rating companies have to be registered under Credit Rating Companies Rules, 1995, and at present there are 2 credit rating companies registered with the SECP.

Approvals, permissions, inspection of record, issuance of copies and registration of charges

Under the provisions of the Companies Ordinance, 1984, 102,328 applications seeking regulatory approvals, inspection of record, issuance of copies and registration of charges were received and after due consideration necessary approvals were granted as follows:

Sr. No.	Relevant section of the ordinance	Nature of approval/permission sought	Total
1	Section 21	Amendment to memorandum and articles of association	205
2	Section 37	Availability of name	17,343
3	Section 39	Change of name	372
4	Section 42	Grant of license to associations/renewal of license to associations	143
5	Section 44	Conversion of public companies into private companies	10
6	Section 84	Issue of share at discount	4
7	Section 86	Further issue of capital	1,235
8	Section 121 - 131	Registration, modification, satisfaction of charge	7,715
9	Section 146	Commencement of business certificate	58
10	Sections 158	Extension in period for holding of AGMs by unlisted public and private companies	195
11	Section 159(7)	Holding of an EOGM at a shorter notice	6

12	Section 170	Calling of overdue meetings	60
13	Section 195	Grant of loans to directors of unlisted public companies	5
14	Section 231	Inspection of books of account and other books and papers	7
15	Section 233	Preparation of first accounts exceeding 12 months	4
16	Section 234A	Appointment of inspector for conduct of special audit	1
17	Section 237	Exemption for consolidation of accounts	7
18	Section 238	Change of financial year	4
19	Section 252	Appointment of auditors	14
20	Section 258	Approval of appointment of cost auditor	63
21	Section 439(9)	Restoration of name of company to the register of companies	15
22	Section 466(6)	Issue of certified copies of documents	58,957
23	Section 466(6) read with Regulation 18 of the Companies (Registration Offices) Regulations, 2003.	Inspection of records maintained with CROs	12,880
24	Group Companies Registration Regulations 2008	Approval of registration of group and designation for group relief/ group taxation	21
25	Public Sector Companies (Corporate Governance) Rules, 2013	Relaxation granted to public sector companies from the requirements of the Rules	20
26	Rule 8 read with Rule 10 of the Companies (Issue of Capital) Rules, 1996	Relaxation in complying with the requirements of issuance of shares for consideration otherwise than in cash.	6
27	Rule 5 of the Companies' Share Capital (Variation in Rights and Privileges) Rules, 2000.	Issuance of shares having different rights and privileges	7
28	Miscellaneous	Provision of information to different agencies and other government departments.	2,971
	Total		102,328

Applications for grant of license under section 42 of the ordinance

During the financial year 2015-16, 55 licenses were issued to non-profit associations under Section 42 of the Ordinance. Object wise statistics pertaining to non-profit associations is as follows:



Licenses issued to nonprofit companies u/s 42 of the ordinance during 2015-2016

Object-wise breakdown	Number of associations
Art	1
Sports	1
Social services	1
Charity	7
Others	45
Total	55

Dissolution of companies

The SECP disposed of 839 cases of dissolution of companies. Of these, 13 companies wound up voluntarily, 3 companies liquidated under court orders, and 823 companies were struck off from the register under section 439 of the Ordinance.

Monitoring of beneficial ownership

The SECP monitors trading activities of beneficial owners of listed companies through filing of online annual returns by the listed companies and trading data of PSX. The primary objective of this monitoring is to detect the instances, if a beneficial owner has 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 2,505 returns during the period under review. The returns received during last three years along with the percentage change are as under:

Returns received					
Year	2013	2014	2015	2016	Growth form 2015
Number of returns	2,209	1,963	2,312	2,505	8.35%

Schemes of arrangements

The merger/de-merger under a scheme of arrangement within the corporate sector enhances its capacity to deal with the systemic risk and to meet global challenges. SECP ensures that the schemes of arrangement proposed by the companies are not prejudicial to the interests of minority shareholders. The cases dealt during the last three years are as follows:

Particular	2014	2015	2016
Scheme of arrangements	9	11	24

Other regulatory actions/approvals

Other data relating to regulatory actions/approvals provided during the preceding three years is as follows:

Other regulatory actions/approvals			
	2014	2015	2016
Appointment of cost auditors	53	54	52
Withholding of dividend	105	76	133
Extension in time to hold AGMs	24	19	21
Exemption from preparation and filing the consolidated accounts	23	15	19
Placement of quarterly accounts on website	277	282	291
Group companies registration	7	7	8
Approvals for extension of loans to directors of a company	3	1	5

Key achievements

- Reduction in time for start-ups due to the facility to make payment of registration and other fee through credit card
- Reduction in time due to online enablement of issuance of digital signatures through NIFT, resulting in end-to-end paperless/online service for all the processes in e-Services
- Expediting service delivery by reduction in time for incorporation under Fast Track Registration Services (FTRS) from a minimum of four to two hours
- Enabling company registration on the same day if the short memorandum of association is adopted
- Substantial reduction in registration fee for small companies
- Introduction of capital-based filing fee structure with substantial reduction in filing fee of companies with small capital base to augment compliance rate
- Provision of free of cost certified true copy of company formation documents after incorporation
- Provision of free of cost certified true copy of statutory returns filed by companies upon acceptance, resulting in elimination of certifying copying fee
- Expanded the outreach of the SECP through establishment of a facilitation counter in Sialkot and capital market hub in Abbottabad
- In order to minimize the disputes in private limited companies, amendments have been made to the Companies (General Provisions and Forms) Rules, 1985, prescribing the detailed procedure for transfer of shareholding

Future outlook

- Promulgation of Companies Act, 2016
- Subordinate legislation, i.e. the existing rules and regulations will be reviewed subject to promulgation of the Companies Act, 2016
- Implementation of combined process of name and incorporation
- Explore the idea of development and running of videos on incorporation procedure, e-Services and filing requirements in big CROs at the facilitation counters.
- The establishment of dedicated helpline to provide guidance to the public regarding e-filing and incorporation. The said helpline will work up to 10 pm
- An increase in corporatization by bringing the unregistered entities in the corporate net and an improvement in corporate compliance rate of the already registered companies
- In house awareness sessions with company representatives, corporate consultants regarding corporatization and corporate compliance in e-Services regime
- An awareness campaign about drastic reduction in fees and other facilitation measures



- Reduction in time and cost by merging the name availability and company incorporation processes
- Waive name availability fee of Rs200 for online and Rs500 for offline mode
- Establishment of a Company Registration Office (CRO) in Gilgit-Baltistan
- Explore the possibility of opening CROs in Abbottabad and Sialkot
- Issue of frequently asked questions on public sector companies
- Update the existing guidebooks and development of new guidebooks
- Review of model memorandum of association
- Conduct onsite inspection of books and papers under section 231 of at least five cases
- Coordinate with chambers and professional bodies for ensuring corporate compliance by registered companies
- Activation drive for dormant companies
- Finalization of regulations of section 42 companies, including Companies (Compliance with Licensing Conditions) General Order, 2016
- Amendments to the Group Companies Registration Regulations, 2008
- Mandatory online filing of returns by the companies having paid-up capital of 25 million and above to be effective from January 1, 2017

Non-banking financial sector

Sector overview

The NBF sector comprises non-banking finance companies (NBFCs) and modaraba companies. The NBFCs include asset management companies managing mutual funds, pension funds and providing investment advisory services, fund management companies providing private equity and venture capital fund management services, REIT management companies, investment finance companies, leasing companies and housing finance companies.

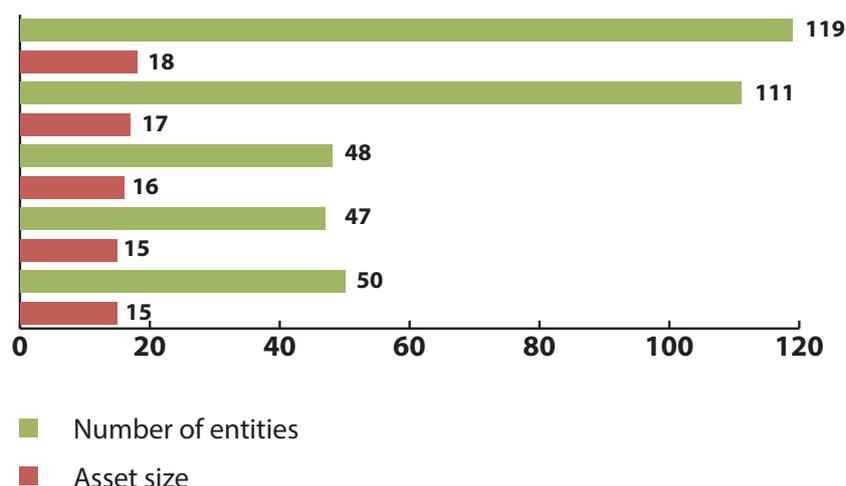
The NBFCs can be broadly divided into two categories, i.e. fund management NBFCs and lending NBFCs, engaged in deposit taking and financing. The total asset size of the NBF sector as of June 30, 2016, is as follows:

Sector	Number of entities	Total assets (In million rupees)	As percentage of total assets	Total deposits (In million rupees)
Mutual funds	172	546,222.00	59.06%	-
AMCs/IAs	23	37,334.00	4.04%	-
Portfolio management assets	0	139,229.00	15.05%	-
Real estate investment trusts	1	27,165.00	2.94%	-
Investment finance companies	10	76,855.00	8.31%	2057.77
Leasing companies	8	42,262.00	4.57%	10,116.51
Modarabas	25	36,538.00	3.95%	6,592.94
Pension funds	17	19,316.58	2.09%	-
Total	256	924,921.58	100.00%	18,767.22

Lending NBFCs

Lending NBFCs means NBFCs licensed by the SECP to undertake leasing or investment finance services or housing finance services or discounting services.

Sector	Number of entities	Total assets
Lending NBFC		In billion rupees
Investment finance companies	10	77
Leasing companies	08	42
Total	18	119



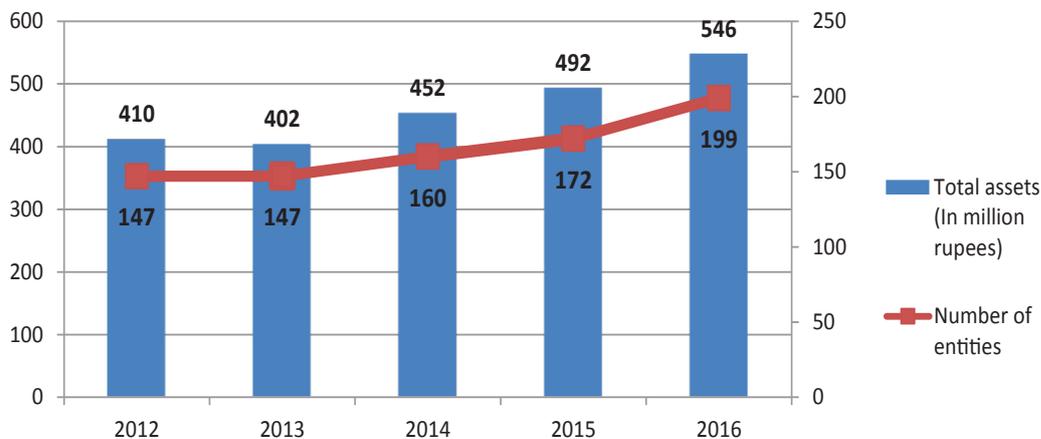


Asset management

In collaboration with other industry stakeholders, the SECP implemented various measures to strengthen the mutual funds industry and safeguard investors. As of June 30, 2016, the total size of the industry stood at Rs546.222 billion as compared to Rs492 billion on June 30, 2015. The total number of funds and plans stood at 199 on June 30, 2016, as compared to 172 on June 30, 2015. The industry was also managing separately managed accounts of Rs139 billion as of June 30, 2016.

As of June 30, 2016, equity funds dominated the asset under management of the industry with the largest share of the mutual fund industry, i.e. 40.24%. While Income funds and money market funds constituted the second and third largest category with the industry share of 26.55% and 13.2% respectively.

Growth of mutual funds in terms of AUM and number



Investment advisory

At present, a total of 19 NBFCs have licenses to conduct the business of investment advisory in addition to business of asset management services while two NBFCs have an exclusive license for conducting investment advisory services. As of June 2016, the total discretionary/non-discretionary portfolio held by all of the NBFCs was Rs139million.

Voluntary pension system

The total assets of the pension schemes stood at Rs19,316.58 million as of June 30, 2016, compared to Rs13,585 million as of June 30, 2015, showing a 39% growth during the past one year. Around 53% of the pension assets belonged to equity sub-funds, 31% to debt sub-funds, 15% to money market sub-funds and 1% to commodity sub-funds.

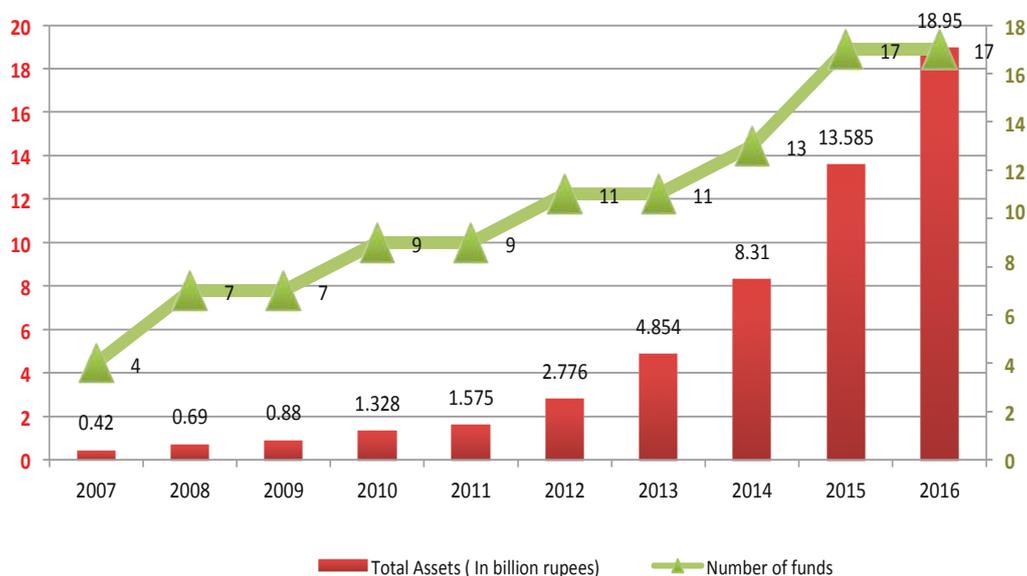
The key statistics in respect of pension fund industry is as follows:

Total assets of pension fund industry	Rs19,316.58 million
Net assets	Rs18,950.74 million
Total number of pension funds	17
Sharia-compliant pension funds	9
Conventional pension funds	8
Number of pension fund managers	10

During the year, one new AMC, i.e. Alfalah Investment Management Limited, was registered as a pension fund

manager (PFM) under the VPS Rules, 2005. The total number of PFMs now stands at 10. The total number of pension funds stands at 17, comprising of nine Sharia-compliant pension funds and eight conventional pension funds.

The graphical position of total assets and number of pension funds is as follows:



Real Estate Investment Trusts (REITs)

During the year, one new REIT management company (RMC), i.e. ISE Tower REIT Management Company Limited, was granted a license, raising the number of RMCs to four. Also, two other companies one based in Sindh and the other in Punjab were granted permission to form NBFC; the companies will be licensed upon completion of necessary formalities under the NBFC Rules, 2003, and the REIT Regulations, 2015. Pakistan's first REIT, Dolmen City REIT, successfully completed its first year in June 2016, and it has been operating smoothly.

Modarabas

The modarabas are the pioneering Islamic financial institutions in Pakistan. Currently, 37 modaraba companies are in existence and total number of operational modaraba is 25. During 2015-16, two new companies were registered as modaraba companies whereas one modaraba was floated under the Modaraba Ordinance, 1980.

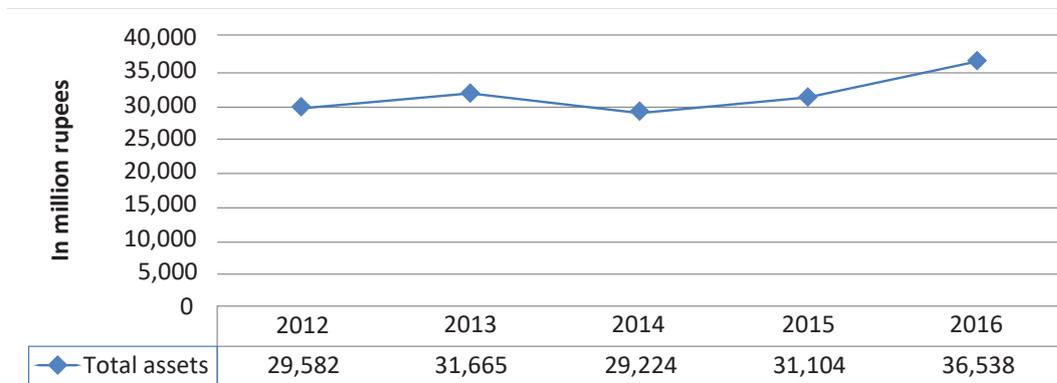
During the year, the modaraba sector showed growth in terms of total assets. The sector declared dividends up to 90%. Hence, the certificate holders were able to earn halal profits on their investments. As per the unaudited financial statements of 25 operational modarabas as of June 30, 2016, the aggregate equity of the modaraba was Rs20,033 million and total assets of the modaraba sector stood at Rs36,538 million. For the year ending June 30, 2015, 20 modarabas declared dividend in the form of cash and bonus issue. Three modarabas issued right modaraba certificates. The key statistics of the modaraba sector as of June 30, 2016 are as under:

Number of modaraba companies	37
Number of modarabas	25
Number of modarabas under winding up	05
Total assets	36,538 million
Total equity	20,033 million

During the last few years, the modaraba sector has shown a steady growth. The total assets of the modaraba sector



were Rs31,104 million as of June 30, 2015 as compared with Rs36,538million as of June 30, 2016, thus showing an increase of 17%.



Leasing companies

An upward trend has been witnessed in the asset size of leasing companies during the year under review. The asset size of leasing companies has increased by Rs2 billion, i.e. 5% from Rs40 billion as of June 30, 2015 to Rs42 billion as of June 30, 2016. The number of leasing companies has decreased from 9 to 8 during the year due to amalgamation of Standard Chartered Leasing Limited with ORIX Leasing Pakistan Limited. Further, NOC has been issued for amalgamation of NBP Leasing with National Bank of Pakistan.

Investment finance companies

The number of investment finance companies has increased from 8 as of June 30, 2015 to 10 as of June 30, 2016. The asset size of investment finance companies has also increased by 6 billion, i.e. 8.45% from Rs71 billion as of June 30, 2015 to Rs77 billion as of June 30, 2016. The increase is attributed to issuance of investment finance services licenses Lahore Stock Exchange Financial Services Limited with the asset size of Rs3 billion and the Punjab Rural Support Program with assets of Rs4 billion.

Under the new regulatory framework, NFBCs have been allowed to undertake microfinance business. In this connection, a new class of NBFCs, i.e. non-bank microfinance companies (NBMFCs) has been introduced. Comprehensive framework for providing finance to poor persons and microenterprises, including conduct requirements for NBMFCs has also been prescribed. This has enabled the SECP to regulate the micro finance institutions other than micro finance banks.

In cooperation with Pakistan Microfinance Network (PMN), Pakistan Poverty Alleviation Fund (PPAF) and market participants, the SECP was constantly engaged in educating the microfinance institutions (MFIs) about the regulatory framework since February 2016. A consultative roundtable was held on March 21, 2016 at the SECP office which was attended by PMN team, PPAF team and 40 market participants. Three separate meetings were held with the PPAF management, while 7 meetings were held with the management of the PMN to raise awareness among the stakeholders. As a result of these consultative efforts, out of 40 NBMFCs, 13 license applications have been received by June 30, 2016, while another 11 are in the registration phase. License to 1 NBMFC, i.e. Punjab Rural Support Program has been issued.

Private fund management

During the current year, two applicants have been given NOCs for formation of NBFC in order to undertake private equity and venture capital fund management services business under the newly promulgated Private Fund Regulations, 2015.

Key achievements

- Amendments to Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 were notified
- Amendments introduced to Non-Banking Finance Companies and Notified Entities Regulations, 2008 were notified
- Private Fund Management Regulations, 2015, promulgated to facilitate launch of private equity, venture capital and alternative funds such as hedge funds, infrastructure fund, SME fund, debt fund etc.
- The maximum level of sales load reduced from 5% to 3% of NAV
- Regulatory requirements introduced for the opening, closure and reallocation of branches of NBFCs and modarabas
- Standardized methodology for calculation and disclosure of expense ratio for mutual funds prescribed
- AMCs directed to immediately allocate net asset value on receipt of applications for investment in mutual funds and ensure expeditious deposit of payment instrument by utilizing the appropriate banking facility
- AMCs and investment advisors prohibited from offering any guarantee on portfolio management
- In order to facilitate Sharia-compliant funds, short-term sukuks classified as cash and near cash instruments
- Investment policy for voluntary pension schemes revised and reporting of inflation adjusted terminal value of investments was made mandatory in the interest of the participants
- With a concerted effort by the SECP, joint official liquidators of Innovative Investment Bank Limited (IIBL) and approval of the Lahore High Court the overdue depositors (84% of individual depositors and 59 % of the trusts/charitable institutions) of IIBL (under liquidation) were repaid
- Scheme of amalgamation of Standard Chartered Leasing Limited with and into ORIX Leasing Pakistan Limited was sanctioned
- Comprehensive review of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, completed

Future outlook

- Transformation of Mutual Funds Association of Pakistan (MUFAP) from a trade body to self-regulatory organization
- Standardization of benchmarks of different categories of mutual funds
- Standardization of constitutive document of mutual funds in line with the amended NBFC regulatory framework
- Introduction of requirements for online issuance and subscription by mutual funds
- Cooling off period requirements and point of sale disclosure requirements for mutual funds
- Smooth transition of existing MFIs into NBMFCs
- Finalizing the NBF law that caters to the specific operational peculiarities of NBMFCs
- Review of the Voluntary Pension Scheme Rules



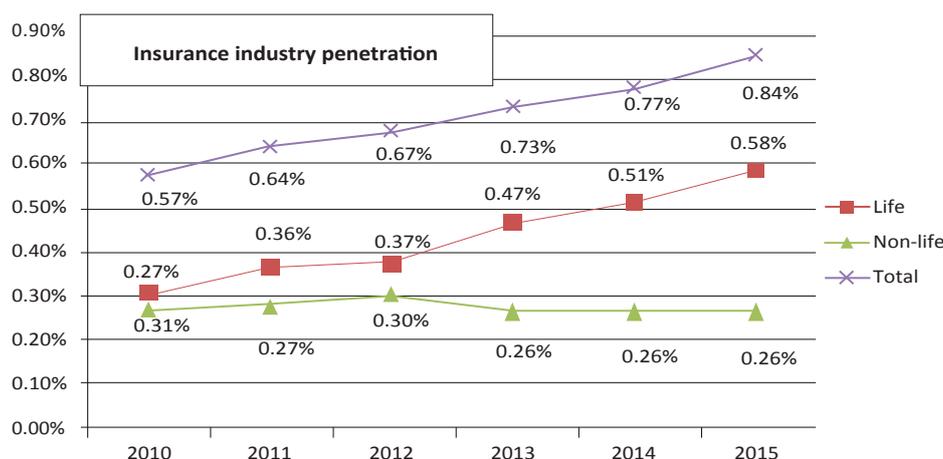
Insurance

Sector overview

A vibrant and well regulated insurance sector is the most lending force contribution towards economic and social progress of Pakistan. The SECP has a strategic priority and commitment to strengthen and maintain an effective regulatory environment for the insurance industry.

The SECP is playing a vital role in the growth of the insurance sector in Pakistan with proper checks and balances. Insurance companies are important both for businesses and individuals as they indemnify the losses and put them in the same positions as they were before the occurrence of the loss. In addition, insurers provide economic and social benefits to society, i.e. prevention of losses, reduction in fear and increasing employment.

For the past five years, the insurance sector has been growing on an average annual rate of around 13.64% on a compound basis along with minimal, but consistent increase in the insurance penetration and insurance density figures for Pakistan reveal that the growth in the sector can be termed healthy. 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 2015, the industry's total premium revenue generated stood around Rs233 billion (\$2.22 billion).



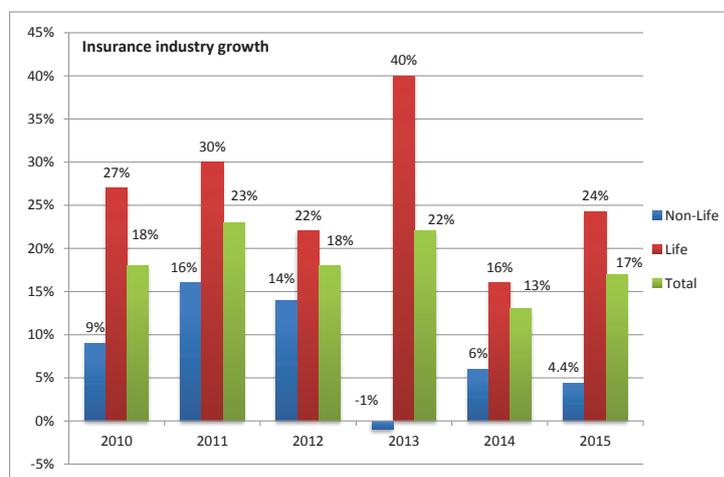
The market is also witnessing steady growth in insurance penetration and insurance density figures which means that the sector on an overall basis has been performing better and the growth in the life insurance sector would further augment the overall sector in the coming years.

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 Rs300 million for non-life and Rs500 million for life insurers. The SECP had revised the paid-up capital requirements for the insurer vide SRO 18(I)/2015 dated August 18, 2015 according to which the paid-up capital requirement for life and non-life insurers was increased to Rs700 million and Rs500 million, respectively.

At present, there are 41 non-life insurers operating in the market, including 3 general takaful operators and one state-owned insurer. In 2015, the sector grew by 17%, whereas the total premium of non-life insurance sector stands at Rs71.34 billion, excluding reinsurance. The SECP also allowed five non-life insurers to transact window takaful business during the year, through which conventional insurers will be able to underwrite takaful products.

There are 9 life insurers, including two family takaful operators, and one state-owned insurer in the life insurance

sector. In 2015, the life insurance market grew by 24%, whereas the total premium stood at Rs161.94 billion.



Licensing and approvals

During the year, the SECP processed various cases of approvals, extensions and NOCs on applications by the insurance sector 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.

- **Approvals of directors and chief executive officers**

Applications for approval of appointment of 79 directors and 24 CEOs of insurance companies were scrutinized in light of the provisions of Insurance Companies (Sound and Prudent Management) Regulations, 2012.

- **Approvals to insurance brokers**

Upon fulfilling the requirements contained in Section 102 of the Insurance Ordinance, 2000 read with Rule 13 and 14 of Insurance Rules, 2002, SECP granted two fresh licenses to Insurance Brokers during the year. One company was issued license to act as a foreign insurance broker and in another case, license to act as a local insurance broker was granted. At present, there are 15 insurance brokers registered with the Commission, which include 9 foreign insurance brokers and 6 local insurance brokers.

- **Licensing of insurance surveying companies and authorized surveying officers**

During the period under review 604 licenses of insurance surveying companies and authorized surveying officers have been approved.

- **Facultative reinsurance approvals**

During the fiscal year 2015-16, the SECP accorded 1,044 approvals for placement of surplus risks facultative abroad with foreign reinsurers.



- **Registration of third party administrators**

Health Insurance is a high cost business. It is difficult for insurers to administer effectively as it involves dealing with multiple parties, i.e. health service providers such as hospitals, doctors and pharmaceutical companies. The Third Party Administrators (TPAs) provides technologically efficient claim administrative services to the insurer for effective management of its health insurance contracts.

During the year under review, one Third Party Administrator Tawassul HealthCare TPA Private Limited got registration under the Third Party Administrators for Health Insurance Regulations, 2014.

- **Authorization as window takaful operator**

The Takaful Rules were introduced in 2012, allowing conventional insurers to obtain authorization under these rules before starting their window takaful operations, enabling 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 five non-life and two life conventional insurers during the current fiscal year. The 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.

- **Insurance agents' training**

The SECP approved amendments to the Securities and Exchange Commission (Insurance) Rules, 2002, to incorporate the requirements for agents or designated persons entering into agency contract to undergo a foundation course from a recognized institute or respective insurer, within a period of one year from the date of entering into agency contracts. Pakistan Insurance Institute is approved by the Commission under Rule 26 (b) of the SEC (Insurance) Rules 2002 to offer foundation course for life and non-life insurance agents. In order to provide a competing environment and create level playing field, the SECP now intends to allow multiple players, who meet the minimum qualifying standards, to participate in the development of technical knowledge and skills to the operators and family takaful operators. At present, the Institute of Capital Markets and Pakistan Insurance Institute are the two authorized institutes to conduct the foundation courses for the agents.

- **Standardized course outline for managerial level personnel and sales force of takaful/window takaful operators**

The SECP has issued a standard training course outline and minimum infrastructural/training and faculty requirements for approval of the institutions to carry out the training of managerial level personnel and sales force of takaful operators/window takaful operators. The training course will be at least of 24 hours duration. At present, the Centre for Excellence in Islamic Finance, Institute of Management Sciences is the only institution authorized to carry out the training of takaful operators/window takaful operators.

Besides this, takaful operators and family takaful operators can offer in-house training program to their managerial level personnel and sales forces. The SECP approved Jubilee General Insurance Company Limited and EFU Assurance Limited to offer in-house training to their managerial level personnel and sales force of takaful/family takaful operators/window takaful operators.

- **Small Disputes Resolution Committees**

Three Small Dispute Resolution Committees (SDRCs) were constituted in Islamabad, Karachi and Lahore for mediation and resolution of disputes arising between the insurers and the policyholders. The committees arbitrate small disputes arising between insurance policyholders and insurance companies. Each committee comprises of a chartered accountant or a management accountant, a lawyer and senior insurance industry professional. Three SECP officials coordinate with the said committees. During the year, the SDRCs provided relief to the tune of Rs3.64 million to the policyholders.

Key achievements

The following reform initiatives were taken for the development of the insurance sector:

- Bancassurance Regulations, 2015
- Notification on enhancement of minimum paid-up capital requirement for insurers/takaful operators
- Small Dispute Resolution Committee (Constitution & Procedure) Rules, 2015 and constitution of Small Disputes Resolution Committee
- Code of Corporate Governance for Insurers, 2016
- Issuance of SEC Guidelines on Estimation of IBNR Claims Reserve, 2016
- Directive for Life Insurance and Family Takaful Illustrations, 2016
- Draft Insurance Accounting Regulations, 2016
- Issuance of circular on disclosure of branch information by insurance companies

Future outlook

- Promulgation of Insurance Rules, 2016
- Issuance of Insurance Accounting Regulations, 2016
- SEC (Reinsurance Brokers) Regulations, 2016
- Extension of Centralized Information Sharing Solution for Life Insurance Industry (CISSII) on non-life sector
- Amendments to the Insurance Ordinance
- Introduction of accounting regulations and formats for general takaful operators
- Introduction of regulatory requirement for reporting of family window Takaful operations by life insurers
- Introduction of consumer protection regime in the case of corporate agents/direct sales force (other than bancassurance business)



- Introduction of regulatory regime for life insurance products such as universal life policies, participating and non-participating contracts
- Introduction of regulatory requirements for long outstanding claims
- Introduction of capital adequacy requirements based on the total equity
- Making rules under section 83 of the ordinance in order to ensure that insurers and intermediaries conduct business in a professional and transparent manner, including establishing an Integrated Grievance Management System (IGMS)
- Notification of the Credit and Surety-ship (Conduct of Business) Rules, 2016
- Evaluation of Code of Corporate Governance for Insurers, 2016 in light of the ICAP's comments
- Amendments to the Insurance Companies (Sound and Prudent Management) Regulations, 2012
- Addition of Health Register in Centralized Information Sharing Solution for Life Insurance Industry (CISSII)

Islamic finance

The last decade has shown tremendous growth in the Islamic financial industry. Business appeal of Islamic finance further stems from its inherent ability to promote economic maximization and social welfare opportunities. This high potential of Islamic finance is being unleashed with more distinct recognition of different dimensions, elements of Islamic finance and financial innovation it offers. At present, Islamic finance global volume has exceeded \$2 trillion, which is progressively increasing with each passing year. The volume of Islamic finance in Pakistan has exceeded \$6 billion, and is increasing at a progressive rate. The Islamic capital market in Pakistan has been playing a vital role in bringing development and channeling idle resources.

Realizing the importance of Islamic finance, the SECP established the Islamic Finance Department (IFD) in February 2015. The department is fully determined to contribute to the growth of this sector, considering its religious and national responsibility. During the year under review, these have been the major activities of the IFD:

Sharia review

In order to achieve the objective of the Islamic capital market's compliance with Sharia, the IFD reviewed the following:

- Proposed amendments to the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980
- Circular under Section 506B of the Companies Ordinance, 1984, for implementation of mandatory disclosure requirements for listed companies for KMI-30 Index and KMI-All Shares Index
- The Companies (Assets Backed Securitization) Rules, 1999
- Draft Contents of Master Guidebook- Islamic Finance and Products
- Draft provisions regarding Sharia-compliant companies and Sharia-compliant securities proposed in the Draft Companies Bill
- Definitions of Sharia-complaint company and Sharia-compliant instrument with enabling provisions for the governance framework proposed in Companies Bill, 2016

The IFD also reviewed following constitutive documents:

Offering documents

- (i) Faysal Islamic Asset Allocation Fund
- (ii) PIML-Islamic Income Fund
- (iii) AL-Ameen Islamic Dedicated Equity Fund
- (iv) HBL Islamic Asset Allocation Fund
- (v) NAFA Islamic Active Allocation Equity Fund
- (vi) NAFA Active Allocation RIBA Free Savings Fund
- (vii) NAFA Islamic Active Allocation Fund I
- (viii) ABL Islamic Financial Planning Fund
- (ix) Meezan Asset Allocation Fund



- (x) NIT - Islamic Income Fund
- (xi) NAFA Islamic Energy Fund
- (xii) Alfalah GHP Islamic Prosperity Planning Fund

Trust deeds

- (i) Alfalah GHP Prosperity Planning Fund
- (ii) Alfalah GHP Investment Management Limited Islamic Mutual Fund
- (iii) HBL Islamic Asset Allocation Fund
- (iv) Meezan Asset Allocation Fund
- (v) Al-Ameen Islamic Dedicated Equity Fund
- (vi) NAFA Islamic Active Allocation Fund - I
- (vii) ABL Islamic Financial Planning Fund
- (viii) NAFA Active Allocation Riba Free Savings Fund
- (ix) NAFA Islamic Active Allocation Equity Fund
- (x) NIT Islamic Income Fund
- (xi) Alfalah GHP Islamic Prosperity Planning Fund
- (xii) NAFA Islamic Energy Fund

Prospectuses

- (i) Dolmen City REIT
- (ii) Awwal Modaraba
- (iii) Treet Perpetual Sukuk

Launch of All-Share Islamic Index

On November 18, 2015, Finance Minister Ishaq Dar inaugurated All-share Islamic Index. The index has been developed by a panel of experts representing the State Bank, SECP, Mutual Funds Association of Pakistan, Meezan Bank Limited and Pakistan Stock Exchange. It will provide criteria of listing for the Sharia-compliant listed companies on the Pakistan Stock Exchange (PSX).

IFSB membership

The SECP became a member of the Islamic Financial Services Board (IFSB), which serves as an international standard-setting body of regulatory and supervisory agencies that want to ensure the soundness and stability of the Islamic financial services industry (IFSI). The SECP's membership means that it will benefit from cooperation among IFSB members in developing the Islamic financial services industry in Pakistan and avail itself of the IFSB's training facilities.

Adoption of Sharia standards

In line with its efforts to bring about standardization and harmonization in Sharia-related matters of Islamic financial institutions (IFIs) under its regulation and supervision, the SECP adopted, with minor amendments, Sharia standards numbers 3, 8, 9 and 13 issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Sharia Advisory Board (SAB)

Last year a four-member Sharia Advisory Board was set up at the SECP. It gives its opinions on the laws, rules, regulations, agreements and documents, put to it for the purpose. During the year, five SAB meetings were held. In these meetings the following agenda items were discussed:

- Review and approval of PMEX Commodity Murabahah Transaction
- Review and approval of the Diminishing Musharakah as a mode of housing finance for the SECP employees (Employee Housing Scheme)
- Approval of draft Standardized Offering Document for Islamic Mutual Funds
- Approval of draft Standardized Trust Deed for Islamic Mutual Funds

Enabling Sharia regulatory framework; Sharia Compliance (Companies and Instruments) Regulations, 2016

The IFD reviewed the laws/rules/regulations governed by the SECP concerning Sharia and drafted a Sharia governance framework on the basis of limitations in the current framework and trends in international jurisdictions.

Tax incentive for Sharia-compliant listed companies

The federal government, through the Finance Act 2016, introduced a tax reduction of two percent for Sharia-compliant listed companies. This was done at the SECP's suggestion. The tax rebate is part of reforms being instituted by the SECP to eliminate the riba and to promote and develop the Islamic capital market.

Future outlook

- Implementation of Sharia governance and compliance framework post the amendments to the Companies Bill, 2016.
- Adoption of AAOIFI's Sharia and Accounting Standards
- Collaboration of IFD with the centers of excellence for Islamic Finance
- Development of products for the Islamic financial capital market
- Awareness creation through international conference in collaboration with RedMoney Group, Islamic Finance News, Malaysia, to be held in September 2016 and other training sessions in Islamabad
- Implementation of recommendations of Steering Committees on Islamic Finance and NFIS
- Complete review of IFSB principles
- Finalization of standardization of constitutive documents of Sharia-compliant mutual funds, i.e. trust deed and offering documents



Legislation, legal reforms and litigation

The SECP remained actively involved in the ongoing exercise to revamp the existing primary as well as secondary legislation. It vigilantly examined laws, rules and regulations, etc. which are administered by it and proposed amendments, wherever necessary. The Futures Market Act, 2016, Securities and Exchange Commission of Pakistan (Amendment) Act, 2016, Corporate Restructuring Companies Act, 2016, and Stock Exchanges (Corporatization, Demutualization and Integration) (Amendment) Act, 2015 were the notable statutes that were promulgated during the year. The SECP also reviewed and proposed drafts of the relevant laws to be enacted by the Parliament. The SECP drafted and reviewed the various legislative instruments, including the following:

Primary legislation

- Futures Market Act, 2016
- Stock Exchanges (Corporatization, Demutualization and Integration) (Amendment) Act, 2015
- Companies Ordinance (Amendment) Act, 2015
- Corporate Restructuring Companies Act, 2016
- Securities and Exchange Commission of Pakistan (Amendment) Act, 2016
- Companies (Appointment of Legal Advisors) (Amendment) Bill, 2016
- Corporate Rehabilitation Bill, 2016
- Limited Liability Partnership Bill, 2016
- Unclaimed Dividend and Insurance Benefits and Investor Education and Awareness Fund (Amendment) Bill, 2016
- Motor Vehicle Third Party (Amendment) Bill, 2016
- Compulsory Group Life Insurance (Amendment) Bill, 2016
- Companies Bill, 2016
- Modaraba Companies and Modaraba (Floatation and Control) Ordinance, (Amendment) Bill, 2016
- Draft Amendments to the Insurance Ordinance, 2000

Secondary legislation

- Central Depositories (Licensing and Operations) Regulations, 2016
- Securities Brokers (Licensing and Operations) Regulations, 2016
- Access to Inside Information Regulations, 2016
- Companies (e-Voting) Regulations, 2016
- Joint Inspection Regulations, 2015
- Research Analyst Regulations, 2015
- Reporting and Disclosure (of Shareholding by Directors, Executive Officers and Substantial Shareholders in Listed Companies) Regulations, 2015
- Book Building Regulations, 2015
- Private Funds Regulations, 2015
- Bancassurance Regulations, 2015
- Small Dispute Resolution Committee (Constitution and Procedure) Rules, 2015
- Draft Insurance Accounting Regulations, 2016
- Draft Centralized (Know Your Customer) Organization Rules, 2016
- Draft Credit and Suretyship (Conduct of Business) Rules, 2016

- Draft Customer protection compensation fund (Establishment and Operation) Rules, 2016
- Draft Bond Pricing Agency Rules, 2016
- Draft Advisers and Consultants to the Issue of Securities Rules, 2016
- Draft Public Offering of Securities Rules, 2016
- Draft Private Placement of Securities Rules, 2016
- Draft Insurance Rules, 2016
- Draft Bankers to an Issue of Securities Rules, 2015
- Draft Employees' Provident Fund (Investment in Listed Securities) Rules, 2016
- Draft Companies (Buy-Back of shares) Regulations, 2016
- Draft Sharia Compliance (Companies and Instruments) Regulations, 2016
- Draft Centralized Customer Protection Compensation Fund Regulations, 2016
- Draft Valuers Registration and Governance Regulations, 2016
- Draft Clearing Houses (Licensing and Operations) Regulations, 2016
- Draft Securities and Exchange Commission (Reinsurance Brokers) Regulations, 2015
- Draft Modaraba Regulations, 2016

Proposed amendments to existing laws

- Amendment to Companies (General Provisions and Forms) Rules, 1985
- Amendment to Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003
- Amendment to Takaful Rules, 2012
- Amendment to Companies (Issue of Capital) Rules, 1996
- Amendment to Issue of Sukuk Regulations, 2015
- Amendment to Non-Banking Finance Companies and Notified Entities Regulations, 2008
- Amendment to Real Estate Investment Trust Regulations, 2015
- Amendment to Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012
- Amendment to Companies (Easy Exist) Regulations, 2014
- Draft Amendment to Modaraba Companies and Modaraba Rules, 1981
- Draft Amendment to Public Sector Companies (Corporate Governance) Rules, 2013
- Draft Amendment to Insurance Companies (Sound and Prudent Management) Regulations, 2012
- Draft Credit and Suretyship (Conduct of Business) Rules, 2016
- Draft Insurance Accounting Regulations, 2016



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 regulated entities comply with and implement the SECP's regulatory framework in its true spirit.

Capital markets participants

In order to ensure the orderly execution of the market operations, significant measures have been taken. During the year, a total of 15 investigations were initiated amongst which 10 were completed.

A total of 32 notices were issued to listed companies seeking explanation for unusual price and volume fluctuation. The summary of actions taken during the year is tabulated below:

Enquiries conducted/initiated against market participants			
	2014	2015	2016
Price manipulation	3	2	6
IPO/book building	1	0	1
Insider trading/front running	0	3	10
Total	4	5	17

Cases referred for adjudication	
Nature of violation	Number of cases
Insider trading	4
Listing Regulations	7
Non-disclosure of information	3
PSX Regulations	1
Based on findings of inspections	28
Others	10
Total	53

Adjudication

The breakdown of cases received, processed and disposed by AW is as under:

ARNs received + two appeals received against CDC's orders	Initiated and under process	Referred to PSX for further necessary action	Orders/warning issued	Returned to originating departments
78	21	7	32	18

Cases referred for criminal prosecution	
Violation	Number of cases
Insider trading	1
Market manipulation	9
Based on findings of investigations/enquiries	5
Total	15

Details of actions against brokers			
	2014	2015	2016
Onsite inspections completed			
Karachi	25	18	14
Lahore	-	4	8
Islamabad	-	-	1
PMEX	-	-	1
Enquiries and investigations			
Enquiries initiated against unauthorized handling of clients' assets	1	2	4
Investigations initiated against unauthorized trading in clients' account	-	1	4
Follow-up inspections	-	-	3

Takeovers

The enforcement actions taken during last three years along with the percentage change are as under:

Regulatory actions taken during the last three years				
Particulars	2013-14	2014-15	2015-16	% change
Actions under takeovers	5	8	6	(25)%

Enforcement actions against CRAs

In order to regulate the CRAs more effectively and monitor and supervise their activities more vigilantly, the Commission conducted first ever onsite inspections of both the credit rating companies in Pakistan. Show cause notices and orders were issued to both the credit rating companies and penalty was imposed. The onsite inspections of credit rating companies would be a regular feature of the Commission supervisory objective in future.

Offsite monitoring and surveillance of capital market participants

During the year, 310 letters were issued to the brokerage houses who had failed to submit their financial returns for various quarters and 270 letters were issued to the irregular filers requiring them to ensure submission of pending quarterly financial returns of various quarters 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	2016
Stock exchanges	438	438	438	289
CDC	36	36	36	36
NCCPL	84	84	84	49
PMEX	121	121	121	122
Review of system audit reports of stock exchange brokers	120	121	124	141
Review of system audit reports of brokers of PMEX brokers	34	34	44	48
Review of CDC inspection reports of participants	140	199	172	11
Review of joint inspection reports				24



Compliance reviews

For the first time, a comprehensive compliance assessment of PSX, NCCPL and CDC was conducted. The assessment process was aimed at assessing and enhancing the overall functioning of SROs. Furthermore, a number of theme-based reviews were conducted aiming to identify areas of non-compliance by the market participants and assess the robustness of monitoring mechanism/controls of SROs. Such reviews included the following areas:

- Code of Corporate Governance
- Internet Trading Regulations
- Trading by employees of brokerage houses
- Trading by directors
- Risk management
- Advertisements of business by brokerage houses
- System audit
- know your customer and customer due diligence

The findings of the compliance reviews were shared with the respective SROs in order to assist them in strengthening their controls.

Revamping of reporting by SROs

The reporting and monitoring system has been revamped with an introduction of a total of 53 new reports to be filed by NCCPL and PSX periodically. The reports have been designed while taking into account the findings of the compliance reviews conducted during the year.

Joint inspection regime

During the year, Joint Inspection Regime (JIR) was promulgated with the aim of consolidating the expertise and knowledge of SROs in order to enhance efficiency and quality of inspections. Furthermore, JIR facilitates proper linkage of audit trail, as it encapsulates joint inspection team members from exchange, clearing company and depository company. The SECP imparted its experience of inspections with stakeholders. In this connection, several meetings were conducted with JIR teams and audit firms.

Beneficial Ownership

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	Number of cases in 2014	Number of cases in 2015	Number of cases in 2016	Percentage change 2015-2016
1	Warning letters issued	134	71	83	16%
2	Orders issued	52	31	7	(77)%

Actions under section 105 of the Securities Act, 2015 (recovery of tenderable gain)

During the year, recovery of tenderable gain amounting to Rs4.078 million has tendered to the Commission for onward credit to the Federal Consolidated Fund. 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 2014	Number of cases in 2015	Number of cases in 2016	% change
1	Recovery of gain from beneficial owners of listed companies	2	4	4	0%

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

The enforcement activities undertaken during the year include the following:

- Issuance of show-cause notices under rule 25 of the Rules in March-April 2016 to all the companies that have failed to file their statement of compliance for the year ended June 30, 2015 and earlier, with the SECP.
- Issued circular to all the public sector companies, recommending to utilize the video conferencing technology for holding the BOD and general meetings.

Investigations into affairs of companies

Processed 19 applications during 2015-16 under section 263 and 265 of the Companies Ordinance, 1984 for investigation of affairs of the companies.

Adjudication of cases under the ordinance

The Registrar of Companies and the CROs initiated adjudication proceedings in 16,187 cases for violation of various provisions of the Ordinance.

Monitoring and enforcement actions of private companies having paid-up capital of below Rs100 million

During the year 1,580 annual audited financial statements of private companies having paid-up capital of below Rs100 million 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:

Particulars	2016
Show cause proceedings initiated (if any)	226
Cases concluded through orders	147
Warnings issued after accounts' examinations	06

Offsite surveillance, inspections/investigations and adjudication

During the year 851 annual audited financial statements of listed, unlisted and private companies having paid-up capital of Rs100 million and above and companies registered under Section 42 and 43 to the Ordinance were examined and explanations with regard to various violations observed during the examination of the audited financial statements were sought. The summary given below reflects increased compliance level by the companies owing to the stringent regulatory actions taken by the Commission over the years:

Regulatory actions taken during the last three years

Particulars	2014	2015	2016
Examination of accounts	1,116	928	851
Show cause proceedings initiated	448	315	276
Cases concluded through orders and warnings	627	366	684

The breakdown of the regulatory actions taken against the companies and their auditors under various sections of the Ordinance over the last three years is given hereunder:

Breakdown of regulatory actions taken during the last three years			
Particulars	2014	2015	2016
Inter-corporate financing	5	8	4
Powers of directors	12	2	7



Making false/incorrect statements	33	23	26
Actions against auditors	48	22	34
Non-preparation and submission of consolidated financial statements	14	4	4
Irregularities in provident fund	24	14	16
Surplus arising out of revaluation of fixed assets	6	3	-
Irregularities in utilization of security deposits	15	11	3
Authentication of balance sheet	27	8	7
Improper issue, circulation or publication of balance sheet or profit-and-loss accounts	180	53	-
Non-late holding of annual general meeting	19	14	42
Meetings of board of directors and disclosure of interest	10	5	4
Enforcing compliance with the provisions of the ordinance	5	-	35
Circulation of quarterly accounts	12	17	107
Late filing of cost audit report and non-submission of applications by companies for appointment of cost auditors	6	3	3
Actions under listed companies 2002 (Substantial Acquisition of Voting Shares and Takeovers) Ordinance	6	1	-
Application for revision and review of orders	4	5	7
Case referral of criminal proceedings	-	-	6
Securities Act Orders	-	-	60
Warnings for non-compliances of laws and standards	114	119	308

Inspection/investigations of section 42 companies

During the period under review, inspections of 7 non-profit associations were carried out and accordingly necessary adjudication proceedings were initiated against 4 associations. Keeping in view the serious nature of issues highlighted by the inspectors, investigation order of one company was issued.

Inspection/investigations of corporate sector

Three investigation proceedings were initiated during the year out of which two were initiated in the matter of listed companies and one in the matter of an unlisted company. Investigation proceedings were mainly initiated against the companies based on observations, including failure to circulate the notice of offering certain existing shareholders, separate bank accounts for receipt of funds against issue of right share, sale deed for purchase of land was not executed, long-term financing issues and blatant misstatements and omission of facts by the companies. All investigation proceedings are under process. Additionally, three inspection proceedings were ordered during the year. In two instances where inspections under section 231 were initiated, which have been concluded. One inspection proceeding is under process. The data relating to inspections/investigations conducted during the last three years is as follows:

Inspections/investigations conducted during the last three years			
Particulars	2014	2015	2016
Inspections	3	Nil	3
Investigations	3	3	3

Enforcement of the NBF sector

Offsite examination and enforcement

The SECP examines the financial health and assesses regulatory compliance level of NBFs, notified entities and modarabas on the basis of published information and data received electronically through Specialized Companies

Returns System (SCRS) on a monthly basis. Asset management companies, mutual funds, pension funds and investment advisory portfolios are reviewed on a quarterly basis, deposit taking lending institutions (leasing companies, investment banks and modarabas) are reviewed on a quarterly basis while non-deposit taking institutions and low-risk entities are examined on a half-yearly basis.

The findings observed during offsite examination of entities in the year 2015-16 were taken up with respective entities primarily through compliance letters and warnings. Statistics of offsite examinations conducted during the last two years are as follows:

Category of entity	Total number of offsite reviews	
	2014-15	2015-16
Asset management companies	70	80
Investment advisors	4	4
REIT management companies	-	6
Investment banks	18	21
Leasing companies	19	24
Modarabas	60	75
Total	171	210

During the year, based on the offsite and onsite inspection reports, major actions were taken against non-compliant NBFCs and modarabas as follows:

- An 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 AMC and its officers for misselling of product to a customer by one of the distributors of AMC. The AMC was also penalized by an amount of Rs0.5 million along with direction to refund the sales load to the investor, to amend distribution agreements and to ensure placement and implementation of centralized control function to verify the information given by the sales staff and distributors before selling the product.
- An 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 to an AMC, and its officers on account of inability of the company to meet the minimum equity requirement laid down in NBFC Regulations. The AMC subsequently met the minimum equity requirement as prescribed under NBFC Regulations.
- During the year under review, 11 modaraba management companies (MMCs) were deregistered. These MMCs were found non-compliant with the conditions of registration certificates, which were granted to them, and with the Modaraba Companies and Modaraba (Floatation and Control Ordinance) 1980, as well as the Modaraba Rules, 1981. These MMCs were deregistered after detailed scrutiny of each case and completing the due process of law and providing them with an opportunity of hearing.
- Imposition of penalty on two MMCs for non-filing of accounts.
- Penalty was imposed on two MMCs, one for appointing the CEO of the company without seeking approval from Registrar Modarabas while for the other MMC, penalty was imposed on account of making payment of fee to the auditors, in excess of the remuneration approved by the registrar modaraba.
- An order was issued under section 158 of the Companies Ordinance, 1984, to directors/CEO of one of the lending institutions for non-holding of AGM within the stipulated time period.
- Observations highlighted during thematic inspection of asset management companies to assess KYC regime implemented at their end were duly taken up with the companies for necessary compliance.
- Amendments to the NBFC Regulations pertaining to governance, controls and policies to be implemented at the end of asset management companies were assessed for further taking up with the companies for implementation.



- Matters highlighted by trustees of mutual funds were also taken up with the respective asset management companies for necessary compliance.

Statistics pertaining to various types of enforcement actions taken during the last two years are given below:

Enforcement actions	2014-15	2015-16
Compliance letters	287	356
Warnings /directions	12	19
Show-cause notices	-	19
Orders	2	16
Total	301	410

Onsite inspection

Onsite inspection of NBFCs, notified entities and modarabas plays a critical role in the efficient and effective monitoring of the NBF sector. The selection of the entities for inspections is based on risk assessment criteria of the onsite inspection wing, as well as observations made during offsite examination.

During the year, inspections of 11 entities (5 asset management companies managing 57 notified entities, 1 investment advisor, 4 modaraba and 1 leasing company) were conducted covering 25% of the total NBFC and the modaraba sector.

Financial year	Total inspections conducted	Percentage pf asset size covered (NBFC and modaraba sector)
2013-14	15	49%
2014-15	15	40%
2015-16	11	25%
	*22	*100%

* In addition to the full scope inspections, the relevant department also carried out thematic/focused inspections of entire mutual fund industry in order to determine compliance with Circular 12 of 2009 regarding customer due diligence (CDD)/ know your customer (KYC) requirements.

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 received electronically through Insurance Companies Returns Systems (ICRS) on a quarterly basis.

The findings observed during the offsite examination of insurance, takaful companies and insurance brokers during the year 2015-16 were taken up with respective entities primarily through compliance letters and warnings.

A snapshot of enforcement actions taken by the SECP on the basis of offsite examination during the period under review are as follows:

Nature of action/correspondence	Numbers
Offsite reports completed	51
ARNs	27
Warning letters	39
Compliance/advice letters	40

Onsite inspections

Onsite inspections of insurance companies and takaful operators play a critical role in the efficient and effective supervision of these entities. The selection of entities for inspections is based on the risk assessment criteria of the onsite inspection wing as well as observation made during the offsite examination. The information on onsite inspections conducted during the year is as follows:

Nature of actions/correspondence	Numbers
Onsite inspections/investigations conducted	7
Onsite inspections/investigations completed	6
ARNs	2
Warning letters	3
Compliance/advice letters	4

Offsite surveillance and monitoring

The SECP has been striving to improve the supervision of the insurance sector by development of manuals, checklists and formats to ensure standardization in the preparation of documents related to the supervision of the sector with applicable laws, the fruits of which shall be evident in functioning of the SECP in the near future. During the period under review, the following standardization initiatives were undertaken by the SECP:

- Development of mechanism for improving the offsite surveillance and monitoring system for non-life insurance companies
- Development of checklists and new formats for offsite reports for bringing standardization in the offsite surveillance function
- Risk Based Supervision based on CARMELS

Adjudication activities

A snapshot of enforcement actions taken by the SECP against non-compliances with the applicable laws by the insurance sector during the period under review are as follows:

Nature of action/correspondence	Jul 2015 - Jun 2016
Information assessment notes	122
Show-cause notices	33
Orders	28
Penalties imposed	Rs6,245,000
Warning letters	13

Key achievements

- Revisiting of qualifying criteria for unlisted companies
- Adoption of IFRS for SMEs and AFRS for SSEs (Revised) issued by ICAP
- Mandatory QCR-rated auditor for unlisted public interest and large size companies
- Mandatory QCR rated cost auditor from ICAP and ICMAP
- Adoption of Accounting Standards for NPOs for companies formed under Section 42 and 43 of the Companies Ordinance, 1984
- Electric Power Generation Industry (Cost Accounting Records) Order, 2015 notified
- Appointment of independent share registrar was made mandatory
- Maintenance of bilingual functional websites by public companies was made mandatory
- The SECP allowed companies to withhold dividends to those who had not provided their computerized national identity card (CNIC) numbers to companies



- All listed companies were advised to comply with the instructions of Ministry of Foreign Affairs notifications regarding freezing of funds, and to restrict entry and sale/transfer of arms and related materials within their jurisdictions
- Introduced the mode of dispatch of annual accounts of listed companies in soft form on CDs/DVD to shareholders
- Guidelines on Going Concern Reporting for companies and their directors were issued
- Regulations for e-voting in general meetings were issued
- Comments to Islamic Finance Department on Implementation of Mandatory Disclosure Requirements for Listed Companies for All Shares Islamic Index Screening
- Awareness session for practicing chartered accountants in collaboration with the ICAP held in Islamabad and Lahore
- Roundtables for Principles of Corporate Governance for unlisted Companies in close collaboration with IFC and CIPE held in Karachi, Lahore and Islamabad

Future outlook

- Employees Provident Fund (Investment in Listed Securities) Rules, 2016 to be notified
- Revision of Audit Report Formats as prescribed in Form 35-A and Form 35-C of the Companies (General Provisions and Form) Rules, 1985, after receiving input from ICAP
- Development and revision of guidelines on following areas:
 - o Guidelines on compromise arrangements and reconstruction
 - o Revision of guidelines for issue of shares at discount
- Regulations/guidelines on accounting for common control transactions
- Promulgation of principles of corporate governance for unlisted companies
- Finalization of draft Valuers Registration and Governance Regulations, 2016
- Revamp of existing market surveillance suite (MSS) in line with international levels
- Revisiting the mechanism for off-market trades and erroneous trades
- Revamp of reporting framework of Central Depository Company of Pakistan Limited and Pakistan Mercantile Exchange for offsite monitoring
- Onsite inspection of other licensed activities such as RTA/TA, credit rating companies
- Compliance review of SROs
- Thematic reviews of TREC holders
- Follow-up inspections of TREC holders on a regular basis
- Penalty rationalizing at the SROs
- Developing framework for standardization of brokers back office
- FRS instruction manuals
- Development of Financial Reporting System instruction manual
- Research Analyst Regulation training workshops
- Development of a guidebook for calculation of NCB
- Developing broker profiling database
- Conduct research on risk profiling of investors of mutual funds and arrange development of standardized format for customer risk profiling through MUFAP
- Detailed analysis of deposit holders data will be conducted pertaining to deposit taking NBFCs/modarabas
- Development of standardized format for fund manager report for pension funds

International relations

International Organization of Securities Commissions (IOSCO)

The SECP is an active member of the International Organization of Securities Commissions (IOSCO), which is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities' markets in more than 115 jurisdictions.

During the year, the SECP was re-elected to the IOSCO governing body, i.e. the Board for a third term from the Asia Pacific region. In view of the importance of information sharing and emerging challenges facing global securities markets, the SECP is engaged on various IOSCO forums, including Assessment Committee, Growth and Emerging Markets (GEM) Committee, Asia Pacific Regional Committee (APRC) and Committee 3. Furthermore, the SECP is a full signatory to the IOSCO Multilateral Memorandum of Understanding (MMOU). The MMOU sets an international benchmark for cross-border cooperation. Established in 2002, it has provided securities' regulators with the tools for combating the cross-border fraud and misconduct that can weaken global markets and undermine investor confidence.

IOSCO AC Country Review of Pakistan's Implementation 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 Principles was published in July. The review acknowledged progress achieved by the SECP since its last FSAP in 2004 while also sharing valuable recommendations to further improve Pakistan's rating against international benchmarks. These recommendations are being addressed through a comprehensive time-bound action plan being vigorously pursued by the SECP.

Multilateral matters

South Asian Securities Regulators' Forum

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. As the next SAARC summit is scheduled to be held in November in Pakistan, the SECP is planning to host the third session of the SASRF on the sidelines of the summit.

MOU between SECP and Bimeh Markazi of the Islamic Republic of Iran

The SECP and Bimeh Markazi of Islamic Republic of Iran, the insurance regulator, signed an MOU in March to improve cooperation and exchange of information between the two countries in the field of insurance.



COMCEC CMR: Report on transparency and public disclosure requirements

The SECP, as chair of the COMCEC Capital Market Regulators Forum, presented a report on transparency and public disclosure requirements in the OIC member states 4th COMCEC Capital Market Regulators Forum meeting held in November at Istanbul, Turkey. The report provides an overview of 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:

- Participation in the national risk assessment
- Scrutiny of the NGO Sector/revalidation of license
- Progress reports submitted to the IOSCO regarding review recommendations

World Bank assessment under Reports on the Observance of Standards and Codes (ROSC) Program

During the year the World Bank was invited to conduct a country assessment of auditing and accounting and corporate governance under the ROSC program. The World Bank ROSC team conducted its assessment of auditing and accounting for Pakistan during their visit to Pakistan in January 2016, and their report is awaited.

Future outlook

Previously, self-assessment of IOSCO's Principles 1 to 37 was carried out by the SECP in 2014, which was then submitted to the IOSCO Assessment Committee for third party review. During 2016-17, the SECP will carry out self-assessment against IOSCO's Principal 38 covering financial market infrastructures. This will further validate the improvements in the practice and regulation of securities market institutions in Pakistan.

Investor education

Investor Education plays a pivotal role in contributing towards building the investor confidence. Owing to increased complexities and emergence of new products and services in the financial markets, it has become imperative that current as well as potential investors should be kept abreast with these latest developments. Keeping this role in mind, the Investor Education and International Relations Department (IEIRD) conducted multidimensional activities throughout the year and a number of new initiatives were successfully completed.

Key achievements

- 7,600 user registration with JamaPunji portal
- Introduced branch network verification facility through JamaPunji portal
- Launched subscription based value added SMS service 8181 for:
 - receiving investment quotes and important regulatory news
- 5 verification services were introduced, including company, licensed entity, modaraba, notified research entity and broker agent
- Established collaborative partnership for promoting investor education by signing MOUs with 15 universities
- Conducted 65 seminars at universities, corporates, the Institute of Cost and Management Accountants of Pakistan (ICMAP), the Institute of Chartered Accountants of Pakistan (ICAP), Islamabad Chamber of Commerce and Rawalpindi Chamber of Commerce
- Organized mock trading competition at university level
- Organized a conference on 'Financial literacy and personal financial planning' for 350 students from 13 universities at the SECP head office
- Published 70 public service messages in newspapers under JamaPunji media campaign
- Conducted webinars on "Money matters" in collaboration with the CDC
- FM 102.2 of Riphah University aired a series of 13 radio programs on JamaPunji
- Launched Abbotabad Sarmayakari hub in collaboration with the CDC
- Investor education material has been developed and disseminated for public awareness
- Mandatory JamaPunji link on regulated entities' websites and messages on annual reports and on prospectuses for educational and awareness purposes have been ensured
- Signed an MOU with CFA Society Pakistan for spreading financial literacy and investor education
- Signed an MOU with the Higher Education Commission of Pakistan on financial literacy for the awareness of students and academia
- Two faculty development programs attended by 200 faculty members of various universities were conducted in Islamabad and Karachi with the support of HEC
- Two training session on "voluntary pension system" conducted exclusively for HR professionals in Lahore and Karachi

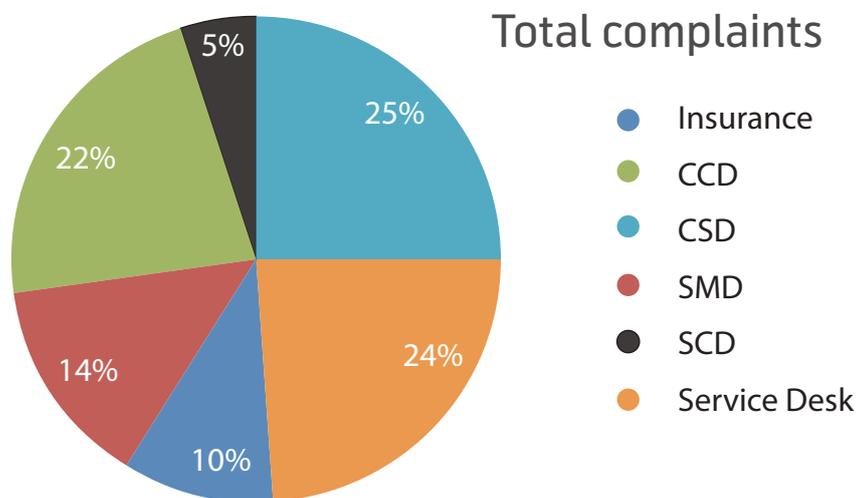
Investors' grievances and service desk management

In order to ensure investor confidence the SECP focuses on investor complaints and grievances. It proactively addresses and resolves queries and complaints by investors and stakeholders. It takes action on shareholders' whistleblowing, indicating possible violations of law by the management of any company.

Service desk has been established to facilitate the corporate sector and capital markets investors and the public. During the year, about 11,000 enquires were answered and over 2,000 complaints were handled.



The details of complaints handled during the year are as follows:

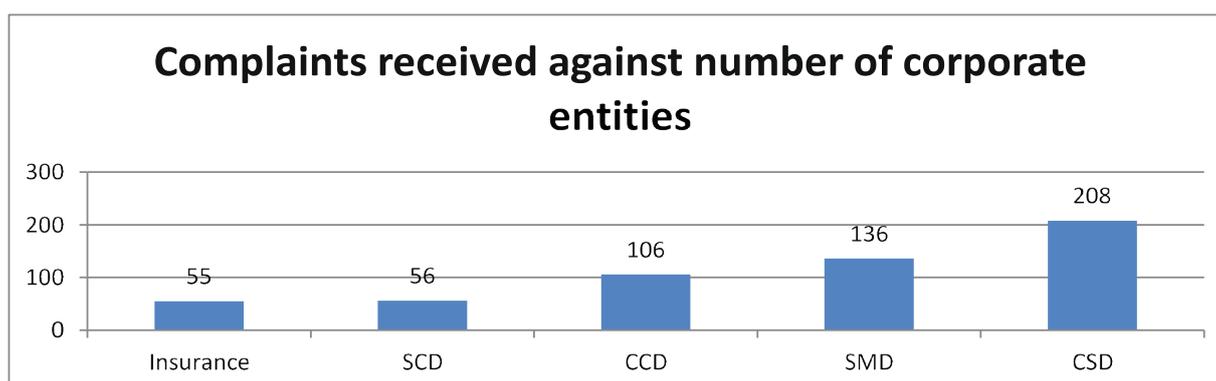


Department	Total complaints	Resolved	In process	Sub Judice	Closed	Third party referred
Insurance	201	91	36	20	44	10
SMD	287	120	44	18	89	16
SCD	445	277	3	4	155	6
CCD	88	49	2	1	35	1
CSD	499	303	46	13	137	0
Service Desk	482	270	18	0	194	0
HR Dep	5	2	0	0	3	0
Total	2,007	1,112	149	56	657	33

Maximum complaints against corporate entities

The Commission works diligently to identify corporate entities against which maximum number of complaints is arising and takes necessary actions to root out elements which are harmful to the interests of relevant stakeholders.

Total number of entities against which complaints have been received are 561. The departmental breakdown is as follows:



Future outlook

- Youth Investor Week at the Pakistan Stock Exchange
- MOUs with the Institute of Chartered Accountants of Pakistan, the Institute of Cost and Management Accountants of Pakistan, ACCA Pakistan and the Pakistan Expo Centers (Pvt.) Limited
- Development and dissemination of investor education material in the form of booklets, flyers, guides
- Development of a master guidebook as a reference book for university students will be introduced
- Capacity building of the faculty members of various universities as resource persons to conduct JamaPunji seminars
- Expanding the outreach of Investor Education Plan with universities of KPK, Sindh and Punjab by holding investor education seminars
- Conducting investor education seminars and events in collaboration with other stakeholders
- Radio programs from the educational channels managed by various universities and through FM/Radio Pakistan
- Orientation sessions to promote entrepreneurship among the students will be held in collaboration with the HEC
- Curriculum development with the HEC for management science degree programs



Securities and Exchange Policy Board

As of June 30, 2016, the Policy Board consisted of the following members:



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

Ex officio members



Muhamad Zafar-ul-Haq Hijazi
Chairman,
Securities and Exchange
Commission of Pakistan



Azmat Ali Ranjha
Secretary,
Commerce Division



Mrs. Nyla Qureshi
Secretary,
Law, Justice and Human
Rights Division



Saeed Ahmad
Deputy Governor,
State Bank of Pakistan Karachi

Private sector members



Osman Saifullah Khan



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. Mr. Azmat Ali Ranjha was appointed as ex officio Secretary, Commerce Division, on March 4, 2016 and Mrs. Nyla Qureshi took over the charge of ex officio Secretary, Law and Justice Division on acting charge basis on April 22, 2016. Both became the ex officio members of the board. Furthermore, Mr. Javed Aslam Callea, on attaining the age of 65 years on June 19, 2016, ceased to be a member of the Securities and Exchange Policy Board.

The details of Policy Board meetings held during the financial year 2015-16 are as under:

S. No.	Names of members	Number of meetings held	Number of meeting attended
1.	Dr. Waqar Masood Khan, Chairman	6	6
2.	Mr. M. Zafar-ul-Haq Hijazi	6	6
3.	Secretary, Law and Justice Division	6	6
4.	Secretary, Commerce Division	6	6
5.	Mr. Saeed Ahmed, Deputy Governor, State Bank of Pakistan	6	3
6.	Mr. Osman Saifullah Khan	6	1
7.	Hafiz Mohammad Yousaf	6	4
8.	Mr. Kamal Hassan Siddiqui	6	6
9.	Mr. Javed Aslam Callea	5	4

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 regulations with respect to implementation of the 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 act
- (vii) Specify fees, penalties and other charges chargeable by the SECP to achieve the purposes of the act

Apart from above, all policy decisions, including any changes to the previously established policy, in respect of all and any matters 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.

During the year, six meetings of the board were held wherein 43 agenda items and 6 other business items were taken up and decided appropriately. Further, the Board also passed resolutions by circulation and decided matters of urgent nature. The board considered various matters, including the following and gave approval/direction thereon:

- Amendment to Rule 10(1)(s) of the Takaful Rules, 2012
- Proposed amendments to the Securities and Exchange Commission of Pakistan Act, 1997, with regard to investigation by FIA and NAB etc., with only one reference by the Commission
- Amendment to rule 35 of the Securities and Exchange Commission (Insurance) Rules, 2002
- Deferment in the implementation of the educational requirements of SRO 649(I)/2015 read with Rule 26(b) of the SEC (Insurance) Rules, 2001
- Rationalization of fee being charged by the Commission
- Reconstitution of Small Dispute Resolution Committee under section 117 of the Insurance Ordinance, 2000
- Fee to be charged under section 21(g) of the Securities and Exchange Commission of Pakistan, 1997, for filing of statement of beneficial ownership and annual returns under Reporting and Disclosure of Shareholding (by Directors, Executive Directors and Substantial Shareholding in Listed Companies) Regulations, 2015
- Promotion procedure for the SECP employees
- SECP's annual budget for the financial year 2015-16 and the performance bonus criteria
- Discussion on implementation of the motor third party liability insurance scheme to compensate the victims of road accidents
- The SECP's Annual Report of the year 2014-15 for submission to the federal government
- Implementation of Code of Conduct for Policy Board Members to comply with the IOSCO Principles
- Amendments to the Human Resource Manual
- Update on the demutualization and integration of stock exchanges
- Briefing on the NBFC Sector Conference 2016, its recommendations and the way forward
- Presentation of IS&T Department on its future plans and strategy
- Update on Audit Oversight Board
- Brief on divestment of Pakistan Stock Exchange Limited (PSX)

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 details of Oversight Committee meetings held during the financial year 2015-16 are as under:

S. No.	Names of members	Number of meetings held	Number of meetings attended
1.	Hafiz Mohammad Yousaf, Chairman	4	4
2.	Mr. M. Zafar-ul-Haq Hijazi	4	4
3.	Mr. Javed Aslam Callea	4	4
4.	Mr. Kamal Hassan Siddiqui	4	4

Audit Committee

The Audit Committee, constituted by the Board in its 68th meeting on June 29, 2015, considered the following:

- Review and approval of the Annual Audit Plan for the financial year 2015-16
- Progress Report of IA&CD for the last six months
- Inquiry Report to Audit Committee of the SECP regarding observations of Internal Audit Department of SECP
- Appointment of auditors for the year 2015-16
- Audit reports along with executive summaries by IA&CD
- Presentation on the working of Internal Audit and Compliance Department

The details of Audit Committee meetings held during the financial year 2015-16 are as under:

S. No.	Names of Members	Number of meeting held	Number of meetings attended
1.	Mr. Kamal Hassan Siddiqui, Chairman	4	4
2.	Secretary, Commerce Division	4	4
3.	Mr. Javed Aslam Callea	4	3



The Commission



Mr. Fida Hussain Samoo, Mr. Tahir Mahmood , Mr. Muhammad Zafar-ul-Haq Hijazi,
Mr. Zafar Abdullah and Mr. Akif Saeed

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.

The details of Commission's meetings held during the financial year 2015-16 are as under:

S. No.	Name of Members	Number of meetings held	Number of meetings attended
1.	Mr. M. Zafar-ul-Haq Hijazi, Chairman	95	95
2.	Mr. Tahir Mehmood, Commissioner	95	89
3.	Mr. Zafar Abdullah, Commissioner	95	88
4.	Mr. Akif Saeed, Commissioner	95	92
5.	Mr. Fida Hussain Samoo, Commissioner	95	87

Conduct of business

During the year, the secretariat convened 95 regular and one emergent meeting of the Commission, wherein 691 working papers of departments/divisions and 149 other business were considered and decided appropriately. Besides, the Commission also passed 4 resolutions by circulation and decided urgent matters of departments/divisions. The Commission's Secretariat on behalf of the Commission, issued 108 statutory regulatory orders/notifications and facilitated issuance of 40 circulars.

Appellate Bench

The Appellate Bench of the Securities and Exchange Commission (SECP) is mandated to hear and decide the appeals filed under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997, against the orders passed either by a Commissioner or any other officer authorized by the SECP.

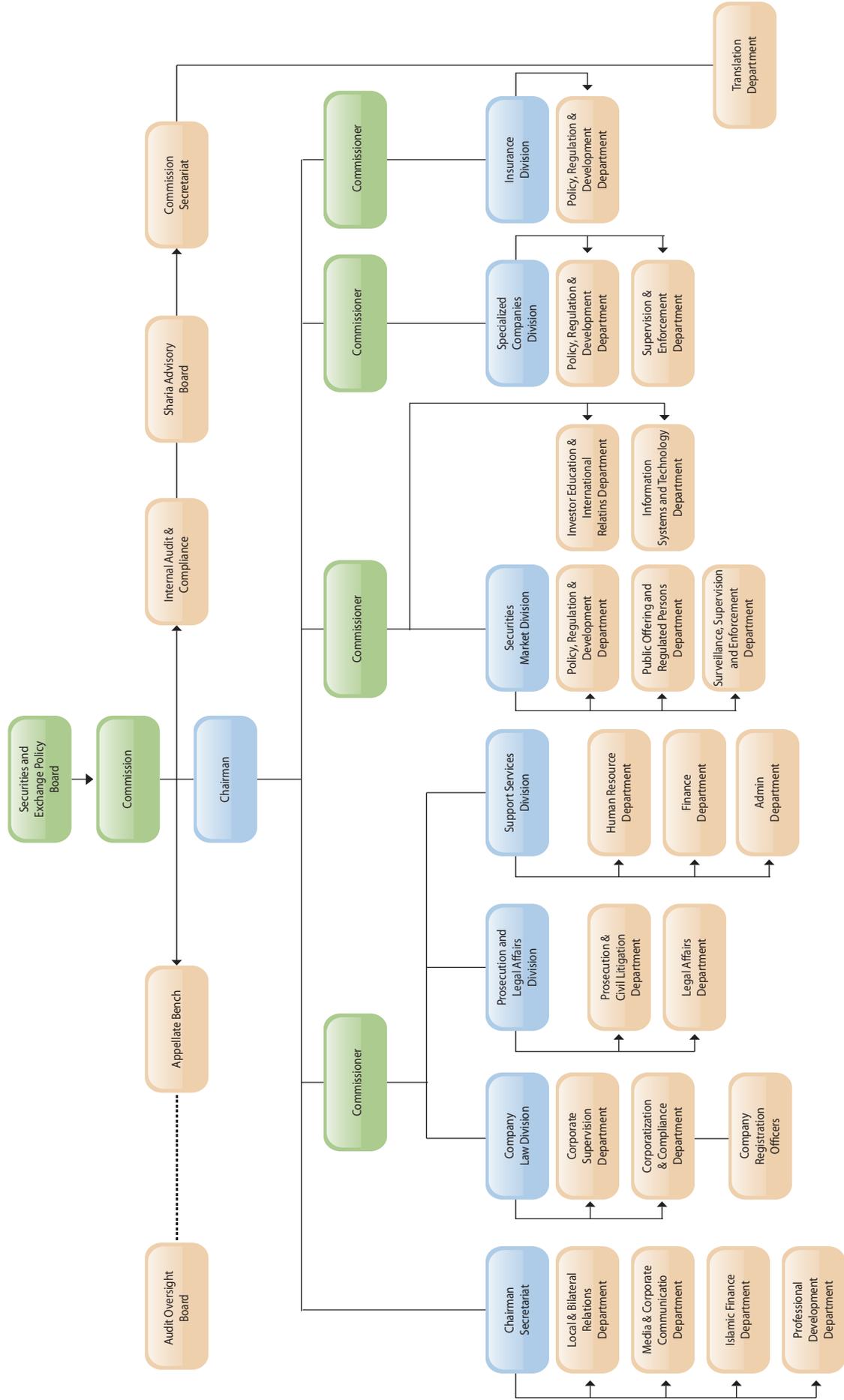
The appellants are required to file appeals before the bench within 30 days from the date of impugned order. The bench disposes of appeals through different benches and each bench consists of two Commissioners. Appeals received under section 33 of the Act are required to be examined and scrutinized as per the Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003. The hearings of the appeals are fixed after completion of requirements contained in the rules and every possible effort is made to dispose of appeals within 45 days.

During the year, the Appellate Bench disposed of 132 appeals, whereas from July 1, 2014 to June 30, 2015, 110 appeals were decided. It is important to mention here that by deciding 132 appeals from July 1, 2015 to June 30, 2016, the Appellate Bench has achieved the benchmark of zero pendency.

ORGANIZATIONAL STRUCTURE AND SENIOR MANAGEMENT



Organizational Structure of SECP



Division Department



Senior management



Shahid Nasim
Executive Director, SCD



Muhammad Asif Jalal Bhatti
Executive Director, SMD



Aamir Khan
Executive Director, SCD



Muhammad Siddique
Executive Director
CCD, Regulation



Musarat Jabeen
Executive Director, SMD



Murshed Ahmad Khan
Executive Director, IT



Bushra Aslam
ED/Secretary to the
Commission



Abid Hussain
Executive Director, CSD



Ali Azeem Ikram
Executive Director
Insurance Division



Bilal Rasul
Executive Director
Islamic Finance



Jawed Hussain
Executive Director
CCD, CROs



Imran Inayat Butt
Executive Director, SCD



Usman Hayat
Executive Director
Chairman Secretariat



Muzzafar Ahmed Mirza
Chief Prosecutor



Khalida Habib
Director/HOD
IEIRD



Khalid Iqbal
Director/HOD, HR



Yaser Manzoor
Director, SMD



Waseem Irshad
Director/HOD, Admin



Maheen Fatima
Director/HOD, Internal
Audit



Arshad Mahmood
Additional Director/HOD,
Finance

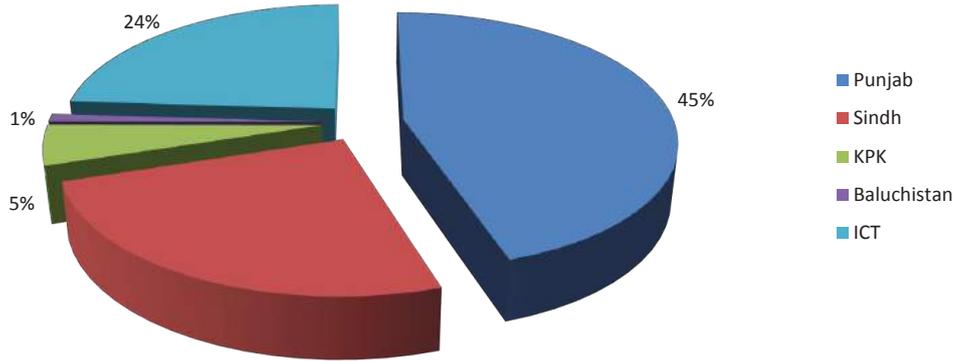
STATISTICS





Province-wise new incorporations during FY 2015-16

Province-wise new incorporation during FY 2015-16



Breakdown of foreign companies by country/region

Foreign companies portfolio

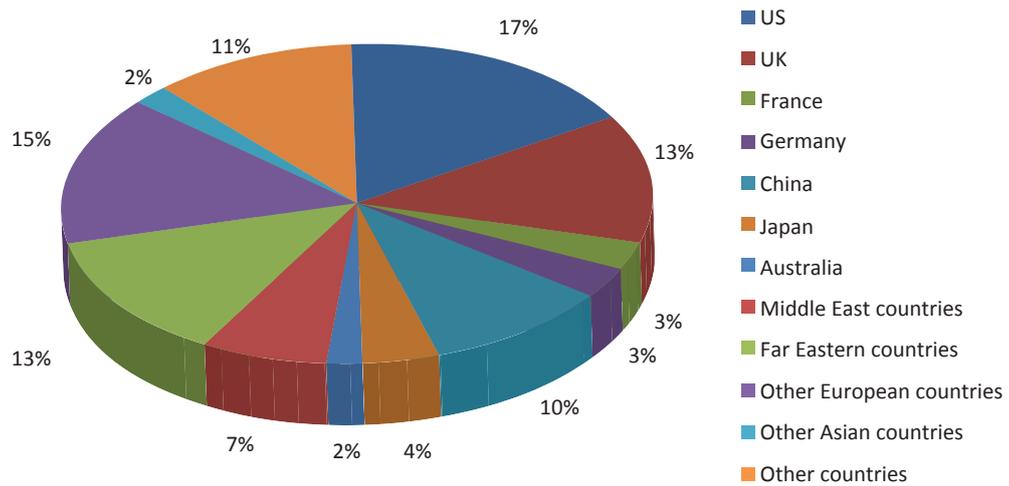


Table 1: Number and type of companies

Type of companies	Newly incorporated companies for the financial year ending June 30, 2016	Total companies as of June 30, 2016
Companies limited by shares		
Public listed	---	557
Public unlisted	78	2,384
Private	5,562	65,806
SMCs	431	2,492
Total companies limited by shares	6,071	71,239
Associations not for profit u/s 42	72	707
Companies limited by guarantee u/s 43	----	72
Trade organizations	3	256
Foreign companies	54	927
Public companies with unlimited liability	0	2
Private companies with unlimited liability	0	1
Companies u/s 503(2)	0	3
Total companies	6,200	73,207

Table 2: Capitalization breakdown as of June 30,2016

	Listed companies	Unlisted public companies	Private companies	SMCs	Total	%age
Paid-up capital up to Rs100,000	0	417	25,079	1,554	27,050	37.97
Paid-up capital from Rs100,001 to 500,000.	0	293	10,210	424	10,927	15.34
Paid-up capital from Rs500,001 to 1,000,000	0	111	7,417	234	7,762	10.90
Paid-up capital from Rs1,000,001 to 10,000,000	13	341	17,229	204	17,787	24.96
Paid-up capital from Rs10,000,001 to 100,000,000	138	639	4,745	71	5,593	7.85
Paid-up capital from Rs100,000,001 to 500,000,000	197	357	908	4	1,466	2.06
Paid-up capital from Rs500,000,001 to 1,000,000,000	71	81	117	1	270	0.38
Paid-up capital from Rs1,000,000,001 to above	138	145	101	0	384	0.54
	557	2,384	65,806	2,492	71,239	100.00



Table 3: Sector-wise distribution

Sector	Newly incorporated companies for the financial year ending June 30, 2016	Total companies as of June 30, 2016
Auto and allied	90	896
Broadcasting and telecasting	162	834
Cables and electric goods	71	798
Carpets and rugs	2	71
Cement	11	108
Chemical	90	1,610
Pharmaceutical	145	1,613
Communications	188	2,900
Construction	517	3,953
Corporate agricultural farming	181	1,558
Education	166	1,333
Engineering	145	2,024
Finance and banking	26	1,121
Food and beverages	199	2,676
Footwear	3	79
Fuel and energy	173	1,539
Ginning	3	338
Glass and ceramics	14	269
Healthcare	110	769
Information technology	586	3,962
Insurance and allied	4	268
Jute	--	20
Leather and tanneries	12	400
Lodging	35	510
Mining and quarrying	49	652
Paper and board	79	1,272
Power generation	192	1,183
Real estate development	165	1,583
Services	770	8,423
Sport goods	21	223
Steel and allied	51	590
Sugar and allied	5	183
Synthetic and rayon	1	206
Textile	148	4,801
Tobacco	4	78
Tourism	433	7,378
Trading	777	8,462
Transport	134	1,484
Vanaspati and allied	21	470
Wood and wood products	14	231
Miscellaneous	403	6,339
Total	6,200	73,207

Table 4: Foreign companies' data by country/region

Country/region	Newly Incorporated companies FY 2015-16	Number of companies as of June 30, 2016
US	2	158
UK	3	119
France	1	28
Germany	2	29
China	31	93
Japan	---	37
Australia	1	21
Middle East countries	5	69
Far Eastern countries	2	125
Other European countries	6	141
Other Asian countries	0	14
Other countries	1	93
Total	54	927

Table 5: Issue of capital

Equity: retail portion

(In million rupees)

Sr. No.	Company Name	Sector	Sub- scription date	Total paid- up capital	Already paid-up Capital	Offered capital	Premium per share (rupees)	Offered capital (including premium, if any)	Sub- scription received (including premium if any)	Times sub- scribed
1	Al Shaheer Corporation Limited	Food and personal care products	July 27-29, 2015	915.41	665.41	62.50	85.00	593.75	680.15	1.15
2	Amreli Steels Limited	Steel and allied	Oct 27-29 2015	2970.11	2227.59	187.50	41.00	956.25	1876.80	1.96
3	Awwal Modaraba	Modarabas	Jan 4-5 2016	1000.00	750.00	250.00	-	250.00	258.44	1.03
4	Hi-Tech Lubricants Limited	Oil and gas marketing companies	Jan 25-27 2016	1160.04	870.03	72.51	52.50	453.16	239.53	-1.89
5	TPL Properties Ltd.	Real estate	N/A	2080.00	1522.50	No retail offer				
	Total			8125.56	6035.53	572.51	-	2253.16	3054.91	-



Table 6: 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 (rupees)	Number of shares offered through book building (in million)	Number of shares bid for through book building (in million)	Strike price per share (rupees)	Premium per share (rupees)	Offered capital (at strike price) (in million rupees)	Times subscribed
1	AlShaheer Corporation Limited	June 10-11, 15	915.41	665.41	43.00	18.75	54.79	95.00	85.00	1781.25	2.92
2	Amreli Steels Limited	Oct 7-8, 15	2970.11	2227.59	24.00	55.50	138.79	51.00	41.00	2830.60	2.50
3	Hi-Tech Lubricants Limited	Jan 6-7, 2016	1160.04	870.03	37.00	21.75	48.67	62.50	52.50	1359.41	2.24
4	TPL Properties Ltd.	June 22-23, 2016	2080.00	1522.50	12.50	55.75	57.50	12.50	2.50	696.88	1.03
Total			7125.56	5285.53	-	151.75	299.75	-	-	6668.13	

Table 7: Statement showing the number of IPOs/SPOs and funds raised during the last three years

Year	Number of IPOs	Fund raised (including premium amount)	Capital listed (in billion rupees)
2015-16	5	8.92	8.13
2014-15	8	121.64	11.29
2013-14	5	57.18	14.89

Number of equity issues to public during 2006—2016

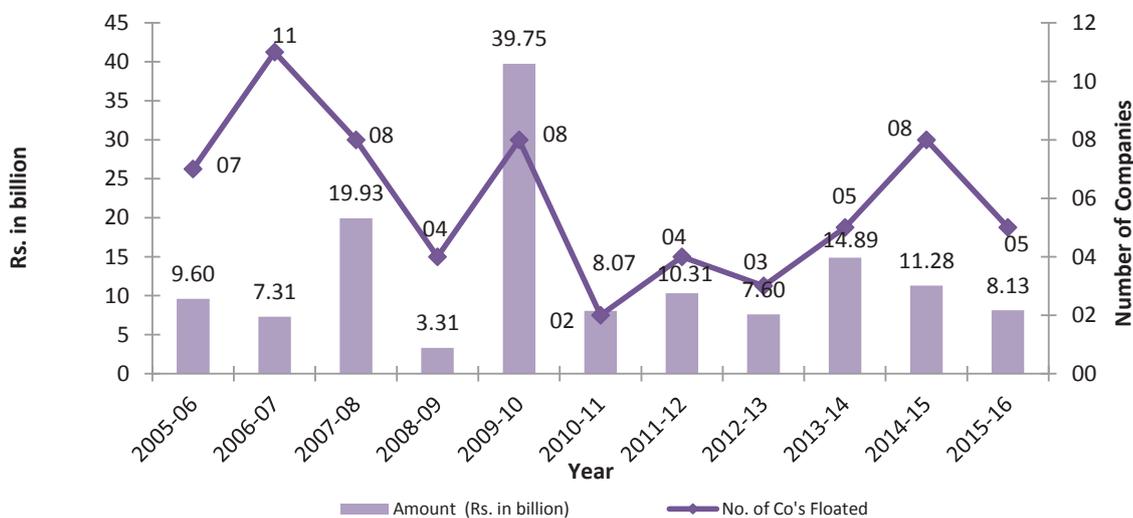


Table 8: Debt issues-listed TFC

S. No	Name of Company	Subscription period	Listed at	Amount (In billion rupees)
1	Soneri Bank Ltd	July 7-8, 2015	PSX	3.000
	(Second issue)			
	Total			3.000

Table 9: Privately placed debt securities

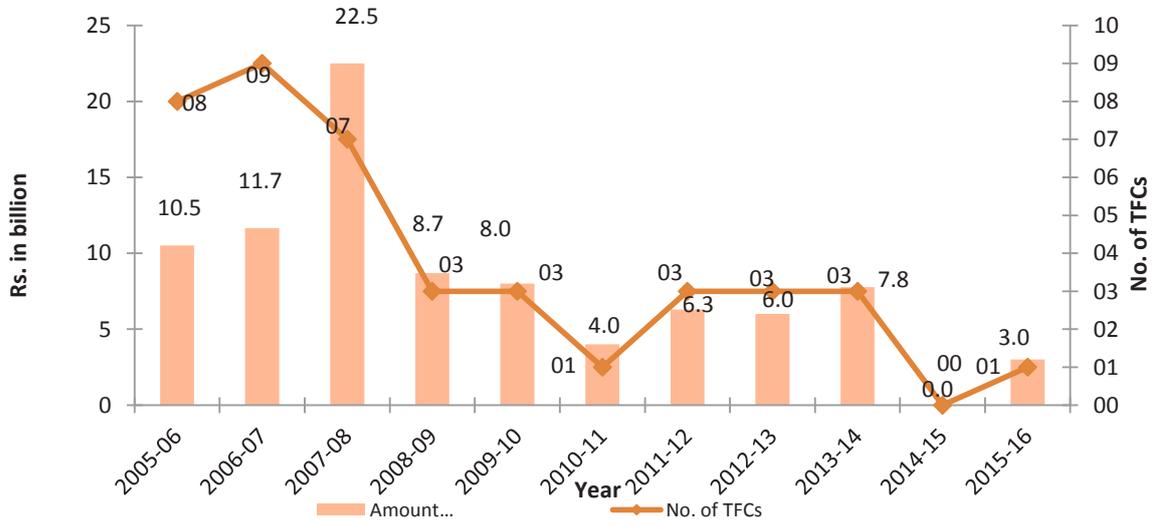
Sr. No.	Name of security	Number of issues	Amount (In billion rupees)
1	Term finance certificates	8	26.335
2	Sukuk	7	328.657
3	Commercial papers	1	0.800
	Total	16	355.792

Table 10: Corporate debt securities outstanding

Sr. No.	Name of security	Number of issues	Amount (In billion rupees)
1	Listed term finance certificates (L-TFCs)	14	21.183
2	Privately placed TFCs (PP-TFCs)	36	130.392
3	Sukuk	36	490.673
4	Commercial papers	01	0.800
5	Participation term certificates	01	0.720
	Total	88	643.768



Number of TFCs floated - FY 2005-2016



FINANCIAL STATEMENTS





KPMG Taseer Hadi & Co.
Chartered Accountants

**Securities and
Exchange
Commission of
Pakistan**
Financial Statements
For the year ended 30 June 2016

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 2016, 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 2016, and its financial performance and its cash flows for the year then ended in accordance with approved accounting standard as applicable in Pakistan.

Islamabad
06 October 2016

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner
Atif Zamurrad Malik





SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016 (Rupees in thousand)	2015
NON-CURRENT ASSETS			
Property and equipment	5	339,016	313,138
Intangibles	6	8,403	18,348
Long term investment	7	-	-
Loans and advances	8	158,425	115,471
Deferred taxation	14	4,757	9,877
		<u>510,601</u>	<u>456,834</u>
CURRENT ASSETS			
Advances, deposits, prepayments and other receivables	9	117,305	176,369
Short term investments	10	2,393,714	1,888,606
Cash and bank balances	11	102,090	238,152
		<u>2,613,109</u>	<u>2,303,127</u>
CURRENT LIABILITIES			
Accrued and other liabilities	12	(974,553)	(874,468)
Payable to Federal Consolidated Fund	13	(57)	-
		<u>(974,610)</u>	<u>(874,468)</u>
Net current assets		<u>1,638,499</u>	<u>1,428,659</u>
NON-CURRENT LIABILITIES			
Deferred liability	15	(157,286)	(148,274)
		<u>(157,286)</u>	<u>(148,274)</u>
Net assets		<u>1,991,814</u>	<u>1,737,219</u>
REPRESENTED BY:			
SECP FUND		<u>1,991,814</u>	<u>1,737,219</u>
CONTINGENCIES AND COMMITMENTS	16		

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

CHAIRMAN

COMMISSIONER

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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 (Rupees in thousand)	2015
INCOME			
Fees and other recoveries	17	2,494,824	2,279,918
Other income	18	180,088	203,568
		<u>2,674,912</u>	<u>2,483,486</u>
EXPENDITURE			
Salaries, allowances and other benefits	19	1,633,469	1,332,353
Other operating expenses	20	489,332	474,845
Depreciation and amortization		136,145	124,971
		<u>2,258,946</u>	<u>1,932,169</u>
SURPLUS OF INCOME OVER EXPENDITURE BEFORE TAX		<u>415,966</u>	<u>551,317</u>
TAXATION	21	140,903	191,503
SURPLUS OF INCOME OVER EXPENDITURE AFTER TAX FOR THE YEAR		<u>275,063</u>	<u>359,814</u>

OTHER COMPREHENSIVE INCOME /(DEFICIT) - NET OF TAX

Items which will be subsequently reclassified to income and expenditure account

Surplus on remeasurement of available for sale investments to fair value	(1,300)	3,557
Related tax effect	390	(1,067)
	<u>(910)</u>	<u>2,490</u>

Items which will not be subsequently reclassified to income and expenditure account

Actuarial losses on staff retirement funds	12.1.4	(28,762)	(236,591)
Related tax effect		9,204	78,075
		<u>(19,558)</u>	<u>(158,516)</u>
Total other comprehensive income - net of tax		<u>(20,468)</u>	<u>(156,026)</u>

**TOTAL COMPREHENSIVE SURPLUS OF
INCOME OVER EXPENDITURE**

<u>254,595</u>	<u>203,788</u>
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The annexed notes 1 to 26 form an integral part of these financial statements.

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CHAIRMAN

COMMISSIONER



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Assets acquisition reserve	Reserve for loan to employees	Deficit on remeasurement of investments to fair value - net of tax	Accumulated comprehensive (deficit)/ surplus of income over expenditure	Total
Balance at 01 July 2014	1,374,933	160,000	(1,502)	-	1,533,431
-----Rupees in thousand-----					
Comprehensive income:					
Surplus of income over expenditure	-	-	-	359,814	359,814
Other comprehensive income	-	-	2,490	(158,516)	(156,026)
			2,490	201,298	203,788
Total comprehensive income	1,374,933	160,000	988	201,298	1,737,219
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
Comprehensive income:					
Surplus of income over expenditure	-	-	-	275,063	275,063
Other comprehensive income	-	-	(910)	(19,558)	(20,468)
Total comprehensive income	-	-	(910)	255,505	254,595
Transferred to reserve for loan to employees	-	150,000	(910)	255,505	254,595
Transferred to Asset Acquisition Reserve	105,505	-	-	(150,000)	-
				(105,505)	-
Balance at 30 June 2016	1,571,736	420,000	78	-	1,991,814

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 2016**

	2016	2015
	(Rupees in thousand)	(Rupees in thousand)
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus of income over expenditure before tax	415,966	551,317
Adjustments for:		
- Depreciation and amortization	136,145	124,971
- Provision for pension	32,834	15,308
- Provision for gratuity	89,950	63,708
- Provision for compensated absences	15,723	22,883
- Provision for / (unwinding of) discount on long term loans to employees - net	25,517	(2,418)
- Interest income	(163,016)	(191,745)
- Gain on sale of property and equipment	(8,098)	(7,564)
	<u>129,055</u>	<u>25,143</u>
Operating income before working capital changes	545,021	576,460
Decrease / (Increase) in advances, deposits, prepayments and other receivables	807	(6,216)
Increase / (Decrease) in accrued and other liabilities	191,185	(122,860)
	<u>737,013</u>	<u>447,384</u>
Contribution to pension fund	(220,860)	(24,667)
Contribution to gratuity fund	(21,729)	(69,853)
Compensated absences encashed	(6,711)	(6,169)
Payment to Federal Consolidated Fund	-	(63,424)
Taxes paid	(68,322)	(136,318)
	<u>(317,622)</u>	<u>(300,431)</u>
Increase in loans and advances	(68,471)	1,350
Net cash generated from operating activities	350,920	148,303
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(178,307)	(170,671)
Proceeds from sale of property and equipment	34,327	22,774
Investments - net	(513,346)	(231,302)
Interest received on investments and bank deposits	170,344	94,467
Net cash used in investing activities	(486,982)	(284,732)
Net decrease in cash and cash equivalents	(136,062)	(136,429)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>238,152</u>	<u>374,582</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR 11	<u>102,090</u>	<u>238,153</u>

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

CHAIRMAN

COMMISSIONER

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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

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 (IFRSs) 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 standards 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.

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:

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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

(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 assumptions 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.

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 2016:

- 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 amortization 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 Company's financial statements.

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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not relevant to the Company’s financial statements.

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 ‘Joint Arrangements’ (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not relevant to the Company’s financial statements.

- Amendment to IAS 27 ‘Separate Financial Statements’ (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not relevant to the Company’s financial statements.

- Agriculture: Bearer Plants [Amendment 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 relevant to the Company’s financial statements.

- Amendments to IAS 12 ‘Income Taxes’ are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company’s financial statements.

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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

- Amendments to IAS 7 ‘Statement of Cash Flows’ are part of IASB’s broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Company’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 Application of these amendments is not likely to have an impact on the Company's financial statements:

- 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.

- IFRS 7 ‘Financial Instruments- Disclosures’. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. 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.

- 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.

- 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.

19/06/2016



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

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 except for changes as mentioned in note 4.17

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.

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.

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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 2016.

(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 2016.

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 2016.

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.

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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

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 Government grants

Government grant is recognised when the right to receive such grant has been established and the underlying conditions are met. Government grant is recognised in other income.

4.8 Impairment

The carrying amounts of the Commission'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 recoverable 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.

4.9 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.

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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

4.10 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.

4.11 Provisions

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

4.12 Financial instruments

Financial assets and financial liabilities are recognized when the Commission 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.

4.13 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 receivables considered doubtful of recovery are fully provided for.

4.14 Cash and cash equivalents

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

4.15 Payables

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

4.16 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.

4.17 Application of new accounting standard

The Commission has adopted IFRS10 Consolidated financial statements, IFRS-12 Disclosure of interest in other entities and IFRS 13, Fair value measurement. These standards became applicable from 01 January 2015. IFRS-10 changes the definition of control over investee, IFRS-13 establishes a single framework for measuring fair value and enhances or replaces the disclosures about fair value measurement. Further it unifies the definition of fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement dates. IFRS-12 expands disclosure about interests in subsidiaries and equity accounted investees. These standards do not have significant impact on these consolidated financial statements except for certain additional disclosures.

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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5 PROPERTY AND EQUIPMENT

Cost	Leasehold land	Building	Leasehold improvements	Office equipment	Other equipment	Computer	Furniture and fixture	Vehicles	Sub-total	Capital Work-in-Progress (Note 5.1)	Total
Balance at 01 July 2014	2,053	38,948	84,322	62,199	14,865	365,087	35,684	275,275	878,433	851	879,284
Additions	-	-	6,633	14,656	115	3,826	1,800	79,344	106,374	21,917	128,291
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	22,768	950,872
Balance at 01 July 2015	2,053	38,948	90,955	76,855	14,980	367,642	37,484	299,187	928,104	22,768	950,872
Additions	-	480	4,535	13,110	2,986	17,642	14,918	116,887	170,558	2,095	172,653
Transfers	-	-	22,768	-	-	-	-	-	22,768	(22,768)	-
Disposals	-	-	(117)	(1,180)	-	(1,381)	(25)	(91,833)	(94,536)	-	(94,536)
Balance at 30 June 2016	2,053	39,428	118,141	88,785	17,966	383,903	52,377	324,241	1,026,894	2,095	1,028,989
Accumulated depreciation											
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
Balance at 01 July 2015	-	25,951	71,220	61,724	11,699	312,935	23,253	130,952	637,734	-	637,734
Charge for the year	-	1,963	12,320	9,312	1,794	31,226	3,634	60,297	120,546	-	120,546
Charge for the year on disposals	-	-	(117)	(1,145)	-	(1,142)	(25)	(65,878)	(68,307)	-	(68,307)
Balance at 30 June 2016	-	27,914	83,423	69,891	13,493	343,019	26,862	125,371	689,973	-	689,973
Carrying amounts - 2016	2,053	11,514	34,718	18,894	4,473	40,884	25,515	198,870	336,921	2,095	339,016
Carrying amounts - 2015	2,053	12,997	19,735	15,131	3,281	54,707	14,231	168,235	290,370	22,768	313,138
Rates of depreciation per annum	-	5%	20%	30%	20%	20% / 25%	10%	20%	20%		

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	2016	2015
	(Rupees in thousand)	
5.1 Capital work in progress includes the following:		
Leasehold improvements and others	<u>2,095</u>	<u>22,768</u>
	<u>2,095</u>	<u>22,768</u>
6 INTANGIBLES		Computer Software
		(Rupees in thousand)
Cost		
Balance at 01 July 2014		111,544
Additions		700
Balance at 30 June 2015		<u>112,244</u>
Balance at 01 July 2015		112,244
Additions		5,654
Balance at 30 June 2016		<u>117,898</u>
Accumulated amortisation		
Balance at 01 July 2014		77,387
Amortisation		16,509
Balance at 30 June 2015		<u>93,896</u>
Balance at 01 July 2015		93,896
Amortisation		15,599
Balance at 30 June 2016		<u>109,495</u>
Carrying amount - 2016		<u>8,403</u>
Carrying amount - 2015		<u>18,348</u>
Amortization rate (%) per annum		25%
7 LONG TERM INVESTMENTS	2016	2015
	(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)
	<u>-</u>	<u>-</u>

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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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7.1 Investment in Pakistan Institute of Capital Markets - Associated entity

This represents 73.68% (2015: 73.68%) investment in issued, subscribed and paid-up capital of Pakistan Institute of Capital Markets (the Institute) representing 5,600 (2015: 5,600) ordinary shares of Rs 5,000 (2015: 5,000) each. The Institute is registered as an association not for profit under section 42 of the Companies ordinance, 1984. However, the Institute is not a subsidiary of the Commission since the Commission has no controlling power over the relevant activities of the Institute. Further the Commission has no director as at 30 June 2016 (2015: 1) in the Institute.

Further, the commission has undertaken to contribute an amount not exceeding Rs. 50,000 (2015: 50,000) to the assets of the institute in the event of its being wound up.

7.1.1 Summary financial information of Institute based on its latest available financial statements

The following table summarises the financial information of the Institute as included in its own financial statements for the period ended 30 June 2016, which have been used for accounting under equity method. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in associate.

	2016	2015
	(Rupees in thousand)	
Percentage of shareholding	73.68%	73.68%
Non current assets	176	165
Current assets (including cash and cash equivalents)	26,583	7,733
Total assets	26,759	7,897
Non-current liabilities	2,921	1,133
Current liabilities	983	481
Total liabilities	3,904	1,614
Net assets at fair value (100%)	22,855	6,283
Commissions share of net assets	16,840	4,630
Impairment loss on investment	(28,000)	(28,000)
Share in profits and assets not recognized	11,160	23,370
Carrying amount of interest in associate - note 7.1.2	-	-
Revenue	33,828	12,198
Profit from continuing operations (100%)	17,757	1,380
Other comprehensive income (100%)	(1,187)	-
Total comprehensive income (100%)	16,571	1,380
Commissions share of total comprehensive income - note 7.1.2	12,209	1,017

7.1.2 The carrying amount of interest in associate in the Commissions financial statements in 2016 : Nil (2015: Nil). Share in profit of associate has not been recognized since the profits are not available for distribution. Further on the basis of analysis of recoverable amount of the associate the commission has recognized an impairment loss of Rs. 28,000 thousand in prior years.

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7.1.3 The information presented above for current year is based on unaudited financial statements of the Institute for the year ended 30 June 2016.

8 LOANS AND ADVANCES	2016	2015
	(Rupees in thousand)	
Advances for capital expenditure - note 8.1	26,830	61,105
Loans and advances - considered good - note 8.2	230,658	134,095
Less: Current portion of loans and advances	<u>(55,188)</u>	<u>(61,371)</u>
	202,300	133,829
Less: Provision for imputed interest on loans and advances	(43,875)	(18,358)
	<u>158,425</u>	<u>115,471</u>

8.1 This includes an amount of Rs. 19,425 thousand (2015: 19,425 thousand) representing 5% bid money paid to Pakistan Railway for purchase of land.

8.2 These represent loans to employees for various purposes as per their employment terms, secured against employees' retirement benefits. Loan is recoverable in periods up to January 2028 in monthly installments along with interest.

8.3 Advances for capital expenditure have been reclassified from capital work in progress for better presentation. Third year comparative in accordance with IAS 1 Presentation of Financial Statements has not been presented as the impact was considered immaterial in the overall context of the balance sheet.

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9 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	2016	2015
	(Rupees in thousand)	
Current portion of loans and advances - considered good	55,188	61,371
Short term loans to employees - secured, considered good - note 9.1	2,543	3,131
Advances	14,245	14,137
Deposits	3,130	3,119
Prepayments	8,428	8,073
Advance tax - net - note 9.2	3,462	61,719
Fee receivable - considered good	13,855	12,596
Other receivables - considered good	16,454	12,223
	<u>117,305</u>	<u>176,369</u>

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.

9.2 Advance tax -movement	2016	2015
	(Rupees in thousand)	
Opening advance tax as at 01 July	61,719	15,523
Tax (charge)/ credit for the year		
Income and expenditure account	(135,783)	(167,131)
Other comprehensive income	9,204	77,008
Tax paid during the year	68,322	136,318
Closing advance tax as at 30 June	<u>3,462</u>	<u>61,719</u>

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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	2016	2015
10 SHORT TERM INVESTMENTS	(Rupees in thousand)	
Available for sale		
Government Treasury Bills (T-Bills) - note 10.1	244,251	475,891
Special Notice Deposit Receipts (SNDR) - note 10.2	100,301	26,711
Term Deposit Receipts (TDR) - note 10.3	2,049,162	1,386,004
	<u>2,393,714</u>	<u>1,888,606</u>
10.1	This represents investment in one year Treasury Bills. The rate of mark-up rate of 6.31% (2015: 6.72% 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 5.5 % per annum (2015: 8.9%).	
10.3	Investment in "Term Deposit Receipts (TDR)" of National Bank of Pakistan carry rate of mark-up ranges from 5.90% to 6.95 % per annum. (2015: 8.90% to 9.95% per annum)	
11 CASH AND BANK BALANCES	(Rupees in thousand)	
Cash in hand	579	411
Cash at bank - interest bearing accounts - note 11.1	101,511	237,741
	<u>102,090</u>	<u>238,152</u>
11.1	These carry mark-up rates of 4.25% (2015: 4.5% to 7.6%) per annum.	
12 ACCRUED AND OTHER LIABILITIES	(Rupees in thousand)	
Accrued expenses	109,970	98,573
Employees incentives payable	281,720	168,450
Accounts payable	16,359	12,337
Withholding tax payable	278	422
Payable to staff retirement funds - note 12.1	146,427	237,470
Unearned income - note 12.2	118,768	56,129
Levies payable	288,702	284,820
Other liabilities	12,329	16,267
	<u>974,553</u>	<u>874,468</u>
12.1 Payable to staff retirement funds		
Pension fund	36,174	220,863
Gratuity fund	110,253	16,607
	<u>146,427</u>	<u>237,470</u>

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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12.1.1 *The amount recognized in the statement of financial position is as follows:*

	Pension fund		Gratuity fund	
	2016	2015	2016	2015
	----- Rupees in thousand -----			
Present value of defined benefit obligation - note 12.1.5	730,004	668,229	685,096	567,065
Fair value of plan assets - note 12.1.6	(693,830)	(447,366)	(574,843)	(550,458)
	<u>36,174</u>	<u>220,863</u>	<u>110,253</u>	<u>16,607</u>

12.1.2 *Changes in net liability*

Opening liability	220,863	9,580	16,607	6,803
Amount charged to profit and loss account	32,834	15,308	89,950	63,708
Remeasurements charged in other comprehensive income	3,337	220,642	25,425	15,949
Contributions	(220,860)	(24,667)	(21,729)	(69,853)
Closing liability	<u>36,174</u>	<u>220,863</u>	<u>110,253</u>	<u>16,607</u>

12.1.3 *The amount charged to income and expenditure account is as follows:*

Current service cost	21,269	15,786	89,347	67,504
Interest cost on defined benefit obligation	68,451	54,044	57,410	60,760
Interest income on plan assets	(56,886)	(54,522)	(56,807)	(64,557)
	<u>32,834</u>	<u>15,308</u>	<u>89,950</u>	<u>63,708</u>

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

Remeasurement (loss) - Experience adjustment	(4,100)	(208,143)	(11,887)	(12,314)
Gain / (loss) on plan assets, excluding interest income	763	(12,499)	(13,538)	(3,635)
	<u>(3,337)</u>	<u>(220,642)</u>	<u>(25,425)</u>	<u>(15,949)</u>

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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12.1.5 Changes in present value of defined benefit obligation

	Pension fund		Gratuity fund	
	2016	2015	2016	2015
	Rupees in thousand -----			
Opening balance	668,229	411,973	567,065	473,670
Current service cost	21,269	15,786	89,347	67,504
Interest cost	68,451	54,044	57,410	60,760
Benefits paid	(32,637)	(23,286)	(40,613)	(47,183)
Amount received from Government of Pakistan	592	1,570	-	-
Actuarial loss	4,100	208,142	11,887	12,314
Closing balance	730,004	668,229	685,096	567,065

12.1.6 Changes in fair value of plan assets

Opening balance	447,366	402,392	550,458	466,866
Interest income on plan assets	56,886	54,522	56,807	64,557
Contributions	220,860	24,667	21,729	69,853
Benefits paid	(32,637)	(23,286)	(40,613)	(47,183)
Amount received from Government of Pakistan	592	1,570	-	-
Actuarial gain / (loss) on assets	763	(12,499)	(13,538)	(3,635)
Closing balance	693,830	447,366	574,843	550,458

The expected charge for next year on account of defined benefit pension and gratuity amounts to Rs. 22,903 thousand (2015: 19,090) thousand) and Rs. 89,685 thousand (2015: Rs. 65,631 thousand) respectively.

Actual return on plan assets

	Pension fund		Gratuity fund	
	2016	2015	2016	2015
	Rupees in thousand -----			
	57,649	42,023	43,269	60,923

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12.1.7 Break-up of category of plan assets

	Pension fund		Gratuity fund	
	2016	2015	2016	2015
	----- Rupees in thousand -----			
Pakistan Investment Bonds	-	50,000	52,532	-
Special Savings Certificates	652,295	361,309	521,914	373,819
Bank accounts	41,535	53,314	397	11,661
Fair value of plan assets	693,830	464,623	574,843	385,480

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

The pension and gratuity plans are defined benefits plan invested through approved trust funds. The trustees of the funds are responsible for plans administration and investments. 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 2016 using Projected Unit Credit Method. Significant actuarial assumptions used are as follows:

	Pension fund		Gratuity fund	
	2016	2015	2016	2015
Valuation discount rate - per annum	9.00%	10.50%	9.00%	10.50%
Salary increase rate - per annum	9.00%	10.50%	9.00%	10.50%
Withdrawal rates	Low	Low	Low	Low

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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	
	Increase	Decrease	Increase	Decrease
	----- Rupees in thousand -----			
Discount rate (1% movement)	629,236	818,896	605,950	779,227
Future salary growth (1% movement)	773,257	691,166	781,833	602,518

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

	----- Rupees in thousand -----			
	2016	2015	2014	2013
Present value of the defined benefit obligations	1,415,100	1,235,294	885,641	821,879
Fair value of plan assets	(1,268,673)	(997,824)	(869,258)	(728,413)
Deficit in the plans	146,427	237,470	16,383	93,466
Experience adjustments on plan liabilities	15,987	220,456	(59,957)	53,125
Return on plan assets, excluding interest income	(12,775)	(16,134)	(1,126)	(5,780)

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12.1.11 Projected benefit undiscounted payments from funds are as follows:

	Pension		Gratuity	
	Rupees in thousand			
	2016	2015	2016	2015
Year 1	40,324	50,924	27,661	14,559
Year 2	40,803	30,614	26,812	21,477
Year 3	47,521	29,524	25,055	24,756
Year 4	53,212	35,094	44,376	21,919
Year 5	52,419	41,117	30,433	28,796
Year 6 to Year 10	359,400	247,022	201,635	194,480
Year 11 and above	1,061,316	1,090,007	2,904,219	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.

	2016	2015
	(Rupees in thousand)	
13 PAYABLE TO FEDERAL CONSOLIDATED FUND (the Fund)		
Payable at beginning of the year	-	63,424
Payments to FCF during the year	-	(63,424)
Penalties collected during the year - note 13.1	25,064	11,603
Penalties deposited to the Fund during the year	(25,007)	(11,603)
	<u>57</u>	<u>-</u>
13.1 Penalties collected during the year		
Under the Companies Ordinance, 1984	11,502	7,283
Under the Insurance Ordinance, 2000	8,825	1,040
On transactions executed at stock exchanges and other fees	1,961	3,280
Non Banking Finance Companies	2,776	-
	<u>25,064</u>	<u>11,603</u>

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 including budgeted capital expenditure in a year shall be remitted to the Federal Consolidated Fund and any deficit from the actual expenditure shall be made up by the Federal Government". The amount payable to the Fund based on audited results is detailed below:

	2016	2015
	(Rupees in thousand)	
Accumulated surplus transferred to the Fund	255,505	201,298
Less: Transfer to reserve for loan to employees	(150,000)	(110,000)
Less: Amount retained for capital expenditures	(105,505)	(91,298)
	<u>-</u>	<u>-</u>
Payable to the Fund	<u>-</u>	<u>-</u>

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14 DEFERRED TAXATION	2016	2015
	(Rupees in thousand)	
The net balance of deferred taxation is in respect of the following temporary differences:		
- Accelerated depreciation and amortization	13,056	7,001
- Profit on short term investments accrued but not due	(30,252)	(10,077)
- Discount on long term loan	13,163	5,620
- Impairment loss on investment in associate	8,400	8,400
- Remeasurement of investment available for sale	390	(1,067)
	<u>4,757</u>	<u>9,877</u>
Deferred tax charged as follows:		
Income and expenditure account	<u>5,120</u>	<u>24,372</u>
	<u>5,120</u>	<u>24,372</u>

15 DEFERRED LIABILITY

This represents the Commission's liability towards employees' compensated absences which is payable at the time of separation of eligible employees.

	2016	2015
	(Rupees in thousand)	
Obligation at beginning of the year	148,274	131,560
Expense for the year	15,723	22,883
Encashed during the year	(6,711)	(6,169)
Obligation at end of the year	<u>157,286</u>	<u>148,274</u>

Principal actuarial assumptions

Latest actuarial valuation was carried out as at 30 June 2016 using Projected Unit Credit Method. Significant actuarial assumptions used are as follows:

	2016	2015
Valuation discount rate - per annum	9.00%	10.50%
Salary increase rate - per annum	9.00%	10.50%

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

- (i) Certain companies/ individuals filed suits against the Commission in respect of claims aggregating to Rs. 2,181 million (2015: 2,267 million) for damages. Based on legal advice, 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. 433 million. (2015: Rs. 428 million).

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	2016	2015
17 FEES AND OTHER RECOVERIES		
	(Rupees in thousand)	
Fees and other recoveries - note 17.1	2,571,984	2,350,431
less: Competition commission levy - note 17.2	(77,160)	(70,513)
	<u>2,494,824</u>	<u>2,279,918</u>
17.1		
Under the Companies Ordinance, 1984	1,619,845	1,460,049
Under the Modaraba Ordinance, 1980	7,131	36,783
Under the Insurance Ordinance, 2000	290,836	263,122
On transactions executed at stock exchanges and other fees	169,940	159,956
Brokers' registration	26,485	30,130
Non Banking Finance Companies	457,747	400,391
	<u>2,571,984</u>	<u>2,350,431</u>
17.2		
This represents levy payable to Competition Commission of Pakistan.		
18 OTHER INCOME		
	(Rupees in thousand)	
Income on bank deposits	7,634	13,145
Income on investments	155,382	178,600
Gain on sale of property and equipment	8,098	7,564
Miscellaneous income	5,884	1,841
Unwinding of discount on loans to employees	-	2,418
Grant received - note 18.1	3,090	-
	<u>180,088</u>	<u>203,568</u>
18.1		
This represents grant received from Sate Bank of Pakistan to conduct an independent and objective evaluation of International Organization of Securities Commission (IOSCO) principles implementation status, to develop a road map to address the regulatory gaps and to implement effectively the IOSCO's principles and standards in Pakistan. The amount was recognized upon the completion of relevant activities.		
19 SALARIES, ALLOWANCES AND OTHER BENEFITS		
	(Rupees in thousand)	
Salaries	533,668	456,851
House rent allowance	310,983	267,817
Medical allowance	81,060	69,585
Conveyance allowance	14,008	13,846
Utilities	51,808	44,612
Other allowance	458,935	336,914
Provision for pension	32,834	15,308
Provident fund contribution	44,500	40,830
Provision for gratuity	89,950	63,707
Provision for compensated absences	15,723	22,883
	<u>1,633,469</u>	<u>1,332,353</u>

(Signature)

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

20 OTHER OPERATING EXPENSES

Repair and maintenance	58,018	70,002
Support Staff cost	49,343	39,305
Travelling and conveyance	46,824	58,592
Telephone, postage and courier	27,642	26,275
Utilities	27,320	35,946
Rent and rates	143,406	127,467
Printing and stationery	17,302	17,794
Legal and professional charges	24,640	40,830
Fees and subscription	6,835	6,554
Human resource development	3,786	6,716
Insurance	12,995	11,486
Advertisement	7,288	5,405
Entertainment	794	633
Audit fee - note 20.1	435	435
Provision for discount on loans to employees	25,517	-
Others	37,187	27,405
	<u>489,332</u>	<u>474,845</u>

	2016	2015
	(Rupees in thousand)	
20.1 Audit fee		
Statutory audit fee	345	345
Out of pocket expenses	90	90
	<u>435</u>	<u>435</u>

21 TAXATION

Current tax		
- current year	136,856	165,966
- prior years	(1,073)	1,165
	<u>135,783</u>	<u>167,131</u>
Deferred tax	5,120	24,372
	<u>140,903</u>	<u>191,503</u>

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

	2016	2015
	(Rupees in thousand)	
Surplus of income over expenditure	<u>415,966</u>	<u>551,317</u>
Tax at applicable tax rate of 32% (2015: 33%)	133,109	181,935
Effect of prior years charge	(1,073)	1,165
Others including permanent differences	8,867	8,403
Tax expense for the year	<u>140,903</u>	<u>191,503</u>

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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

22 TAX STATUS

The Securities and Exchange Commission of Pakistan [the "Commission"] has filed the tax returns 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 of Income Tax, Audit Division [the "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 [the "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 [the "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 [the "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 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. The CIR(A) has set-aside the amended assessment order on appeal filed by the Commission. Against the appellate order of the CIR(A), the Commission has filed an appeal before the ATIR, 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. Being aggrieved with the amended assessment order, the Commission preferred an appeal before the CIR(A), who has set-aside the amended assessment order and has remanded back the case to the tax authority.

The Commission has filed the return for the Tax Years 2008 to 2015, which stood assessed in terms of Section 120 of the Ordinance. The Commissioner Inland Revenue [the "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, thereby addressing certain issues. Being not satisfied with the order of the Honorable Islamabad High Court, the Commission as well as the Tax Department, have filed appeal before the Honorable Supreme Court of Pakistan.

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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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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:

	2016	2015
	(Rupees in thousand)	
Loans and advances	230,658	134,095
Fee receivable - considered good	13,855	12,596
Short term loans to employees	2,543	3,131
Deposits	3,130	3,119
Other receivables	16,454	12,223
Short term investments	2,393,714	1,888,606
Cash at banks	101,511	237,741
	<u>2,761,865</u>	<u>2,291,511</u>

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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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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. 2,305 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 institutions 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
	2016	2016	2016
	(Rupees in thousand)		
Accrued and other liabilities	420,378	420,378	420,378
Payable to Federal Consolidated Fund	57	57	57
	420,435	420,435	420,435
	2015	2015	2015
	(Rs.'000)	(Rs.'000)	(Rs.'000)
Accrued and other liabilities	295,627	295,627	295,627
Payable to Federal Consolidated Fund	-	-	-
	295,627	295,627	295,627

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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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

23.4 Fair value of financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets and liabilities	Carrying amount				Fair Value				
	Loans and receivables	Held-to-maturity	Held-for-trading	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Rupees in thousand				Rupees in thousand				
30 June 2016									
Financial assets measured at fair value									
Sovereign debt securities	-	-	244,251	-	244,251	-	244,251	-	244,251
	-	-	244,251	-	244,251				
Financial assets not measured at fair value									
Corporate debt securities		2,149,463	-	-	2,149,463	2,149,463	-	-	2,149,463
Other receivables	88,040	-	-	-	88,040				
Cash and bank balances	102,090	-	-	-	102,090				
Total financial assets	190,130	2,149,463	-	-	2,339,593				
Financial liabilities not measured at fair value									
Other liabilities	-	-	-	456,835	456,835				
Payable to Federal	-	-	-	-	-				
Consolidated fund	-	-	-	57	57				
Total Financial liabilities	-	-	-	456,892	456,892				

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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	Carrying amount			Fair Value					
	Loans and receivables	Held-to-maturity	Held-for-trading	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Rupees in thousand				Rupees in thousand				
30 June 2015									
Financial assets measured at fair value									
Sovereign debt securities	-	-	475,891	-	475,891	-	475,891	-	475,891
	-	-	475,891	-	475,891	-	-	-	-
Financial assets not measured at fair value									
Corporate debt securities	1,412,715	-	-	-	1,412,715	1,412,715	-	-	1,412,715
Other receivables	77,098	-	-	-	77,098	-	-	-	-
Cash and bank balances	238,152	-	-	-	238,152	-	-	-	-
Total financial assets	315,250	1,412,715	-	-	1,727,965	-	-	-	-
Financial liabilities not measured at fair value									
Other liabilities	-	-	-	434,524	434,524	-	-	-	-
Payable to Federal Consolidated fund	-	-	-	-	-	-	-	-	-
Total Financial liabilities	-	-	-	434,524	434,524	-	-	-	-

Fair value hierarchy

The table 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).

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes has occurred.

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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

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 personnel's

(i) Loans

During 2016, secured loans advanced to Commissioners were Rs. Nil (2015: Rs. 6,700 thousand). No interest is payable on these loans and these loans are repayable in 24 months after issue date. At 30 June 2016, outstanding balance against loans advanced to the Chairman and Commissioners was Rs. 1,925 thousand (2015: Rs. 5,525 thousand) included in loan and advances.

(ii) Key management personnel compensation

Key management personnel compensation comprised of the following;

	2016	2015
	(Rupees in thousand)	
Short term employee benefits	100,907	65,290
Post employment benefit	8,160	5,229

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

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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	2016	2015
	(Rupees in thousand)	
<i>Other related party transactions</i>		
Contributions made to employees funds ¹	242,589	94,520
Contribution to Pakistan Institute of Corporate Governance	100	100
Payment to Federal Board of Revenue against taxes	68,322	136,318
Balances outstanding at the year end		
Due to employees benefit plans	146,427	237,470
Investments in the Pakistan Institute of Capital Markets - at cost	28,000	28,000
Payable to Federal Consolidated Fund	57	-

26 AUTHORIZATION FOR ISSUE

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

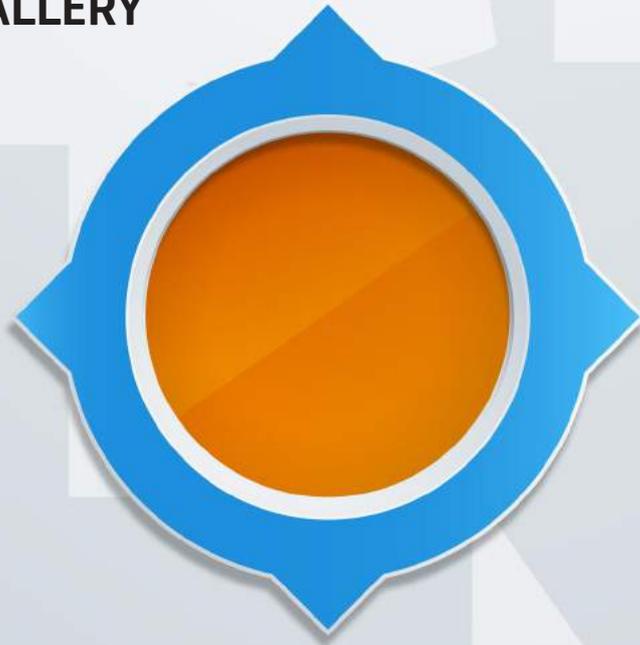
06 OCT 2016

K. M. N. S. A.

Chairman

COMMISSIONER

PHOTO GALLERY





PAKISTAN CAPITAL MARKET RE-ENTRY INTO MSCI'S EMERGING MARKET INDEX



Celebrating Pakistan re-entry into MSCI's emerging market index on June 16, 2016.



Federal Finance Minister Senator Muhammad Ishaq Dar visited the SECP head office on May 22, 2016, on the occasion of payments to the depositors of Innovative Investment Bank Limited.



The SECP organized a national level seminar on the draft Companies Bill, 2016, on March 26, 2016, in Islamabad. The event was chaired by Senator Mohammad Ishaq Dar, Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization, as the chief guest.



Mr. Muhammad Zafar-ul-Haq Hijazi, the SECP Chairman, inaugurated the capital market business hub in Abbottabad on November 12, 2015.



Chairman Hijazi at the event organized to mark the 18th anniversary of the Central Depository Company (CDC) on September 10, 2015.



In collaboration with the Higher Education Commission (HEC) and the World Bank Group, the SECP conducted two full-day Faculty Development Program (FDP) seminars in Karachi and Islamabad. The events hosted almost 200 management science academics from various universities of Karachi, Islamabad, Rawalpindi and Peshawar.



Federal Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization, Senator Mohammad Ishaq Dar, speaking at the inaugural ceremony of the unified Pakistan Stock Exchange Limited (PSX) on January 11, 2016.

The News

Sunday, March 27, 2016
Companies Bill 2016

Dar asks SECP to finalise draft within two months

Daily Times

Monday, February 15, 2016

Dar stresses early completion of divestment process in PSX



Dawn

Thursday, June 16, 2016

Dar calls it a historic day

Dawn

Friday, December 11, 2015

SECP becomes member of Islamic Financial Services Board

The Nation

Friday, December 11, 2015

SECP becomes member of Islamic Financial Services Board

THE NEWS

August 16, 2015

SECP chief briefs Dar on stock exchanges progress

Mehtab Haider
ISLAMABAD: The Chairman Securities and Exchange Commission of Pakistan (SECP) here on Saturday briefed the Federal Minister for Finance Senator Mohammad Ishaq Dar on the progress regarding the demutualisation of the stock exchanges.

Express, Business Recorder

Thursday, October 22, 2015

SECP issues e-voting regulations

DAWN

Thursday, December 31, 2015

Futures market act introduced in Senate

BUSINESS RECORDER

Tuesday, December 15, 2015

Insurance industry SECP chief solicits comprehensive road-map for the growth of 7pc

DAWN

Friday, December 11, 2015

All-Share Islamic Index

The Nation

Friday, December 11, 2015

SECP becomes member of Islamic Financial Services Board

Dunya

Wednesday, August 12, 2015

SECP chairman 'Could make companies go public to share profits'

Hijazi says profit-making entities should be listed
OUR CORRESPONDENT ISLAMABAD
Zafar Hijazi, the Securities and Exchange Commission of Pakistan (SECP) chairman, said that the stock market regulator has the authority to tell any profit-making company to go public and share its earnings with a higher number of investors, rather than keep the benefits...

SE

ISLAMABAD: In efforts to strengthen the market and as part of the Securities Act, 2015 (the issued draft Pakistan Licensing and Operational Regulations, 2015, a state...

SE

ISLAMABAD: In efforts to strengthen the market and as part of the Securities Act, 2015 (the issued draft Pakistan Licensing and Operational Regulations, 2015, a state...

روزنامہ ایکسپریس

Wednesday, June 01, 2016

پیشن سیکر کوہر کے طور پر نوغریا جگہ پر...

DA

Friday, February 26, 2016

Senate committee Future Market

Dawn

Tuesday, January 26, 2016

SECP issues e-voting regulations

BUSINESS RECORDER

Wednesday, April 27, 2016

SECP issues draft Valuers Regulations and Governance Regulations

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has notified the draft Valuers Regulations, 2016, and has also placed the draft on its website to obtain public opinion within 30 days. The draft Regulations are aimed at the regulation and supervision of the work of professional valuers. The Regulations provide for the registration mechanism of valuers and the code of conduct for directors of the companies.



Friday, ...
پاکستان اسٹاک ایکسچینج سے کیپٹل مارکیٹ مستحکم ہوگی: ظفر حجازی

THE NEWS
Wednesday, December 09, 2015
SECP issues draft regulations for central depositories

proper criteria for directors and management and manner of sourcing for the central depositories. Under the draft regulations, the financial resource requirements for a central depository are proposed to be enhanced to the level of a company given the critical functions being performed by a depository. For good governance, shareholders criteria has been specified for a central depository.

DAWN
Monday, June 26, 2016
SECP approves regulations for brokers licensing

Securities and Exchange Commission approved Securities Regulations 2016, with effect of integration of transition of brokers from over an extended period.

DAWN
Friday, February 09, 2016
SECP appellate bench achieves zero pendency

DAWN
Friday, June 17, 2016
Senate clears corporate restructuring bill

ISLAMABAD: The Senate passed the Corporate Restructuring Companies Bill 2016 on Thursday. It had been earlier passed by the National Assembly. The bill provides for the establishment, licensing and regulation of corporate restructuring companies and the manner in which they can carry on business. The bill was drafted by the Securities and Exchange Commission of Pakistan after extensive consultations with the stakeholders.

Jang, Friday, October 23, 2015
ایس ای سی پی کو موصول ہونیوالی ہر شکایت کو رجسٹر کیا جائے، ظفر حجازی

Business Recorder
Friday, June 03, 2016
Dar presents bills on Credit Bureaus, SECP in Senate

RECORDED REPORT Finance ISLAMABAD: Thursday Minister Ishaq Dar presented "The Credit Bureaus (Amendment) Bill, 2016" and "The Securities and Exchange Commission of Pakistan Act, 1997 (The Commission of Pakistan) (Amendment) Bill, 2016" in the Senate.

DAWN
Tuesday, January 19, 2016
FIA, SECP constitute joint task force

By Our Equities Correspondent
Karachi, Lahore and Islamabad stock exchanges merged

DAWN
Saturday, February 27, 2016
تیمہ کیپیٹل کوڈ آف کارپوریٹ گورننس منظور

روزنامہ ایکسپریس
انٹرنیشنل فریم ورک کے مطابق تیس کیپیٹل کوڈ آف کارپوریٹ گورننس کے بعد تیس کیپیٹل کوڈ آف کارپوریٹ گورننس (لاگو کرنے کے لیے منظور شدہ جاری کردہ اطلاع کے مطابق) کے لیے ضابطہ کار لایا گیا ہے۔ اس کی پیمائش اور اس کی پیمائش کی ضرورت ہے۔

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

By our correspondent
ISLAMABAD: National Accountability Bureau (NAB) Chairman Qamar Zaman Chaudhry has stressed the need for a sustainable relationship between the NAB and the Securities and Exchange Commission (SECP) to eliminate corruption.

DAWN
Friday, June 17, 2016
Senate clears corporate restructuring bill

Business Recorder
Friday, October 15, 2015
to introduce companies law

Securities and Exchange Commission decided to introduce a new companies law with significant changes in the existing law to the current economic environment.

DAWN
Monday, June 26, 2016
SECP approves regulations for brokers licensing

Securities and Exchange Commission approved Securities Regulations 2016, with effect of integration of transition of brokers from over an extended period.

DAWN
Friday, February 09, 2016
SECP appellate bench achieves zero pendency

DAWN
Friday, June 17, 2016
Senate clears corporate restructuring bill

DAWN
Friday, August 14, 2015
کراچی کے لیے ضابطہ کار لایا گیا

ISLAMABAD: (کارپوریشن) سیکورٹیز اینڈ ایکسچینج کمیشن نے پاکستان کے جنوبی حصے میں کراچی کے لیے ضابطہ کار لایا گیا ہے۔ اس کی پیمائش اور اس کی پیمائش کی ضرورت ہے۔

DAWN
Friday, June 17, 2016
Senate clears corporate restructuring bill



How to contact us

How to make complaints

The SECP has placed instructions on filing of a complaint on its website. The information and forms have also been made available at the CROs and the Pakistan Stock Exchange. 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.

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

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 No 7, Near China Chowk
Blue Area
Tel: 051-9206219 Fax: 051-9206893

Multan

63-A, Nawa-i-Waqt Building, Second Floor
Abdali Road
Tel: 061-9200920 Fax: 061-9200530

Lahore

Associated House, Third and 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

First Floor, House No. 4, Block A, Sindhi Muslim
Cooperative Housing Society, Airport Road
Tel: 071-5630517, 5633575 Fax: 071-5630517

Quetta

Aiwan-e-Mashriq, Plot No 4-A, Ground Floor,
opposite FC Headquarters, Hali Road, Model Town
Tel: 081-2844136 Fax: 081-2827538

Abbreviations and acronyms

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions	KYC	Know Your Customer
AMC	Asset Management Company	MSCI	Morgan Stanley Capital International's
BTAs	Balloters and Transfer Agents	MUFAP	Mutual Fund Association of Pakistan
CCG	Code of Corporate Governance	NBFC	Non-banking Finance Company
CDC	Central Depository Company	NBFS	Non-Bank Financial Sector
CDD	Customer Due Diligence	NBMFCs	Non-Bank Microfinance Companies
CISSII	Centralized Information Sharing Solution for Life Insurance Industry	NCCPL	National Clearing Company of Pakistan Limited
CKO	Centralized KYC Organization	NOC	No Objection Certificate
CLD	Company Law Division	PFM	Pension Fund Manager
COTS	Composite Order Trading System	PMEX	Pakistan Mercantile Exchange
CRO	Company Registration Office	PMN	Pakistan Microfinance Network
DSTs	Debt Securities Trustee	PPAF	Pakistan Poverty Alleviation Fund
FTRS	Fast Track Registration Services	PRCL	Pakistan Reinsurance Company Limited
HOD	Head of Department	PSX	Pakistan Stock Exchange
IAIS	International Association of Insurance Supervisors	RMC	REIT Management Company
ICAP	Institute of Chartered Accountants of Pakistan	REIT	Real Estate Investment Trust
ICMAP	Institute of Cost and Management Accountants of Pakistan	ROSC	Reports on the Observance of Standards and Codes
ICM	Institute of Capital Markets	SAB	Sharia Advisory Board
IGMS	Integrated Grievance Management System	SASRF	South Asian Securities Regulators' Forum
IFSB	Islamic Financial Services Board	SCRS	Specialized Companies Return Submission System
IOSCO	International Organization of Securities Commissions	SDRCs	Small Dispute Resolution Committees
IPO	Initial Public Offering	SMC	Single Member Company
		SMEs	Small and Medium Enterprises
		TFC	Term Finance Certificate
		VPS	Voluntary Pension System



Declaration of investment

In pursuance of sub-section (6) of section 16 of the Securities and Exchange Commission of Pakistan Act, 1997, as of June 30, 2016

Mr. Muhammad Zafar-ul-Haq Hijazi, Chairman, SECP

Sr. #	Name of company	Nature of interest	Number of units as of June 30, 2016
1	NIT	National Investment (Unit) Trust	29,094
2	NIT	NIT Islamic Equity Fund	1,164,440
3	NIT	NIT Islamic Pension Fund	278,175
4	Al Meezan Investment Management Ltd	Meezan Tahaffuz Pension Fund	14,535

Mr. Akif Saeed, Commissioner, SECP

Sr. #	Name of company	Nature of interest	Number of shares	Mode of purchase
1	Tri-Pack Films Limited	Shares	646	IPO/right shares
2	JS Growth Fund	Units	681	IPO/corporate
3	Ibrahim Fiber Limited	Shares	3000	IPO
4	Oil & Gas Development Co.	Shares	1000	IPO
5	Sui Southern Gas Co. Limited	Shares	500	IPO
6	Chenab Limited	Shares	500	IPO
7	Dewan Farooque Spinning Mills	Shares	500	IPO



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