SECP

SECURITIES AND EXCHANGE
COMMISSION OF PAKISTAN

2022
Annual Report

Index

Mission Statement

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 robust corporate sector and broad-based capital market in Pakistan.

Our Values

F	Focus on outcomes	Committed to ensure good governance practices and consistent application of law in a fair manner using apt skills and knowledge while pursuing innovation and continuous development to achieve impactful results.
A	Accountability	Establish high standards of corporate responsibility and be accountable to all stakeholders by adhering to highest ethical levels of honesty, fairness and transparency.
I	Inclusiveness and diversity	Build and sustain an organization that seeks and embraces diversity, actively pursues equity and foster an inclusive environment.
R	Regulatory facilitation	Facilitate the users and investors by providing necessary services in simplest ways while remaining within the boundaries of law.

Chairman's Message

It gives me great pleasure to present the Securities and Exchange Commission of Pakistan's (SECP) Annual Report for year 2021-22 as it is testament to the achievements against challenging milestones set three years ago.

The regulatory mandate of SECP is uniquely wide as it encompasses the securities and futures markets, insurance and NBFC (non-banking finance companies) sectors, corporate registry and secured transaction registry. Each regulated sector requires multifaceted growth reforms and regulatory interventions. Therefore, in order to derive sustained regulatory outcomes, SECP adopted a pragmatic approach focused on five pillars of 'transparent and fair enforcement of law', 'reducing entry barriers and promoting competition', 'supporting innovation and entrepreneurship', 'promoting financial inclusion' and 'market development'. The over-arching enablers were identified as promoting digitalisation, simplifying regulatory structure, reducing cost of compliance and invigorating the exchange of ideas and concepts with market participants and stakeholders.

Alongside the above, during the year, the major thrust for SECP was focusing on improving its internal workflow and decision making process to ensure robust enforcement. This was achieved by repositioning itself from a sector-based to a function-based regulatory body. Building on the initiatives of establishing a dedicated supervision division and a dedicated adjudication division, backed by a strong litigation capacity, meaningful progress was witnessed in this space. 579 cases were concluded through orders imposing penalty amounting to Rs. 77 million on listed companies and licenced entities on account of violation of relevant laws inclusive of AML law. Likewise, 85,519 orders were issued to unlisted companies imposing penalties amounting to Rs. 4,701 million. Internal transparency and accountability were ensured by streamlining the SOPs and processes related to regulatory enforcement activity resulting in effective in-house litigation management in over 90 percent cases. Building on the functional based operations, consolidated licensing activity under a centralised department was also approved, and it started functioning, effective from June 2022.

The second area of reform related to reducing entry barriers and promoting competition, required simplifying the regulatory requirements, removing redundancies, and enhancing measures for ease of doing business while simultaneously improving the user experience. The fact that out of a total of 172,234 registered companies till June 30, 2022, 40 percent of companies were incorporated in the last three years, and 30 percent in the last two years, is a testimony to the effectiveness of this approach. Digital incorporation certificates, digital portal for opening corporate bank accounts and digital combined certificate with provincial departments are key interventions that have given impetus to promoting incorporation. End-to-end digitalization of company incorporation process ensured that during the year, 99 percent of the new companies were registered online and around 23 percent of companies were registered on the same day. A modern and efficient Business Centre, was operationalized at the Head Office for direct facilitation to businesses. More than 17,000 queries were responded through SECP's live WhatsApp service. Similarly, facilitating listing of small enterprises, startups and greenfield companies, through GEM board at stock exchange, enabled listing of three growth companies raising Rs. 1.118 billion.

Further, in order to increase investment in the real estate sector, framework for PPP real estate investment trust (REITs) was introduced that reaped benefits as the fund size of REITs reached Rs. 98.344 billion marking a growth of 81 percent over the previous year's figure. The launch of EMLAAK platform, as the country's first digital distribution and aggregator platform is a major stride towards facilitating investors in making informed decisions. Likewise, on the lending side, owing to revamp of NBFC Regulations, digitally enabled lending platforms have disbursed over 33 billion of nano loans to more than 2.5 million individual borrowers while first buy now pay later (BNPL) NBFC was licensed, that disbursed Rs. 778 million to 45,166 borrowers.

The third area of focus for reforms was supporting innovation and entrepreneurship by, revising legislative framework to pave the way for new products and services. SECP Regulatory sandbox was introduced in 2020 and has recently approved 8 applications for its third cohort. The sandbox has received overwhelming support from offering the unique benefit of providing requisite empirical evidence needed to substantiate policy reforms. The sandbox has proved instrumental in acting as basis for amendments in NBFC Regulations enabling framework for P2P Lending, micro and digital only insurers, guidelines for use of fintech for distribution and advisory purposes and shaping framework for asset fractionalization and digital only asset management company. Simultaneously, awareness sessions were held through innovation office focused on sandbox, green bonds, initiatives for digital onboarding of investors and the emerging regulatory frameworks.

In terms of fourth pillar of reform catering to financial inclusion, foremost attention was given in overhauling the IPO process. Introduction of Pride, an online system, facilitated efficient processing of 8 listing applications. Likewise, revamping and marketing of e-IPO channels resulted in addition of 5,835 new investors. Despite volatile market, 6 IPOs i.e. 3 IPOs on main board and 3 IPOs on GEM board, raised Rs9,363 million, cumulatively. Moreover, 85 percent of retail investment was done through e-IPO and 12,000 investors registered with NCCPL as accredited investors. Likewise, Rs. 52.9 billion were raised through further issue of capital through right and other than right. Simultaneously, reforms in market making framework resulted in 16 financial institutions registered with PSX as market maker. Owing to introduction of concept of Special purpose acquisition of companies (SPACs), one SPAC was incorporated. Reforms in securities market regulatory framework such as digital onboarding of customers, linkages with Roshan Digital Account and shared KYC have enhanced 11 percent growth in investor base. The mutual fund industry has grown, by a CAGR of 28 percent over the last 3 years, to 1.2 trillion rupees. Introduction of micro-saving account and a new category i.e. fixed rate return fund were aimed at increasing investor penetration. In order to create avenue for formal financing for farmers, the operationalization of Electronic Warehouse Receipt (EWR) regime reaped outcome as 894 EWRs of eligible commodities (rice, paddy and maize) amounting to Rs993.20 million have been issued out of which 671 EWRs worth 643.10 million have been pledged. Further, the Government of Khyber Pakhtunkhwa in close coordination with SECP initiated pension reforms through provincial legislation resulting in introduction of a Defined Contributory Pension Scheme for its new service entrants from FY 2022-23, under the VPS framework.

Finally, in perspective of the fifth pillar of market development, key reforms were undertaken after holistic review of impediments in growth. Developing regulatory frameworks for online only brokers, digital regulatory environment for the asset management industry encompassing digital investment advisors, digital trustee and digital asset management companies encouraged new entrants in the industry.

In the context of facilitating issue of mortgage backed securities, especially for the promotion of housing and construction finance, amendments in Asset backed Securitization Rules were made. Likewise, for purpose of introducing long term future contracts, amendments were approved for derivative market whereby in addition to revision in eligibility criteria, deliverable future contracts with longer maturity of 90 days were introduced. Specific focus was also given to private fund (PF) sector and a diagnostic review report on PF sector was published after extensive consultation with all stakeholders. The report provides an overview of the sector, recent developments and key proposals for a thriving PF sector. As a consequence of extensive engagement with market participants, interest in PF was reignited and 3 new private funds were registered. Amendments to the Voluntary Pension System (VPS) Rules were proposed to address the development of the annuity market and utilization of the life insurance distribution network. During the year, ETF market experienced activity as First smart beta ETF, using rules-based system for selecting investments, was launched while Total Treasury ETF, comprising of government securities, was developed. Furthermore, regulatory interventions for market development were routinely conceptualized through position papers covering topics on Asset Fractionalization, Convertible Debt Securities, Green bonds, Gender bonds and ESG regulatory roadmap seeking feedback from stakeholders.

It gives me immense satisfaction to state that, in the broader perspective, SECP has been able to achieve substantial progress across all identified five pillars of our development agenda.

Moving forward, we are looking towards development work on our registry, backed by our design workshops. Our key aim is to conclude the centralisation structure for company incorporation during the upcoming fiscal year along with all matters relating to the entire life cycle of the company, from the formation and registration to the digitalization of easy exit mechanism. Further, the online mortgage register to be launched by SECP will enable banks to access details of mortgages/ charges, available in record, of any company, along with instruments filed at the time of registration/ modification of mortgage/ charge. Another objective for fiscal year 2023 is to initiate work to digitize and automate internal workflow to make our regulatory and enforcement operations more efficient and transparent. SECP is also deliberating on introducing XBRL (Extendable Business Reporting Language) whereby companies will be able to prepare their financial statements in XBRL format and submit to SECP based on recognized taxonomies. For this purpose, a roadmap is being prepared by EY Ford Rhodes.

SECP will continue promoting innovation through closer collaboration with our regulated sectors, academia and incubators. One of the key areas of focus will be digital ecosystem for mutual fund industry that include digital AMC, digital investment advisor and digital trustee as well as onboarding of mutual fund investors through platforms of branchless banking operators/ EMIs. Future priorities include facilitating launch of Centralised Gateway Portal by CDC to improve online onboarding of investors and KYC sharing, across all asset classes overseen by SECP, including securities investors / brokers, unit holders of Mutual Funds and Insurance companies. Amendments in the VPS regulatory framework have been proposed to introduce employer specific pension funds and allowing asset management companies to offer various types of annuity plans of pension payments including life contingent annuities to VPS participants at the time of retirement.

Market development initiatives set for upcoming year include revamping of REITs Regulatory framework by enhancing universe of REIT assets, creating ease for REIT Management Companies and shifting towards disclosure-based regime. Moreover, SECP foresees establishment of SRO of mutual fund industry to promote best practices, investor education and effective complaint redressal. We will also continue to amend and update the existing laws and regulations, introduce regulatory interventions that enhance incorporation, support startups and encourage innovation. In terms of strengthening enforcement in forthcoming year, risk-based supervision approach will be adopted across the regulated sectors duly supported with robust adjudication and strong inhouse litigation functions. The three main Acts – SECP Act, NBFC Act, Securities and Futures Act – are already under an overhaul process, in consultation with our stakeholders.

In pursuance of sustainable capital market, efforts will be directed towards achieving key milestones set under the SECP's ESG regulatory roadmap with emphasis on raising awareness on ESG issues and creating synergies with stakeholders for phased adoption of sustainability related disclosures.

SECP derives its strength from its human capital and makes effort in promoting diversity, inclusion and opportunity. In this regard, at senior management level, female professional officers comprise of 28 percent of workforce this year as compared to 16 percent in FY 2019. Under the Graduate Trainee Program, second batch consisting of 31 GTs, were onboarded and are currently undergoing training in relevant departments. Gender mainstreaming was ensured under GT program also by hiring 50 percent female GTs. Further, after almost a decade, SECP holistically reviewed its values through a rigorous internal consultative approach and is now guided by a new set of values; "FAIR" Focus on outcomes, Accountability, Inclusiveness and Diversity and Regulatory facilitation.

I will conclude by recording my gratitude to the entire SECP team and my fellow Commissioners for their continued dedication and hard work in achieving the shared objectives. I would also like to mention the valuable and timely guidance provided by the worthy members of the Policy Board. My special gratitude is reserved for the Federal Government and the Finance Division, whose support for SECP's initiatives and the progress of the capital markets, was a constant source of strength for the Commission.

We remain committed to fulfil our institutional duties and responsibilities and do our best to help Pakistan attain sustainable development and inclusive growth, by demonstrating vibrance, velocity and virtue in all facets of discharge of our duties!

Aamir Khan
Chairman

Key Achievements

Digital mortgage certificates and statutory returns
The issuance of digital mortgage certificates and acknowledgements of annual and other returns has been started. In addition, issuance of digital CTCs of company's statutory returns and company profile have also been implemented.

Online portal for companies' easy exit
To facilitate easy exit, an online portal of Companies' Easy Exit has been launched. Accordingly, a private or public unlisted company, which ceases to operate and has no assets and liabilities, can apply through the online portal instead of physical submission of application.

Digital portal for banks
The SECP, in coordination with SBP, launched an exclusive digital portal, which enable banks to certify a company's CTCs online.

Centralization of incorporation
In order to standardize name availability and incorporation applications, the entire process of company incorporation has been centralized at the head office level through the Business Centre.

Automation of Public Subscription Process.
Through enhanced accessibility, the automation of public subscription process has resulted in addition of 5,835 new retails investors.

Operationalization of PCM
Pursuant to the launch of first Professional Clearing Member (PCM), EClear Services Limited, trading-only brokers have been successfully onboarded to provide custody and settlement services through PCM.

Amendments to the Companies (Further Issue of Shares) Regulations, 2020
These amendments allow companies to convert from one class of shares into another class, issue shares with differential rights without approval of SECP, and provide mechanism for valuation of non-cash assets.

Centralization of licensing function
To standardize and streamline regulatory approvals, SECP's licensing function has been centralized through a unified department, to handle all licensing applications. The consolidation of operations is expected to promote consistent decision-making, leading to improved user experience.

Special Purpose Acquisition Companies
Public Offering Regulations, 2017 were amended in September 2021, allowing capital market professionals to issue securities and raise capital by forming a special purpose company for entering into merger or acquisition transactions.

Automation of listing applications
The SECP, in coordination with PSX, has deployed "PRIDE" online system, through which issuer/company can submit IPO application, interact with PSX and get update/status of application.

Market making for debt securities
Financial institutions including Banks, DFIs, PDs, AMCs etc. have been allowed to act as market maker, thereby increasing secondary debt market liquidity. So far, 16 financial institutions have been registered as market makers.

New asset classes for pension funds
The SECP has allowed pension funds to invest in REITs, Private Equities, Venture Capital Funds and ETFs. Moreover, pension funds have also been allowed passive investment strategy in the form of Index sub-fund.

Framework for account opening by AMCs
SECP eased account opening by introducing a new category "Sehl Account", wherein investors can be onboarded through microfinance banks backed by telecom providers, without seeking information from the investors.

Emlaak Financials
First mutual fund digital distribution platform for investment in mutual funds, namely "Emlaak Financials" has been launched. The platform will encourage healthy competition among AMCs to offer best products to their customers.

Introduction of P2P Lending
The SECP has allowed a licensed NBFC to operate P2P lending platform on a commercial basis for the first time, after its successful testing under regulatory sandbox. The platform commenced its operations on a commercial basis, and by connecting small enterprises to the lenders, it is expected to promote financial inclusion.

Launch of WhatsApp/Wechat service
To provide immediate responses to queries related to company incorporation, WhatsApp and Wechat service have been launched for Business Care, the first of its kind service in Pakistan's public sector. So far, 29,681 queries have been handled through this mode, having satisfaction ratio exceeding 89%.

Efficient complaints / queries handling
During FY 2021-22, SECP received 25,185 queries, out of which 12,750 (51%) were addressed on-spot via toll free number while the remaining 12,435 queries (49%) were processed through SDMS. SECP also handled 10,204 complaints through SDMS. Out of which, 9,761 (96%) stand resolved/closed and the remaining are at different stages of being addressed. In addition to the above, SECP has also resolved 2,085 complaints received through Pakistan Citizen's Portal.

Securities and Exchange Policy Board

The SECP Act 1997, while ensuring autonomy of the Commission, provides for the establishment of a Securities and Exchange Policy Board, consisting of eleven members, appointed by the federal government, of which five shall be from the public sector and six from the private sector. The ex-officio members are federal secretaries for finance, law, commerce, SECP Chairman, and a deputy governor of SBP, nominated by the Governor SBP.

During the year, Mr. Mehmood Mandviwalla was appointed as Chairman Policy Board by the federal government on January 5, 2022.

The main objective of the Policy Board is to provide guidance to the Commission in all matters relating to its functions and to formulate policies in consultation with the Commission. It is also responsible for advising the Government on matters falling within the purview of the Act and other corporate laws; and to express its opinion on policy matters referred to it by the Government or the Commission.

Mr. Mehmood Mandviwalla
Chairman

EX OFFICIO MEMBERS

Mr. Hamed Yaqoob Sheikh
Secretary,
Finance Division

Mr. Muhammad Sualeh Ahmad Faruqui
Secretary,
Commerce Division

Raja Naeem Akbar
Secretary,
Law and Justice Division

Mr. Aamir Khan
Chairman,
SECP

Dr. Inayat Hussain
Deputy Governor
SBP

PRIVATE SECTOR MEMBERS

Mr. Khalid Mirza
Member

Syed Asad Ali Shah*
Member

Mr. Adnan Afridi
Member

Mr. Veqar ul Islam
Member

Mr. Sadeq Sayeed**
Member

* Syed Asad Ali Shah resigned on August 22, 2022
** Mr. Sadaq Sayeed resigned on June 25, 2022

Board Initiatives

During the year, the Board approved numerous policy decisions concerning measures for improving ease of doing business and promoting the overall growth of the capital market. Also, the Board approved various rules and regulations to be prescribed under the Administered legislations as well as amendments therein.

Attendance of Policy Board members

During the year, two meetings of the board were held, details are as under:

S. No.	Name of member	Number of meetings held	Number of meeting attended
1.	Mr. Mehmood Mandviwalla, Chairman	2	2
2.	Chairman, SECP	2	2
3.	Secretary, Finance Division	2	2
4.	Secretary, Law and Justice Division	2	2
5.	Secretary, Commerce Division	2	2
6.	Deputy Governor, State Bank of Pakistan	2	2
7.	Mr. Khalid Mirza	2	2
8.	Mr. Adnan Afridi	2	2
9.	Mr. Veqar ul Islam	2	1
10	Syed Asad Ali Shah	2	2
11	Mr. Sadeq Sayeed	2	1

The Commission

Mr. Aamir Khan, Chairman

Commissioner Securities Market Division, Legal Affairs Division, Licensing Registration Division, Adjudication Division, Information Systems and Technology Department, Specialized Companies Division; and Islamic Finance.

Aamir Khan has over 30 years of experience in financial and capital markets. He is well versed in institutional banking, corporate lending, treasury and credit risk management, and has extensively worked on structured financial products, international trade and cross-border transactions. During his career in Pakistan, as well as abroad, Khan has served at Standard Chartered Bank, Royal Bank of Canada, and American Express Bank Ltd.

Before his appointment, first as Commissioner and then Chairman SECP, Khan served as Executive Director at the Securities and Exchange Commission of Pakistan. He covered international affairs, commodity markets, chairman secretariat, specialised companies and played an instrumental role in initiatives related to promoting ease of doing business, microfinance sector, and also commodity-related framework.

As Chairman SECP, Khan led initiatives that fuelled innovative business concepts, through launch of the Regulatory Sandbox. Under his leadership, the SECP also embarked on a digital transformation journey, and digitised many of its internal processes. It also operationalised a fully automated 24/7 'Secured Transactions Registry (STR)' for registration of security interests/charges; whereas work is already underway on replacing the existing registry.

With the aim to ensure consistent, transparent and focused regulatory oversight across sectors, Khan led a paradigm shift in SECP's operational model by moving the enforcement function from a sector-based to a function-based one. This resulted in establishing of centralised Adjudication, Supervision, Licensing and company incorporation.

Aamir Khan is a staunch advocate of women and youth empowerment and actively promotes good governance, sustainable initiatives and inclusive dialogue with the regulated sectors of SECP.

Ms. Sadia Khan

Commissioner Supervision Division; Insurance Division; Anti-Money Laundering Department; Internal Audit and Compliance Department; Information Security Department; and Appellate Bench Registry.

Ms. Sadia Khan has pursued a versatile career path traversing investment banking, financial regulation, family businesses and entrepreneurship across three continents. With Masters degrees in Economics from both Cambridge University and Yale University, Ms. Sadia started her career at Lehman Brothers in New York. After obtaining her MBA from INSEAD in France, she has worked with various international institutions and local regulatory authorities, including the Asian Development Bank in the Philippines, SECP and SBP. For the past two decades, Sadia has remained a passionate advocate of corporate governance and has served on various boards as an independent director. Her book entitled "Corporate Landscape of Pakistan" was published by Oxford University Press in 2017. In 2014, the French Government conferred on her, the prestigious French award, "Chevalier de 1'Ordre National du Mérite" (Knight of the National Order of Merit). She was recognized by the International Directors Network (IDN) for excellence in governance as the first recipient of their Good Governance award in 2021. Prior to her appointment as Commissioner SECP, she had been serving as the President and CEO of the Pakistan Institute of Corporate Governance (PICG).

Mr. Farrukh Sabzwari*

Mr. Farrukh H. Sabzwari has an MBA in finance with more than 25 years of professional experience in the capital markets in Pakistan and abroad. Before joining the SECP as a Commissioner in December 2018, he was the CEO of BMA Capital Management, one of Pakistan's largest firms dealing in financial services. His previous senior management roles include a 7-year stint with Credit Suisse Securities in Singapore, as Director APAC Equities Sales, from 2010 to 2017. Prior to that, he was CEO at KASB Securities – Merrill Lynch JV partner in Pakistan. He held this position from 2005 to 2009. He also spent more than 8 years at CLSA – a Citi-owned boutique investment firm, as Country Manager and Head of Sales for Pakistan from 1995 to 2001, and subsequently as VP subcontinent sales in New York in 2001-2003. He completed his Singapore Broker License and Indonesian Capital Market Exams in 2010 and his Series 7 and 63 in New York in 2001.

*Mr. Farrukh Sabzwari completed his 3-year term as Commissioner SECP on December 11, 2021.

Commission's Secretariat

Commission's Secretariat performs the duties and responsibilities as entrusted to it under the SECP (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 number of Commission's meetings attended by Commissioners during financial year 2021-22 are as under:

S.No.	Name of Commissioner	Number of Meetings held	Number of meetings attended
1	Mr. Aamir Khan, Chairman	48	48
2	Mr. Farrukh H. Sabzwari, Commissioner	20	20
3	Ms. Sadia Khan, Commissioner	48	45

Conduct of business

During the year, the secretariat convened 48 regular meetings of the Commission, wherein 562 working papers of departments/divisions and 38 other business items were considered and decided appropriately. Besides, the Commission also passed 10 resolutions by circulation for decision on urgent matters. The Commission's Secretariat on behalf of the Commission, issued 103 statutory regulatory orders/notifications and facilitated issuance of 16 circulars.

Appellate Bench Registry

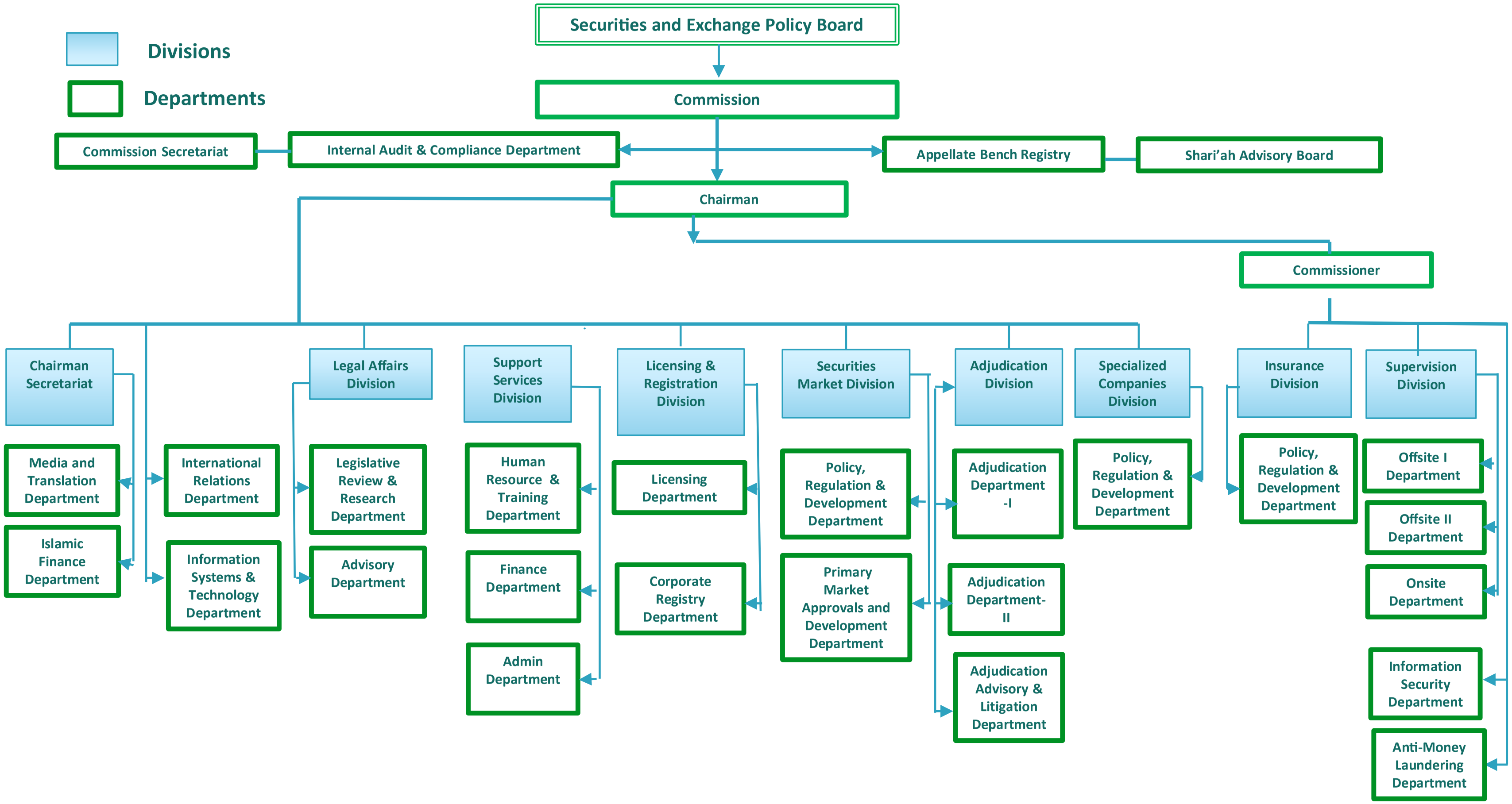
The Appellate Bench of the SECP is a quasi-judicial forum which is mandated to hear appeals against the orders passed, either by a Commissioner or any other officer authorized by the SECP. The Appellate Bench comprises of two Commissioners. Appellate Bench Registry, which is headed by Registrar is entrusted to provide administrative assistance to the Appellate Bench.

Despite having only two commissioners during last seven months of this financial year, the Appellate Bench had fixed 98 appeals for hearing and 60 appeals were heard. In 29 cases, appellants and respondents sought adjournments whereas 31 appeals were heard and disposed of by the Appellate Bench.

Internal Audit and Compliance Department (IACD)

A comprehensive risk-based Annual Audit Plan for the FY 2020-21, was approved as per Internal Audit Charter. During the year, IACD conducted five (05) financial, eight (08) compliance and operational audits and a special audit assignment. Detailed reports concerning audit findings, management comments and IACD's recommendations, were issued to relevant departments/divisions and presented before the Commission on quarterly basis.

Organisational Structure of SECP



Senior Management

Muhammad Asif Jalal Bhatti
Executive Director/HOD,
Adjudication II

Musarat Jabeen
Executive Director/ Chief
Spokesperson/HOD
Chairman's Secretariat, International
Relations Department

Ali Azeem Ikram
Executive Director/HOD,
Onsite Department,
Supervision Division

BUSHRA ASLAM
Executive Director
Supervision Division

MUZZAFAR AHMED MIRZA
Executive Director/HOD
Advisory Department/Legislative
Review and Research Department

WASEEM KHAN
Director/HOD
Policy, Regulations and
Development Department
Insurance Division

Asif Iqbal
Director/HOD
Policy, Regulation and
Development Department -
Securities Market Division

MUBBASHAR HASSAN
Director/HOD
Licensing Division /
Human Resource and Training
Department

Bilal Rasul
Secretary to the Policy Board/
Secretary to the Commission/
Registrar Appellate Bench

Abid Hussain
Executive Director/HOD
Adjudication - I

Imran Inayat Butt
Executive Director / HOD
Onsite Department II,
Supervision Division

KHALIDA HABIB
Executive Director/HOD
Policy Regulations and
Development Department
Specialized Companies Division

MUBASHER SAEED SADDOZAI
Registrar of Companies/HOD
Corporatisation and Compliance
Department - CROs

MS. NAJIA UBAID
Additional Director/HOD
Primary Market Approvals and
Development Department
Securities Market Division

MR. IBRAR SAEED
HOD/Special Public Prosecutor
Adjudication Advisory and
Litigation Department

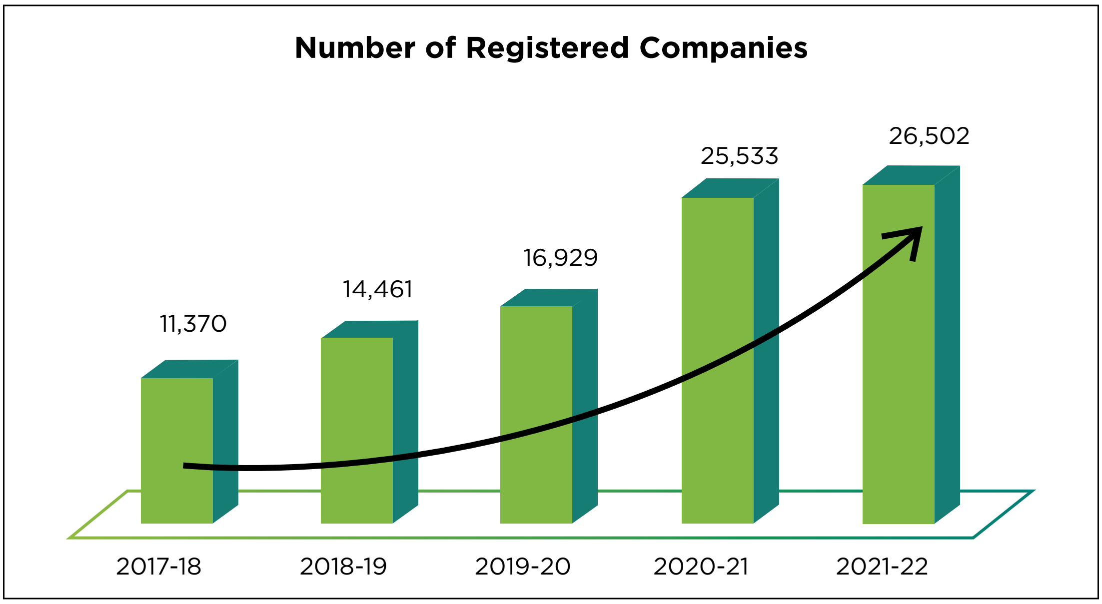
AYESHA RIAZ
Director/HOD
Offsite-I Department

Corporatisation

Overview

Despite multiple challenging conditions, the corporate sector of Pakistan continues to display growth at a steady pace. The SECP, through its Company Registration Offices (CROs) in nine major cities across Pakistan, plays an instrumental role in bringing the unregistered entities into corporate fold. The foremost objective of the corporate sector regulator is to register new businesses and encourage existing non-corporate entities to come into corporate sector fold to transcend into well-structured corporate model with sufficient administrative and financial transparency.

During the current financial year 2021-22, 26,502 new companies were registered. As compared to the previous year, a growth rate of 4 percent has been observed. Due to this growth, the total number of registered companies now reached to 172,234. In terms of efficiency, 99.4 percent companies were registered online during the current year and around 23 percent companies were registered within the same day. The outcome are the result of the strategic use of automation and process optimization to benefit end users and shorten the overall time required to launch a business in Pakistan.



Out of the companies registered during the financial year 2021-22, approximately 64 percent companies were registered as private limited companies, 33 percent as single-member companies, and the remaining were registered either, as public unlisted, not-for-profit associations, trade organisations, foreign companies or limited liability partnerships.

Sector wise breakdown of registered companies during the current year shows that the construction and real estate sector took the lead with incorporation of 4,791 companies. This was followed by IT with 3,760 companies, trading with 3,534 companies, services with 2,408 companies, and Ecommerce with 1,038 companies. Education related companies registered were 962, food and beverages companies were 937, tourism companies were 790, textile companies were 701, and marketing and advertisement companies were 671. The remaining companies were registered in other sectors.

Foreign investment was reported in 681 new companies. Most foreign investment is from China (288 companies), followed by USA (44 companies), UK (42 companies), Afghanistan (40 companies), Germany (27 companies), Canada (15 companies), South Korea (14 companies), Turkey (14 companies), Saudi Arabia (13 companies), Palestine (11 companies), Netherlands (10 companies), Australia (8 companies), Norway (8 companies), and Singapore (8 companies). Few foreign investors are from Italy, Japan, Jordan, Lebanon, Philippines, Russia, Sri Lanka, UAE, Denmark, South Africa, Dominican Republic, Egypt, Hong Kong, Oman, Switzerland, Thailand, Bangladesh, France, Iraq, Ireland, Kenya, Malaysia, Sweden, Belgium, Qatar, Spain, Ukraine, AJK, Austria, Myanmar, Cyprus, Indonesia, Iran, Kazakhstan, North Korea, Kuwait, Kyrgyzstan, Malta, New Zealand, Niger, Nigeria, Paraguay, Poland, Romania, Senegal, Syria, Taiwan, Vietnam, Yemen, and Zambia. Moreover, 22 foreign companies from China, USA, Portugal, Turkey, UAE, Turkey, South Korea, UAE, Switzerland, Spain, and Germany have established places of business in Pakistan during the financial year.

Reforms and Developments

Issuance of digital mortgage certificates and certified copies of returns

SECP has started issuance of digital mortgage certificate and acknowledgement of annual and other returns which is equivalent to the physical certificate/acknowledgement for all legal purposes. Moreover, SECP has also launched a facility for issuance of digital certified true copies of company's statutory returns and company profile.

Online facility for Companies Easy Exit under Companies Easy Regulations (CEER)

The SECP has launched an online portal of Companies Easy Exit Scheme aimed at automated and simplified process of easy exit. Accordingly, a private or public unlisted company which ceases to operate and has no known assets and liabilities, may apply directly to the registrar to strike its name off the register of companies through a simplified way instead of submitting a winding up petition to the court.

Digital portal for banks

In coordination with the SBP, SECP launched an exclusive digital portal in March, 2021, which has become fully functional. The portal is currently being used to enable all banks to open corporate accounts without seeking physically certified copies of statutory documents from its customers.

Integration with SMEDA

SECP has successfully integrated with SME Registration Portal (SMERP) of Small and Medium Enterprises Development Authority (SMEDA) through PITB.

Automation of form 45 (Declaration of compliance with the provisions of section 123A of the Companies Act, 2017)

Online facility provided to file form 45 in terms of Section 123A (2) and Regulation 19A (5). This Form is filed as declaration from the company that it has received all relevant information from its partners/shareholders as per above referred provision of law.

Enhanced customer experience

The Quality Assurance process has improved the overall efficiency and user experience of all major applications including SECP Website, eServices (Company Registry, BLASRS, Digital CTC, Digital Certificates etc.) and other internal applications. SECP has facilitated customers to access the application by different browsers to create ease in submitting the documents and other processes.

Business Process Re-Engineering (BPR)

SECP has embarked upon an ambitious transformation programme under the title "Leading Efficiency through Automation Prowess" (LEAP). The programme is designed to bring digital transformation, end-to-end automation and creation of a state-of-the-art interface across all functions of the Commission. Around 245 business processes were finalised in top level categories of company registration, filing and compliance, regulatory approvals, licensing, supervision and enforcement, adjudication and administrative and support function. After tactic efforts, composite business requirements have been prepared and business processes have been optimized to 35 customer journeys as per the proposed technology stack for the development/ implementation of the project.

Under LEAP programme, SECP has initiated BPR activity aimed at revamping management strategy with radical redesign of core business processes to achieve improvements in productivity, turn-around time and quality. In this regard, a detailed business model for Limited Liability Partnerships, along with proposed improvements and changes was shared with Ernst & Young Ford Rhodes (EYFR) being the lead consultant. It is expected that once these processes are formally implemented, it shall greatly reduce complexities in business processes, enhance user experience and promote transparency and internal efficiency of SECP business processes. Earlier, an extensive Design Thinking workshop was also conducted in Lahore on LLPs processes by SECP in collaboration with EYFR.

Adoption of XBRL

For introducing of a modern, efficient way of collecting financial data and improving the data quality in public sector, SECP is deliberating on introducing XBRL in upcoming company Registry System. Companies will be able to prepare their financial statements in XBRL format and will submit to SECP based on recognized Taxonomies.

Companies (Amendment) Bill, 2021

The Companies (Amendment) Bill, 2021 was primarily passed to promote start-ups, business innovation and entrepreneurship, improve general business climate and promote the ease of doing business. Instrumental amendments include defining start-ups, explicit permission for issuance of shares other than right for a consideration other than cash allowing Employees Stock Option Scheme by private companies, provision of exit mechanism through buy-back of shares by any company, exemption from filing of unaudited financial statements for private companies having insignificant paid-up capital; and abolishment of company seal, and strengthening public disclosures aiming to protect interests of minority shareholders. One of the key amendment in strengthening gender inclusive reforms is abolishing the requirement of mentioning husband's name by a married woman for registration of a company.

Financial Institutions (Secured Transactions) (Amendment) Bill, 2020

Besides promising efficient administration of Secured Transactions Registry through delegation of powers of Federal Government to SECP, the amendment Bill aimed at extending the scope of Secure Transaction Act, 2016 to by registering all types of security interests on movable property. This will allow super-priority to acquisition security rights removing the requirement of filing of security agreement.

Amendments in the Companies (Further Issue of Shares) Regulations, 2020

In order to facilitate formation of capital, amendments in the Companies (Further Issue of Shares) Regulations, 2020, were introduced to address the impediments faced by the corporate sector, particularly startups and small companies in raising equity through conventional modes. In line with international best practices, proposed changes allow companies to convert from one class of shares into another class, issuance of shares with differential rights without approval of SECP, and provide mechanism for valuation of non-cash assets. The amendments will facilitate companies in maintaining an optimal capital structure, considering their own financial needs and demands of their shareholders.

Proposed Companies Regulations, 2022

Presently, the corporate regulatory framework exists in multiple sets of regulations framed under the Companies Act, 2017. SECP has reviewed and compiled these regulations into a single compendium, consolidating 9 regulations into 1. Keeping in view the objectives of ease of doing business and reducing cost of business; the proposed regulations have substantially reduced the number of forms and applications from 75 to 27 form. Contents of different forms have been made part of the proposed Companies Regulations, 2022 and the regulations requirements have been reduced from 169 to 143 requirements.

Awareness and facilitation

Throughout the year, the SECP's Business Centre and Company Registration Offices conducted various seminars and webinars across Pakistan to increase awareness about topics related to company incorporation, such as name availability, name reservation, process of online incorporation of new company, filing of statutory returns and awareness about the recent amendments/changes in law/rules, etc. Further more, to facilitate company incorporation, more than 9,000 queries pertaining to company incorporation were responded through SECP 24/7 live WhatsApp service whereas more than 26,000 customers were facilitated through phone calls in the Business Centre. More sessions are planned for the upcoming year, especially for increasing awareness on SECP's Digitization through eServices and facilitation of startups. Company Registration Offices are in touch with new startups and incubation centers are established at various universities for arranging these sessions.

Outcome of SECP's Intervention

- SECP started 'Issuance of digital mortgage certificates' on September 20, 2021 and a total of 12,766 digital certificates have been issued in the FY'2021-2022. Similarly, the facility of digital acknowledgement of annual and other returns was started on September 25, 2021 and 92,515 digital acknowledgements have been issued in the FY'2021-2022.
- SECP launched issuance of digital certified true copies of company's statutory returns and company profile on September 08, 2021 and 49,956 digital CTCs have been issued in FY' 2021-2022.
- The digitalization of the above manual processes has considerably helped to reduce the turnaround time, along with additional benefit of cost-saving e.g. paper and printing cost, ultimately leading to enhanced user experience.
- The SECP launched an online portal for applications under the Companies Easy Exit Regulations on March 30, 2022. The procedure of easy exit was previously carried out through filing a manual application, however, with the launch of online portal, a total of 731 easy exit applications were received online during the year, which were processed in a time-effective manner.

- SECP has successfully integrated with SME Registration Portal (SMERP) of Small and Medium Enterprises Development Authority (SMEDA) in November, 2021, facilitating SMEDA in the verification of company records for grant of SMEs status. The said portal was accessed 174 times since its integration with the SECP.
- Online facility to file Form-45 in terms of Section 123A (2) and Regulation 19A (5) was launched in April 2021 and a total number of 52,541 forms have been filed by the companies in FY'2021-2022.
- In coordination with the SBP, SECP launched an exclusive digital portal for banks in March, 2021 whereby real-time access has been provided to banks to the statutory records of companies. A total of 49 Financial institutions have joined the portal since its launch and a record of total 18,173 searches were carried out through this portal in FY'2021-2022. This portal has replaced the former time-consuming practice of obtaining physical certified copies of statutory documents from the SECP, reducing the overall time of corporate bank account opening.
- A total of 21,771 financing statements were filed in the Secured Transaction registry during the FY'2021-2022 since its launch in April 2020, enhancing access to finance for small & medium sized entities.

Way forward

In line with vision of developing a modern and efficient corporate sector, SECP aims to further build its corporatisation momentum. Key steps to ensure healthy growth of corporate sector will be hinged on the following;

- A comprehensive review of the corporate landscape of Pakistan, to devise policies and encourage bringing undocumented businesses in the formal sector.
- Further improvements in the processes to facilitate enhanced self-regulation, with an acute focus on start-ups, especially tech start-ups.
- Building on recent integration with the provincial departments of Punjab and Sindh, integrating registration with Baluchistan and KPK shall be embarked upon to further improve business climate in the country.
- Extending the access and availability of SECP's Portal recently launched for banks to other licensed sectors and associations including insurance, non-banking finance companies etc. that require certified copies of statutory documents of companies for execution of their respective objects.
- Frequent awareness sessions on measures taken for ease of doing business in the country, regarding Secured Transaction Registry, and on prevention from fraudulent setups and illegal deposit taking schemes, Multi-Level Marketing (MLM), leasing, etc.
- To provide online facility for inspection of company records to its customer instead of visiting relevant company registration office.
- Revamped new Company Registry Solution would enhance the internal capability of SECP to perform company registration, filing and compliance functions swiftly and efficiently. It is expected that the user experience in these areas will be better and enhanced.

Capital Markets

Stock market

Overall, the fiscal year 2021-22 was a challenging year for the markets. The KSE-100 index began the year at 47,356.02 points and ended at 41,540.83 points on June 30, 2022, recording a decrease of almost 12.3 percent. The market recorded its highest level of 48,112.21 on August 23, 2021 and touched its lowest level, 40,879.93 on June 13, 2022. The index posted its highest single-day gain of 1,700.38 points on April 11, 2022.

The average daily turnover was 292.69 million shares and 117.78 million shares in ready and futures market, respectively. A total of 530 companies with accumulated paid up capital of Rs1,525.899 billion are listed on the Pakistan Stock Exchange, while the total market capitalization is Rs6,956.507 billion, as on June 30, 2022. Foreign investment in the stock market exhibited a net outflow of $297 million during the year, which is 23 percent lower than the net outflows of $387 million observed in FY2020-21.

Commodity market

During the period July 01, 2021 to June 30, 2022, various commodities futures contracts including gold, crude oil and US equity indices, worth Rs3.867 trillion were traded at PMEX. Previously, for the period of 2020-2021, commodities futures contracts worth Rs2.841 trillion were traded, depicting an increase of almost 36.11 percent.

Licensing of entities

With regard to licensing of entities for carrying out regulated securities activities, the following number of entities had active licenses:

Number of entities having licenses issued under relevant regulations		
	As of June 30, 2022	As of June 30, 2021
Share Registrar and Ballotters	11	10
Banker to an Issue	17	16
Consultant to the Issue	32	31
Credit Rating Agencies	2	2
Debt Securities Trustees	9	9
Underwriters	38	37
Future Brokers	74	66
Securities Brokers	205	203

Public offerings

Primary capital markets offer immense potential for business growth and development by providing opportunities to raise capital, both in form of equity and debt, at competitive prices. After high levels of global IPO activity in 2021, volatile market conditions have resulted in slowdown during the first quarter of 2022. The sudden reversal can be attributed to a range of issues, both emerging and residual. These include the rise in geopolitical tensions [Ukraine war]; stock market volatility; price correction in over-valued stocks from recent IPOs; growing concerns about a rise in the commodity and energy prices; impact of inflation and potential interest rate hikes; as well as the COVID-19 pandemic risk continuing to hold back a full global economic recovery.

Pakistan being an emerging economy, has huge potential for companies to go public. SECP is striving to implement reforms that encourage companies to enlist on the stock market. During FY-2021-22, Pakistani market witnessed 6 IPOs i.e. three (03) on Mainboard and three (03) on GEM Board of PSX. All these IPOs were oversubscribed, showing investor confidence in the capital market.

Equity

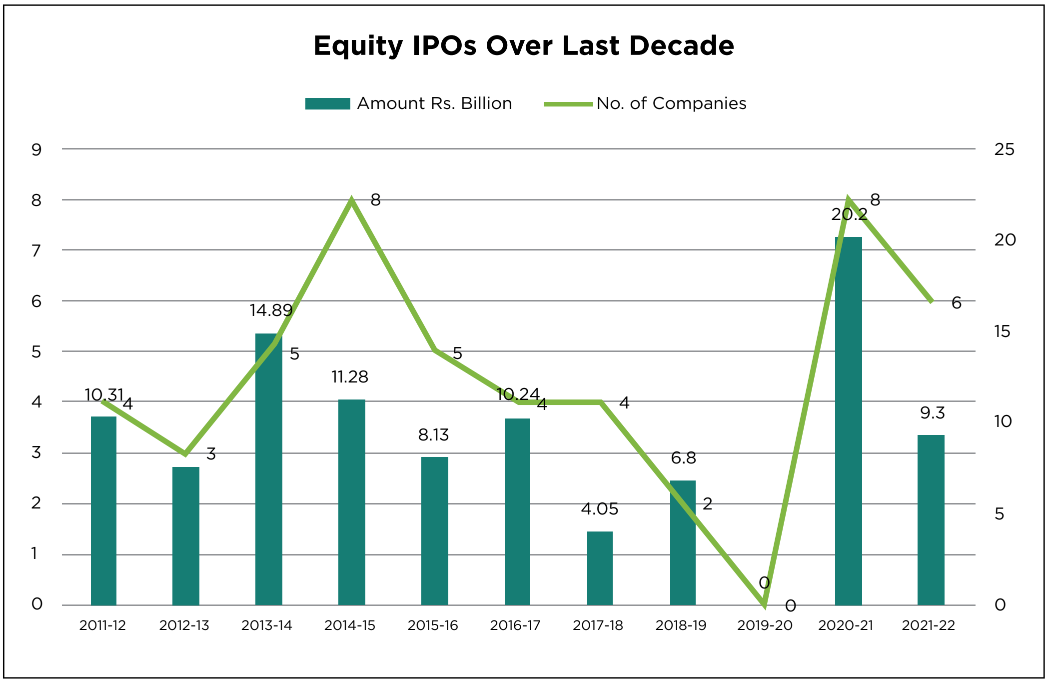
During the FY 2021-22, six (06) companies have raised Rs9.3 billion as compared to eight (08) companies which raised Rs20 billion last year. The highest amount [Rs6.435 billion] was raised by Airlink Communication Limited.

Listings on main Board

Sr. No.	Name of Company	Type of Instrument	Fund Raised (In million rupees)	Date of listing
1.	Airlink Communications Limited	Equity	6,435	22-September-2021
2.	Octopus Digital Limited	Equity	1,110	05-October-2021
3.	Adamjee Life Assurance Company Limited	Equity	700	04-March-2022
	Total		**8,245**	

Listings on GEM Board

Sr. No.	Name of Company	Type of Instrument	Fund Raised (In million rupees)	Date of listing
1.	Pak Agro Packaging Limited	Equity	198	26-Nov-2021
2.	Universal Network Systems Limited	Equity	445.705	06-Dec-2021
3.	Supernet Limited	Equity	475	28-Apr-2022
	Total		**1,118.71**	



Redeemable capital

A well-developed corporate bond market is essential for the growth of economy, as it provides an additional avenue to government and the corporate sector, to raise funds for meeting their financial needs. During the period under review, 36 debt securities were reported, break-up of which is given below:

Sr. No.	Type of Security	No. of Issues	Amount (In billion rupees)
i.	Privately Placed Term Finance Certificates	14	30
ii.	Privately Placed Sukuk	12	36.84
iii.	Privately Placed Commercial Papers	10	33.13
	Total	36	99.97

As of June 30, 2022, 102 corporate debt securities remain outstanding, amounting to Rs776.46 billion, comprising following categories:

Sr. No.	Name of security	No. of issues	Amount outstanding (In billion rupees)
i.	Term Finance Certificates (TFCs)	59	165.6
ii.	Sukuk	45	607.83
iii.	Commercial Papers	2	3.03
	Total	106	776.46

Further Issue of Capital – Listed Companies

During the year, listed companies raised capital worth Rs49.79 billion through issuance of right shares and other than right shares: further issue. Out of which Rs26.8 billion raised through right issuance and the remaining Rs23 billion through other than right issue.

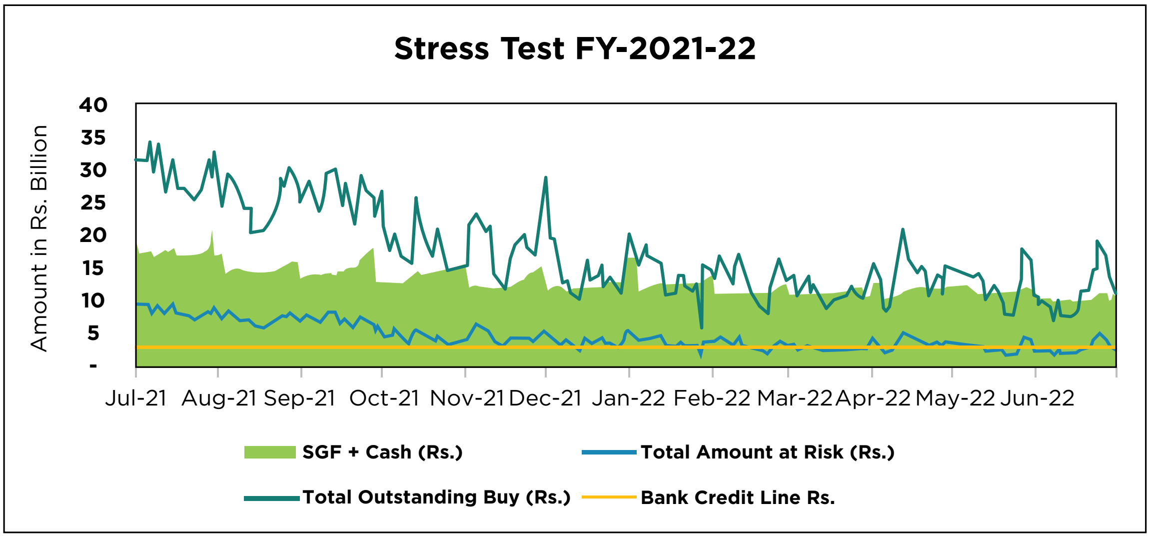
S. No.	Type of Issue	Number of Issues	Fund Raised (In billion rupees)
1.	Right Issues	12	27.43
2.	Other Than Right Issues	3	23.0
	Total	15	50.43

Systemic Risk Management

The SECP systemic risk team was engaged in the following activities during FY22:

Risk assessment and reporting

The Systemic Risk team prepares a daily and fortnightly risk statistics reports tracking important market data including settlement positions, leverage, volatility, concentration, and speculation and also macroeconomic indices in addition, daily forward-looking stress and reverse tests are carried out, an internal model, to assess the robustness of margins and other resources of clearing house. The stress testing results for FY22 showed that there were enough financial resources, including margins and settlement guarantee funds to deal with any capital market crisis.



Systemic Risk Wing (SRW) also conducts comprehensive market research analysis on the current developments, risks and threats to the financial markets which is being shared internally with the policy departments' heads on regular basis.

Development of Scenario Analysis in collaboration with SBP

One-week training of SECP officers was arranged at SBP for improving the SRW's systemic risk framework and capacity building. SRW is collaborating with SBP on data sharing and identification of common flash points. Subsequent to the training an in-house econometric model-based scenario analysis was developed to assess the impact of macroeconomic indicators on the performance of KSE-100 index.

Reforms and Developments

Reforms in Securities Lending and Borrowing (SLB) Product

Reforms have been introduced in Securities Lending and Borrowing (SLB) Products to make the more efficient and attractive to investors and market participants. These reforms enable mutual funds, Issuers, market participants and Investors to utilize their idle securities for enhancing returns on their portfolio investments. The major reforms include:

- Availability of SLB contracts with maturity ranging from 1 to 22 business days;
- Additional SLB contracts with maturity of 60, 90 and 180 days;
- Rollover and early release options;
- Availability of IDS functionality for institutions executing SLB transactions through securities brokers for direct settlement with the Clearing Company; and
- Allowing the lender under SLB contract to pay charges to the borrower for the cash received against the lent securities with enhanced risk management measures.

Promotion of Shariah-compliant segment

Murabaha Share Financing (MSF) is a leverage product launched by National Clearing Company of Pakistan Limited (NCCPL) in September 2019. In order to facilitate financiers and investors to transact in securities market in a Shariah compliant manner, certain additional reforms are introduced wherein option has been provided to MSF seller to mark MSF buyer as eligible for corporate entitlements in MSF system. Further, securities brokers and their customers who are inclined towards Shariah compliant investments and deposits, are allowed to receive riba free return on their margins deposited as collateral with NCCPL duly placed in settling banks.

Amendments in the Central Depository (Licensing and Operations) Regulations, 2016

In light of the recommendations of Capital Market Development Plan and Road Map – 2020-2027; amendments in Central Depository (Licensing and Operations) Regulations, 2016 have been made to allow Securities exchange to hold up to 51 percent shareholding in CDC and all other shareholders collectively are restricted to hold up to 49 percent in CDC. The amendments will align with the holding company concept envisaged by the said Plan and Road Map, wherein an efficient market design will be established through a group of self-regulated capital market entities having common shareholding for cohesive development and control capital market reforms and related costing for market participants, thereby, eliminating unnecessary competition between SROs.

Revisions in Concentration margins (CM)
In order to strengthen risk management framework of NCCPL considering any abnormal activity in stock market, Concentration Margins (CMs) applicable have been revised to address the risk imposed by concentrated positions in a particular DFC contract while not being too aggressive to create liquidity crunch in the market. Therefore, dynamic parameters of CMs were introduced which will automatically react to address such activity in the market. The revised criteria will be applicable where total current open position of a DFC eligible security exceeds by 50 percent from the last 90 days' average open position of that particular security, respective market wide CM shall be applied as prescribed under the NCCPL regulations.

Mark to Market (MTM) Profit Disbursement in DFC market
To ensure that there are adequate risk management measures in case of high volatility and increased risk in the market, amendments have been made in NCCPL regulations under which MTM profit distribution in DFC market shall now be withheld till the expiry of the contract in case of significant price variation in a security i.e. 50 percent from contract opening price and hence need for ad-hoc measures is removed. Presently, NCCPL may distribute up to 50 percent of MTM profits on DFC contracts of the clearing member on his proprietary/ client account on UIN basis which is disbursed on the next working day falling after the day on which the MTM loss is collected by NCCPL.

Criteria for determining securities eligible for Margin Financing (MF)
The criteria for determining Securities eligible for Margin Financing (MF) has been revised based on recommendations from stakeholders under which any new listed security shall be made available in MF Market from the date it has been listed on PSX.

Tagging of investor account during Default Management Proceedings
Market Participants are allowed to open Investor Account (IAS) with CDC to place their holdings for long term purpose. However, reviewing the risk management, PSX has allowed to utilize shares held in IAS of a defaulting broker and tagged such account in case of defaulting broker.

Amalgamation of Securities Act and Futures Market Act
As part of the reform agenda of SECP to transform and modernize the legal structure of the capital market, the process of amalgamation of Securities Act, 2015 and Futures Market Act, 2016 has been undertaken. The amalgamated Securities and Futures Market Bill has been approved by the Cabinet, and is now awaited to be introduced in the National Assembly.

Improving on financial reporting for informed decision making
To bring more transparency in reporting common control transaction and disclose detailed information to the stakeholders for best decision making, Accounting Standard on "Accounting for Common Control Transactions" approved by the Council of Institute of Chartered Accountants of Pakistan, has been notified which is to be followed by companies while carrying out common control transactions and preparing financial statements on or after June 30, 2022.

Amendments in the Credit Rating Companies Regulations, 2016
To introduce new rating concepts and make regulatory framework in line with international best practice, SECP has proposed draft amendments in Credit rating regulatory framework. Amendments would facilitate credit rating industry of Pakistan and promote transparency.

Amendments in the Companies (Asset Backed Securitization) Rules, 1999 (ABS Rules) and ABS Regulations, 2022
Securitization is one of the important segments of debt market, which enable corporates to raise funds through capital market by monetizing their illiquid assets. To enable issuers to issue mortgage backed securities and covered bonds, certain amendments in ABS Rules have recently been made. Further, SECP has notified draft ABS Regulations, 2022 for public consultation. The Regulations aim to facilitate companies to raise funds from the capital market in timely and cost-effective manner by issuance of asset backed securities through two modes: i) public offering and ii) private placement. Moreover, under these Regulations real estate assets which have cash generating ability and actionable claims can also be securitized.

Harmonising Companies (Further Issue of Shares) Regulations, 2020 with global disclosure-based regime
Disclosure in financial markets pursue the core objective of investor protection, by enhancing their confidence in the market, thereby supporting the capital market and economic growth. In a bid to improve and ensure transparency in the process for capital formation, SECP has recommended to revamp Companies (Further Issue of Shares) Regulations 2020 suggesting new modes and mechanics. A concept paper has been made

public on Review of Companies (Further Issue of Shares) Regulations, 2020, that proposes disclosure-based regime wherein issuer will provide sufficient information to investors thereby enabling informed decision.

Amendments in Listed Companies (Buyback of Shares) Regulations, 2019 (Buy back Regulations)
Pursuant to amendments in Section 88 of the Companies Act, 2017, buyback through Tender offer process has been removed for all the companies. Accordingly, companies can now buy back their shares only through a securities exchange. Further, in order to address queries from companies pertaining to clarity in terms of stepwise procedure for buyback through securities exchange, mechanism for cancellation of shares, restriction on sponsor/director/major shareholders etc. from participating in buyback procedure etc. Therefore, in order to address these concerns and in line with global practices, amendments in the buyback Regulations have been proposed and notified for soliciting public comments.

Regulatory framework for Issuance of Convertible Debt Securities through Right Offer
Currently, convertible debt is being issued by either public offering or private placement mode. Convertible debt securities through right offer is prevalent in multiple economies and is being considered more effective in terms of time and cost as compared to other modes. In order to enable listed companies to issue convertible debt securities through right, SECP has introduced a draft regulatory framework for public consultation. For better understating, a concept paper on subject framework has also been issued. Regulatory framework provides mechanics through which listed companies can raise funds from existing members in the form of convertible debt.

Proposed product would enable companies to finance projects in timely and cost-effective manner through existing members and may reduce reliance on other financial institutions and investors. For shareholders, it would provide an additional investment avenue and allow them to earn, while retaining the option to convert debt instrument/sukuk into share capital.

Introduction of Special Purpose Acquisition Companies (SPACs)
In order to provide viable and sustainable eco-system for capital formation, SECP introduced the concept of SPAC, allowing capital market professionals to issue securities and raise capital by forming a special purpose company for entering into merger or acquisition transaction. SPACs, a new concept, is prevailing in many jurisdictions, including USA, Canada, Malaysia etc. Accordingly, Public Offering Regulations, 2017 were amended in September 2021, incorporating regulatory framework for SPACs. Subsequent to said amendments in Public Offering Regulations, 2017, SECP also published guidelines for SPAC to help issuers as well as investors to understand the process of registering and investing in SPACs. One company has so far been registered with SECP as SPAC.

Automation - listing applications
To shift from traditional and manual method of processing listing/IPO applications, SECP in coordination with PSX, has deployed an online system named “PRIDE”, through which Issuer/company can submit IPO application, interact with PSX and get updated/status of application.

Revamping of market making for debt securities
To enhance universe of market makers, now financial institutions including Banks, DFIs, PDs, AMCs etc. are allowed to act as market maker. During the period under review, 16 financial institutions have been registered as market maker thereby increasing secondary debt market liquidity.

Introducing Asset Fractionalization
For modernizing the corporate sector and making it more inclusive, SECP has published a concept note on Asset Fractionalisation. Asset fractionalisation is the bifurcation of a high-value asset into smaller denominations. This process turns the asset into affordable investment opportunities for small investors. As a result, it allows such investors to reap benefits of the high-value illiquid asset class. The aim of exploring the potential of asset fractionalisation is to create new investment vehicles, ensure availability of a broader range of investment options, liquidate illiquid asset pools and work towards higher compliance with international best practices leading to an equitable and accessible capital market.

Fractionalisation of real assets is gaining global momentum and the concept is being introduced to assess the sustainability of a new investment avenue for small investors. Many countries like the US, Malaysia, Singapore and the UAE have adopted fractionalisation process to improve financial inclusion and cater to the needs of small investors.

Operationalisation of Professional Clearing Member (PCM) and new broker regime
The concept of PCM has been formally operationalized for providing clearing, settlement and custodial

services to Trading Only category of Securities Brokers as part of new brokerage regime. Under the new regime, securities brokers have been categorised into three categories Trading Only, Trading and Self-Clearing and Trading and Clearing according to their net worth and governance requirements.

Brokers' account facilitation centres

As a step towards increasing investor base in the capital market, regulatory framework has been introduced for opening and operating Account Facilitation Centres (Customer Help Centres) by securities brokers. These centres are intended to enhance the physical presence of brokers and facilitate account opening for new investors through utilization of the branch networks of Commercial Banks, Asset Management Companies and Insurance Companies, in addition to allowing specially trained sales staff of brokers to carry out permissible marketing activities in public places under proper checks.

Risk Management regime for Custodian Clearing Members

Custodian Clearing Members (CCMs) were responsible only for settlement of their foreign/local investors trading by using NCCPL's Institutional Delivery System, whereas for risk management, the securities brokers were responsible for deposit of all margins and Mark to Market losses requirements of NCCPL that are withheld until completion of settlement by CCMs. Therefore, to improve efficiency of risk management system while improving the capacity of resident brokers to take more exposure in the market, a new mechanism has been introduced which allows collection of acceptable collateral from CCMs in terms of 'Standing Instructions' against margin requirements in respect of trades of foreign investors.

Reforms in Asset Under Custody (AUC) Regime

Amendments in CDC Regulations made to align Capital adequacy level (CAL) with the provisions of Securities Brokers (Licensing and Operations) Regulations, 2016 and calculation of custody limits prescribed under CDC Regulations shifted and specified under CDC Procedures to timely make adjustment in such limits. Flexibility has been provided in submission of audited annual financial statements / certificate for Capital Adequacy Level during the year for AUC instead of existing practice of submitting the same only on annual basis.

Growth Enterprise Market (GEM)

To facilitate accredited investors for the GEM Board, requirement of submission of a separate affidavit by investor and issuance of separate UIN to accredited investors has been removed and securities brokers were made responsible to ensure that investor is an accredited investor as per PSX Regulations.

Revision in Fee, Charges and Deposits Schedule of CDC and NCCPL

In order to provide benefit to unit holders of mutual fund industry, NCCPL has rationalised its tariff structures of security deposit requirement for Collective Investment Schemes (CIS) and Capital Gains Tax (CGT) fee in a progressive manner. The security deposit shall not be applicable on Asset Management Companies admitted for only using single UIN facility for all CISs under its management.

CDC's tariff structure has also been rationalized on account of multiple fee heads i.e. waiver for online transactions, reduction in annual fee for multiple accounts, significant reduction in fee for fresh issue of shares and redeemable securities especially for short term redeemable securities.

This reduction would be beneficial for the corporate sector to issue bonds with substantially reduced induction fee and investors shall be able to pay lesser cost to maintain CDC investor and sub-account.

Capital Adequacy Measures

In order to ensure the maintenance of specified capital requirements for securities brokers, the new liquid capital regime has been implemented from October 01, 2021 in line with the new brokerage regime. The liquid capital regime provides a more detailed and sophisticated approach towards determining capital adequacy of brokers in line with international best practices.

Outcome of SECP's Intervention

Operationalisation of Collateral Management Company

The Electronic Warehouse Receipt (EWR) regime became fully operational in March 2021 after issuance of the first EWR. During the period starting July 01, 2021 to April 30, 2022, 341 EWRs of eligible commodities (rice, paddy and maize) have been issued out of which 328 EWRs have been pledged. Approximate total value of EWRs issued during the period is Rs. 466 million whereas for pledged EWRs it is Rs. 310 million.

Operationalisation of Shared KYC Mechanism

In order to create ease of account opening and improve investor base in our capital market, the regulatory framework and mechanism has been introduced to facilitate resident Pakistanis with existing bank accounts to open trading accounts with securities broker by allowing sharing of Know-Your-Customer (KYC) information available with their respective banks. This measure is in line with the Roshan Digital Account initiative previously introduced for Non-Resident Pakistanis. Pursuant to launch of Shared KYC Mechanism, five banks have been onboarded with the CDC to extend the service of shared KYC of their customers while 14 brokers have synchronized their APIs with CDC and become live to open accounts through shared KYC mechanism. This measure shall facilitate ease of account opening as well as in improving investor base in our capital market.

Reforms in Derivative Market - Launch of 90 days DFC

With the aim to develop the derivatives market, Deliverable Futures Contracts (DFCs) with longer maturity periods of 90 days have successfully been launched. Further, new eligibility criteria have been introduced for selection of securities deemed eligible for trading in DFCs. Pursuant to reforms in the Deliverable Futures Market Regulations regarding implementation of 90 Days DFC Regime, the DFC contracts with longer maturities were introduced in August 2021 and received positively by the market. Trading has commenced and open interest is witnessed in contracts of 90 days maturities.

Implementation of PCM

Pursuant to implementation of Professional Clearing Member regime, Trading Only (TO) licenses have been issued to 36 brokers. Out of this, 29 TO brokers have onboarded the PCM, 2 brokers are in the process, the rest 5 have limited custody model.

Reduced Brokerage Commission for Fixed Income ETF

In a bid to promote and encourage launch of Exchange Traded Funds in Fixed Income Category, the minimum brokerage commission for fixed income has been reduced to 1 paisa/share or 0.01 percent against 3 paisa/share or 0.15 percent of the transaction value for equity ETFs. In this regard, one Fixed Income ETF is expected to be launched soon.

Way forward

Online-Only Brokers

In line with the global trend of increased digitalisation in the financial markets, a new category of "online-only" brokers has been proposed to be introduced which shall enable trading in stock market using online means only. With features such as less stringent financial resource requirements, the online-only broker is intended to provide greater convenience and attract new investors in the capital market.

Centralised Digital Onboarding Platform (Centralised Gateway Portal)

To augment online facilitation to financial services market investors through a standardised, centralised customer information database, CDC on the advice of SECP, developed a comprehensive concept paper for introducing and launching of an online Account Opening Portal which will act as one-stop solution to investors of all asset classes of SECP regulated intermediaries. A Working Group has been formed with the mandate to highlight amendments in respective regulatory framework for Gateway Portal and to standardize account opening forms for onboarding of investors for all asset classes i.e. Securities Brokers, Mutual Funds and Insurance Sector. After finalization of the regulatory and operational modalities, the Gateway Portal shall be launched.

Compliance reforms for Trading-Only brokers

SECP has been engaged with SROs for bringing reforms in the compliance requirements of Trading-Only (TO) Brokers following the implementation of the Professional Clearing Member (PCM) Regime. The reforms are intended to clearly identify the responsibilities with respect to compliance of TO brokers with regulatory requirements.

Bringing more transparency at general meetings

Concept of scrutinizer is being been introduced and mandatory appointment of at least one scrutiniser is required in case of some businesses. The scrutinizer would independently oversee the voting process to create greater transparency. Keeping in view the advancements in information technology, it has been made compulsory for the Board of the listed company to provide option of electronic voting in case of election of directors and all special businesses transacted at general meeting of the company. This will help to provide flexibility and convenience to shareholders. The draft proposal is made public for comments.

Joint Inspection Team (JIT) reforms

Amendments shall be introduced in the PSX Rulebook for consolidation of regulatory audits of brokers into Joint Inspection Framework and consequential removal of system audit and non-technical areas of Internet-Based Trading System (IBTS) Audit of brokers.

Exempt Offering of securities

Introduction of the concept of Exempt Offering of securities to facilitate companies to raise funds from the capital markets with no/minimal offering document approval requirements.

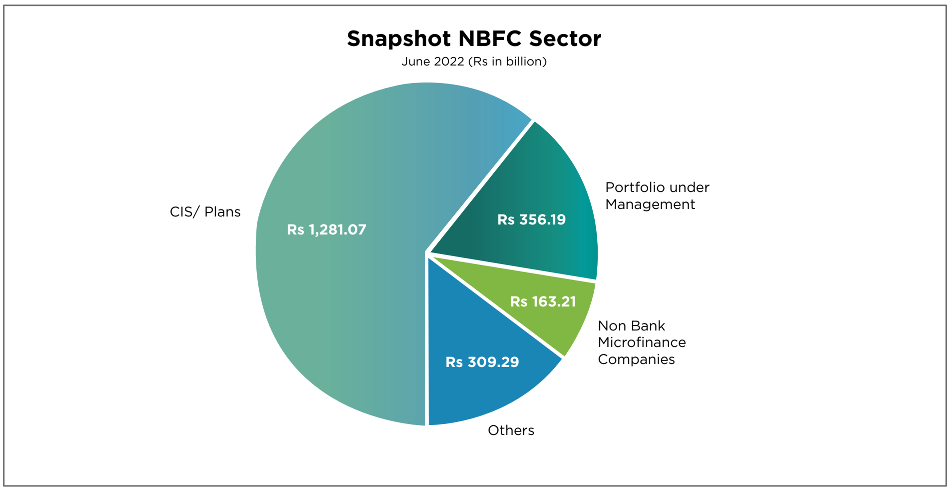
Qualitative risk perception survey

The SECP will be formally launching a qualitative risk perception survey covering the emerging risks and potential future vulnerabilities in the capital markets, non-bank financial system, and the macro-economy. The purpose of the survey is to gauge emerging risks and the confidence of participants in the financial stability of our market.

Non-Banking Financial Sector (NBFC)

Overview

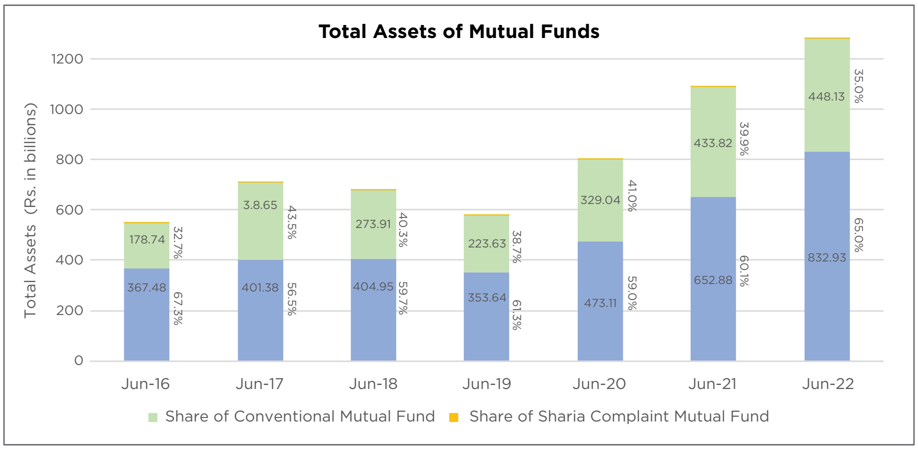
The aggregate asset size of NBF sector was Rs2,110 billion as of June 30, 2022, posting a growth of 17.9 percent as compared to assets of Rs1,790 billion as of June 30, 2021. The breakup of the total assets of the NBFC sector is given in schedule below:



Non-Banking Financial Sector

Fund Management NBFCs

The Assets under Management (AUMs) of the mutual fund industry are the largest segment within NBF Sector with assets of Rs 1,281 billion as on June 30, 2022 (June 2021: Rs 1,087 billion), showing a growth of 17.9 percent. Money Market funds dominated the AUMs of the mutual fund industry with the largest share of 52 percent, followed by Income Funds having share of 24 percent.



The other significant asset class in NBFCs are the Investment Advisors. There are currently 28 entities licensed to offer Investment Advisory Services with portfolio of Rs356 billion as on June 30, 2022.

The total assets of 22 pension funds managed by 14 Pension Fund Managers (Voluntary Pension Systems) stood at Rs41.64 billion as on June 30, 2022. This asset class also witnessed a growth of 4.9 percent in the year under review.

The NBF sector also includes five Real Estate Investment Trusts (REITs) and thirteen REITs Management Companies. As of June 30, 2022, the fund size of REITs was Rs98.344 billion marking a growth of 81 percent over the previous year's figure.

Another important area in the NBF sector is Private Fund Management. In this context, Private Equity and Venture Capital (PE & VC) investment is poised to take off in Pakistan. Currently, there are five PE & VC Funds and eight Private Equity Companies operating in Pakistan. The total asset size of the PE & VC funds stood at Rs10.96 billion as on June 30, 2022, compared to Rs6.69 billion as on June 30, 2021, registering a growth of 64 percent.

Lending NBFCs and Modarabas

Lending NBFCs are engaged in providing specialized financial services and complement the outreach of banking industry by mobilizing finance, especially in underserved segments. The total assets of companies licensed to undertake lending business, including investment finance companies (investment banks), leasing companies, housing finance companies and non-bank microfinance companies, have increased to Rs260.65 billion as on June 30, 2022, as compared to Rs211.41 billion as on June 31, 2021, showing growth of 23.3 percent.

Asset size of NBFC Sector June 30, 2022		
Description	**No. of Licenses**	**Assets (In billion rupees)**
Mutual Funds & Plans	290	1,281.065
AMC / IAs *	28	52.605
Discretionary / Non-Discretionary Portfolios	-	356.194
Pension Funds	22	41.639
REIT Management Companies*	13	8.136
Real Estate Investment Trust	5	98.344
Investment Banks	17	90.988
Non Bank Microfinance Companies	32	163.209
Leasing Companies	4	5.982
Housing Finance Companies	4	0.471
Private Equity Companies*	9	0.170
Private Equity & Venture Capital Funds	5	10.963
Total	**429**	**2,109.766**

*The assets of 5 RMC and 6 Private Fund Managers having more than one licenses are covered in AMC/IAs section and assets of 1 RMC having more than one license is covered in Private Equity Companies.

Reforms and Developments

Amendments in investment framework of VPS

VPS framework has been revamped to foster development of VPS schemes and contribute to a significant savings dimension and economic growth by removing the restriction on transfer of individual pension account from one pension fund manager to another or from one pension fund to another. To incentivize the pension fund managers, the regulatory cap on management fee has been removed and the concept of Expense Ratio has been introduced for pension funds to bring them in line with mutual funds. Further, in order to encourage employers into offering VPS as a retirement benefit, for the first time, pledging of individual pension account for loan or advance given by the employer to the employee has been allowed.

New category of CIS-Fixed Rate Mutual Fund introduced

Fixed-rate mutual fund have been approved to provide stable returns to investors/unitholders. This fixed nature of return will ensure enhanced comparability with the savings accounts offered by the commercial banks. This initiative will bring healthy competition in the asset management industry, and will ultimately benefit the investors in terms of low cost and better services.

Framework for account opening by Asset Management Companies

SECP eased account opening by introducing a new category “Sehl Account” wherein investors can be onboarded through Telco backed microfinance banks without seeking information from the investors.

Amendments in Securities and Futures Advisors (Licensing & Operations) Regulations, 2017

The Securities and Futures Advisers (Licensing & Operations) Regulations, 2017 are being revamped in order to promote transparency, alignment of interests, broaden outreach, and diversify mutual fund distribution channels. The proposed amendments aim to create separate licenses for distributors with simplified entry requirements including full time employees to obtain license as Securities and Futures Advisers. Further scheduled banks, microfinance banks, Electronic Money Institutions (EMIs) and NBMFCs are being exempted from the requirement to obtain a distributor license.

Banks to act as distributor of CIS/VPS of multiple AMCs
SECP through notification exempted RDA eligible Commercial Banks from the mandatory requirement of obtaining Securities Advisor license to act as Distributor of CIS/VPS of multiple AMCs

Promoting Self-Regulation in mutual fund industry
In order to inculcate self-discipline and collective responsibility amongst market players, SECP is promoting establishment of SROs and has issued Self-Regulatory Organisations (Registration) Regulations, 2022. The mutual fund industry association i.e. MUFAP has been granted license of Section 42 Company in order to become eligible for registration as an SRO.

Revised criteria for investing in Equity Securities by Collective Investment Schemes (CIS)
SECP revised the criteria for CIS investing in relatively illiquid equity securities. The maximum investment limit of 10 percent in such equity securities was maintained, however, among other measures, exemption was granted to KSE-30/ KMI-30 index stocks. This will expand the investable universe of securities for equity-based CIS and enable better fund performance. The revised criteria also prohibited CIS from investing in companies under winding up proceedings and in companies where a qualified opinion is issued on the basis of going concern.

Amendments to the Corporate Restructuring Act, 2016 and Corporate Restructuring Companies Rules, 2019
Amendments to the Corporate Restructuring Companies Act, 2016 (XXXII of 2016) (the "CRC Act") made during the year will provide more conducive environment and operational efficiency to Corporate Restructuring Companies (CRCs). The amendments, inter alia, enable CRCs to create trusts for acquiring and managing non-performing assets, act as agent of financial institution for recovery of their non-performing loans, provide finance for purposes of trust by CRCs, and formation of Corporate Restructuring Board (CRB) for approval of schemes presented by CRCs.

The amendments to the CRC Act necessitated prescribing procedure through rules for liquidation of trust, composition, governance of the CRB, its functions and budgetary allocations. In this regard, amendments to the Corporate Restructuring Companies Rules, 2019 have been proposed and submitted to Ministry of Finance for Public Consultation.

Launch of First Debt ETF
Approval granted for the launch of Pakistan's first Debt ETFs, providing investors with a new investment avenue.

Guidelines for Mutual Fund digital distribution platforms
During the year, SECP issued guidelines which set out principles and requirements applicable to mutual fund digital distribution platforms for Collective Investment Schemes (CIS) and or Voluntary Pension Funds (VPS). These guidelines will also apply to all licensed Investment Advisors and Securities Advisors in conducting their licensed/regulated activities relating to order execution and/or advisory services in respect of distribution of CIS/ VPS units through online platforms.

Emlaak Financials
SECP steered the development of first mutual fund digital distribution platform for investment in mutual funds, namely "Emlaak Financials". The platform has been developed and will encourage healthy competition among AMCs to offer best products to their customers.

VPS circular
The SECP has introduced various innovative asset classes and allocation structures for pension fund assets. Circular 12 of 2021 issued by SECP has allowed of pension funds to invest in Real Estate Investment Trusts, Private Equities, Venture Capital Funds and Exchange Traded Funds. For the first time, pension funds have been allowed passive investment strategy in the form of Index sub fund. Moreover, investment limit for IPO and pre-IPO has been increased from 5 percent to 10 percent. VPS participants have been provided flexibility to change allocation ratios of their accounts and they have also been allowed to freeze their portfolio allocation and percentages at a point in time.

Disclaimer on use of name and logo of bank/sponsor by AMCs
For the protection of investor and in order to curb mis-selling, SECP directed all AMCs to place additional disclaimer in all modes of communication with investor that use of the name and logo of (bank/sponsor) as given above does not mean that it is responsible for the liabilities/obligations of (asset management company) or any investment scheme managed by it.

Digitalisation of Filing of Biannual Returns of Employees Contributory Funds
In continuation of efforts towards digital transformation, development of paperless environment and ease of doing business, the SECP successfully developed and deployed Online Reporting System for Filing Biannual Returns relating to Employees Contributory Funds (Investment in Listed Securities) Regulations, 2018. Prior to this, the companies/trust(s) were bearing extra costs on filing returns in physical form on biannual basis. The system has resulted in significant reduction of SECP's administrative burden and helped in development and maintenance of a centralised database of the contributory funds with the SECP. The newly developed system has also been integrated with E-Services.

Lending NBFCs
During the year under review, following reforms have been introduced through amendments to the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations):

- Regulatory requirements have been put in place to set benchmarks for NBFCs to improve their governance structure, liquidity and risk management and credit underwriting standards for long-term sustainability in stress situations without compromising their social inclusion perspective.

- New requirements have been specified for NBFCs engaged in Housing Finance for defining the role of the Board in establishing and overseeing a housing finance underwriting policy, its periodic monitoring; and introducing broad standards for safe and sound underwriting of housing loans.

- NBFCs engaged in leasing have been facilitated by allowing inclusion of vehicle financing as part of their mandatory minimum investment of 70 percent in leasing. It will allow them to cope with the adverse tax implications under the Income Tax Ordinance, whereby the gross lease rental from leasing is treated as their income against which depreciation expense claim is capped at Rs2.5 million.

- Deposit taking NBFCs have been facilitated by allowing premature redemption of Certificate of Deposits (CODs) after the lock-in period of 45 days subject to a penalty on early redemption in line with international best practices. Minimum tenure of CODs has been increased from 3 months to 1 year.

- Enacted P2P Lending framework allowing Lending NBFCs to undertake P2P Lending with approval of the Commission. It will enable NBFCs to connect lenders to the borrowers digitally, providing easier access to finance for the underserved small businesses via alternate delivery channels.

- Enhanced the limit of contingent liabilities for NBFCs exclusively engaged in business of issuing credit enhancement guarantees for SMEs financing. It will substantially increase the capacity of such NBFCs to provide credit enhancement guarantees to financial institutions against their exposure to SMEs.

- SECP has facilitated PACRA for rolling out Social Impact and Performance (SIP) Rating methodology. SECP took the initiative and engaged PACRA and PMIC and an awareness session was conducted with stakeholders on March 04, 2022. SIP is focused to facilitate stakeholders in measuring positive social impact of Financial Institutions and the ways to ease their access to additional funds and achieve sustainability.

- With SECP's concerted efforts and active support Housing Finance Companies (HFCs) have been included for the first time as executing agencies for Government Markup Subsidy Scheme for provision of Housing Finance on the same terms applicable to the Microfinance Banks, Commercial Banks and the HBFC. This will provide access to subsidised funding for HFCs with the opportunity to contribute to the government's initiative to promote low cost housing in Pakistan. The initiative will also facilitate provision of small housing loans and micro loans to the underserved strata of the economy.

- SECP took initiative to facilitate and encourage the not-for-profit NBMFCs to transform into a for-profit structure to foster sustained growth of the NBMF sector with potential to attract new investors, enhance market outreach and product innovation. With an aim to set a successful precedent, an NBMFC has been guided throughout the process and is at final stage of obtaining the license as an NBMFC for its wholly owned subsidiary in for-profit structure.

- To facilitate prospective investors of the Non-Banking Finance Sector and to promote ease of doing business, SECP has issued a procedural guide on formation and licensing of NBFCs, which would make it easier for the prospective investors to understand and comply with the applicable regulatory requirements. For encouraging new entrants in this space, such facilitative measures would lead to broadening of the non-banking financial services that is imperative for broad based financial inclusion.

Outcome of SECP's intervention

Although the real impact will be more visible in the years to come, some of the positive outcomes are already visible, as highlighted below:

- Two (2) new asset management companies have been granted license after a lapse of decade;
- Three (3) new investment advisory services license granted including one which will undertake the investment advisory services digitally for the first time in Pakistan;
- Four (4) new licenses have been granted to Securities and Futures Advisors, taking the total number to 35;
- Three (3) fixed rate/return funds have been launched/ are in process of approvals.
- 12,127 new RDA and Digital Accounts have been opened so far with an investment amount of Rs1.29 billion; and

Approval granted for registration of three (3) new Private Funds as notified entity. In addition, 10 new licenses have been granted in following categories of Lending NBFCs:

- Non-Banking Microfinance: 6 (Six)
- Investment Finance Services: 3 (Three)
- Housing Finance: 1 (One)

These newly licensed NBFCs include 5 tech-enable digital lenders with varied business models i.e. instant nano lending, Buy-Now-Pay-Later (BNPL) and Pay Day loans to salaried class. Using financial technology and artificial intelligence, these NBFCs shall offer enhanced customer experience and customized products leading to financial inclusion of the underserved and unserved population. During the year under review, the digital lending NBFCs have approximately disbursed over Rs 33 Billion in loans to more than 2.5 million borrowers.

Moreover, the SECP has allowed a licensed NBFC to operate P2P Lending Platform on a commercial basis for the first time after its successful testing under the regulatory sandbox. The platform has successfully started its operations on a commercial basis and is connecting small enterprises to the lenders, thereby contributing towards achievement of the financial inclusion objective.

Way Forward

- Efforts are underway for introducing a modernized, dedicated and consolidated parent law for the NBF sector, enabling comprehensive coverage of provisions. The year marked a momentous achievement for the NBFC sector, with approval of the draft Non-Banking Finance Companies Bill, 2021 by the Federal Cabinet. The primary law for NBFCs and Collective Investment Vehicles aims to provide a consolidated, modern and dynamic regulatory framework for the fast-growing and rapidly-evolving NBFC sector. Finalised after extensive stakeholder consultations, it intends to enhance growth, facilitation, innovation and overall strengthening of the NBFC sector coupled with stronger governance and investor protection mechanisms in line with international standards and best practices. The draft Act awaiting introduction to the Parliament for approval shall repeal Part VIIIA of the Companies Ordinance, 1984 and Section 457 of the Companies Act, 2017.
- In line with the recommendations of the Pension and Annuity Working Group set up by the Commission, and extensive industry and stakeholder engagement, necessary work was initiated for amendments in the VPS Rules to address development of annuity market, utilization of life insurance distribution network and awareness of the voluntary pension schemes in the corporate and public sector. In this regard, the SECP is currently in the process of amending the VPS regulatory framework to introduce employer specific pension funds similar to 401(k) retirement plans in the USA and allowing asset management companies to offer various types of annuity plans of pension payments including life contingent annuities to VPS participants at the time of retirement.
- Through Emlaak Financials, the initiative of digital Distribution Platform, foreign investors will be incentivized to invest in mutual funds through Roshan Digital Account.
- To promote establishment of a Self-Regulatory Organisation (SRO) in the mutual fund sector, the Mutual Fund Association of Pakistan (MUFAP) will be registered as an SRO.
- Amendments to the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017.

- Pursue roadmap for implementation of recommendations under the diagnostic review of the private funds sector, including amendments to the Private Funds Regulations, 2015 - During the year, the SECP conducted a diagnostic review of the private fund sector to develop better understanding regarding the core issues and challenges impeding its growth. The review report includes an overview of the sector vis a vis activity in the start-up space, how the sector has evolved in Pakistan over time, key findings including a stock-take of the current situation and recent developments, and recommendations that could be implemented for a vibrant locally domiciled PF sector. Implementation of the report recommendations can be expected to rejuvenate the private funds sector and ensure its sustainability in the longer term.
- In order to further encourage and facilitate Fintech Enabled Lending NBFCs, to enhance financial inclusion; SECP is working towards introduction of requisite changes to NBFC Regulatory framework for promoting ease of doing business and market development through:
    - Introduce the concept of perpetual license for eliminating renewal requirement;
    - Allow Lending NBFC to undertake Private Equity and Venture Capital fund management services;
    - Reduce mandatory investment limits in first years of license for newly licensed Lending NBFCs;
    - Provide enabling provisions for specifying requirements related to fair treatment of customers, disclosures, information technology and system security;
    - Prescribe provisioning criteria and other requirements for Nano Lending.

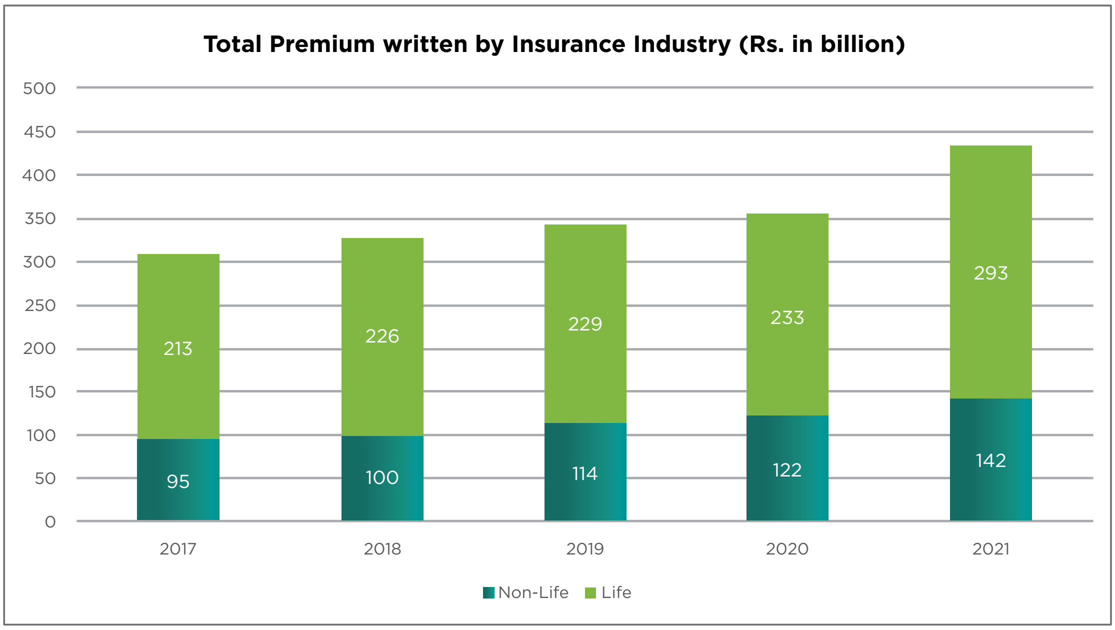
Insurance Sector

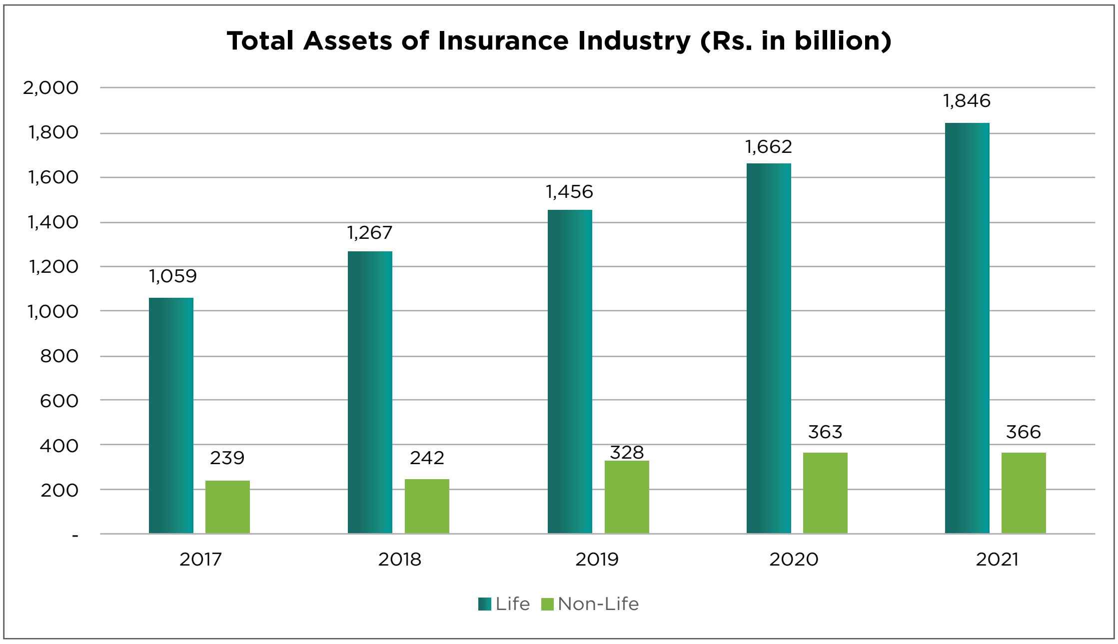
Overview

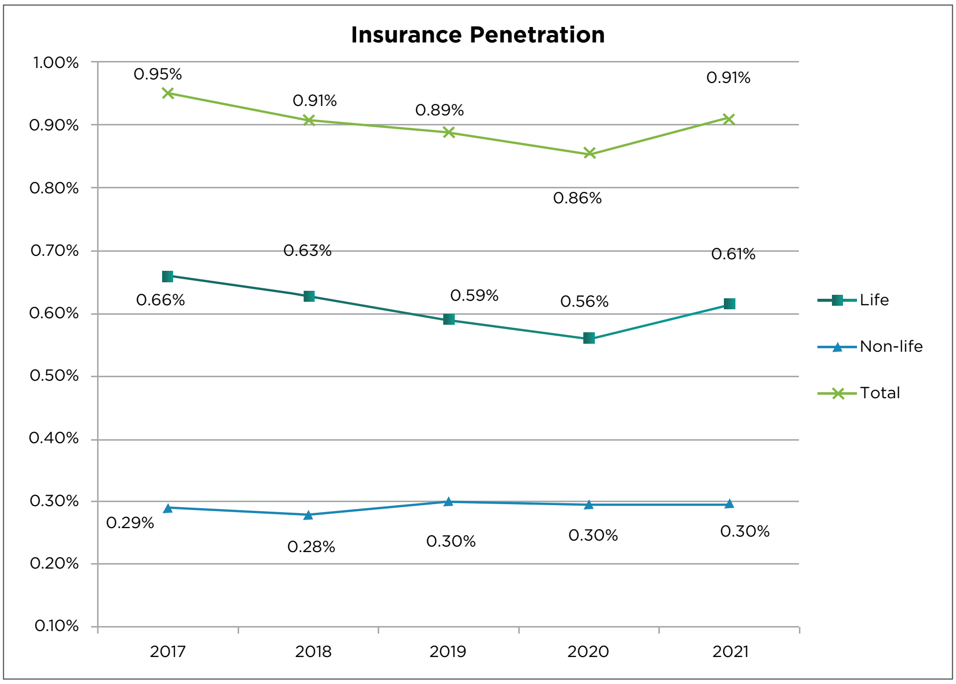
The insurance industry of Pakistan is enhancing the economic and social growth by indemnifying losses of various sizes and nature as well as generating long term financial resources which are invested by insurers in various markets in Pakistan. Through risk transfer mechanism, individuals as well as large industrial, commercial, and trade ventures are protected against losses and continue to operate despite catastrophic events (such as earthquake, floods, and severe weather conditions, etc.) impacting the economy.

As of December, 2021, total assets of the insurance industry stood at 2,149 billion, compared to Rs1,987 billion as of December 31, 2020, showing 8 percent increase in asset size. On the revenue side, during the year 2021, the industry has underwritten total direct Gross Written Premium (GWP) amounting to 433 billion, compared to Rs 347 billion in 2020, demonstrating a growth of around 24 percent in GWP. The reinsurance premium underwritten by the only non-life reinsurance company in Pakistan, owned by the Government of Pakistan, amounted to 22 billion.

According to sector-wise analysis, the life insurance industry assets amount to 1,845 billion and non-life insurance sector owns assets amounting to 304 billion. On the revenue side, the life insurance sector has underwritten premium of 291 billion and non-life insurance sector has recorded premium amounting to 142 billion, during the year 2021.







Reforms and Developments

During the year, various policy reforms have been undertaken, with the objective of strengthening the insurance regulatory framework, market development, consumer protection, and improved compliance with the Insurance Core Principles. The SECP has also embarked on introducing reforms aimed at curbing malpractices, and strengthening consumer protection regime. Through collaboration with professional bodies and industry stakeholders, key reforms and new initiatives undertaken to strengthen insurance sector, are stated below.

Improvement in Unit Linked Product framework

The amendments proposed in the Unit Linked Product and Fund Rules, 2015, include many improvement areas such as clarity on eligible investment avenues, parameters, exposure limits in particular instruments, broad categorization and standardization of investment policies and related communication requirement with the policy holders, guidance on risk categorization on asset allocation of the fund, among others.

Introducing Digital-only insurers and dedicated micro insurers

The proposed registration regime for digital-only insurer and dedicated micro insurers is aimed at enabling the small entities with vision and plan to innovate and serve the insurance market, to obtain registration with the SECP, while complying with lenient regulatory requirements in terms of minimum paid up capital and solvency requirement.

Streamlining the process of approval of directors and CEOs

The proposed amendments to the Insurance Companies (Sound & Prudent Management) Regulation, 2012, have the objective of facilitating the industry by removal of redundancies and reducing documentary submission requirements as well as to ease out the regulatory burden associated with the processing of approvals. The proposed amendments are in final stages of approval for notification.

Strengthening of corporate governance

The proposed amendments in the Code of Corporate Governance for Insurers, 2016 carry the objective of further enhancing the adoption of best corporate governance principles in the insurance sector in Pakistan. The major proposals include mandatory requirement to have independent directors on the board of insurance companies, undertaking of directors training programme, streamlining the qualification of head of internal audit, providing guidance on independence as well as outsourcing of the internal audit function etc. The proposed amendments are in final stages of approval for notification.

Guidance on treatment of Right of Use Assets as per IFRS 16

The Commission, during the year under review notified draft amendments in the Insurance Rules, 2017 for prescribing treatment of Right of Use Assets (ROU Assets) under IFRS 16 (Leases) for solvency purposes and investment in government securities. The draft amendments aim to provide guidance on the industry on the manner in which ROU assets are to be accounted for in determination of solvency of insurance companies as well as for investment in government securities by life insurers. The proposed amendments are in final stages of approval for notification.

Encouraged insurers to invest in Exchange Traded Funds (ETFs)
The Commission, during the year under review notified draft amendments in the Insurance Rules, 2017 for providing admissibility limits on investments in ETF's by insurers for solvency purpose. The aim of the proposed amendments is to develop the nascent ETF market in Pakistan as well as to pass on the benefits of ETF to the insurance sector.

Distribution of insurance products through digital platforms
To enhance access and usage of financial services, SECP has facilitated the signing of an MOU between digital portal - EMLAAK which is already engaged in distribution of mutual funds products, and the Insurance Association of Pakistan (IAP) to start distribution of insurance products. The objective of expanding the scope of this digital portal is to increase financial inclusion.

Master Circular of Insurance Division
In order to facilitate insurance sector in compliance with the regulatory requirements, a Master Circular was issued by SECP. The master circular is a compilation of circulars and directives issued for insurance sector since 2005 to end of 2010 with the main aim of significantly contributing to ease of doing business.

Implementation of IFRS 17
i) Implementation of IFRS 17: For implementation of IFRS 17 (Insurance Contracts) in Pakistan, a four-phase approach was envisaged by the Commission namely (i) Gap Analysis; (ii) Financial Impact Assessment (FIA); (iii) System Design and Methodology; and (iv) Parallel Run Implementation.

During the year under review, Phase-I was completed, with Gap Analysis Reports submitted by all insurance companies. Further, for Phase – II initiation, FIA template and guidelines were developed with the assistance of ICAP and were notified to the industry.

Risk Based Capital (RBC) regime
For development of RBC regime for the insurance sector in Pakistan, the Technical Working Group (TWG) formed by SECP has worked to develop a preliminary framework for bringing together a possible structure of proposed RBC regime for Pakistan's insurance sector. In this regard, the TWG reviewed the RBC requirements of various jurisdictions regionally, compared the salient features of the aforesaid regimes, reviewed the requirements of Insurance Core Principals (ICPs) issued by International Association of Insurance Supervisors as well as the Basel Regime as adopted by State Bank of Pakistan for the banking sector of Pakistan. The preliminary framework document makes in-depth discussions on the RBC framework covering the components of Tier 1 and 2 capital, identification of different risks to be captured and probable methods of computation of risk charge, as well as the study of international regimes.

Outcome of regulatory reforms life insurance products approval
During the year, 127 new life insurance products and supplementary riders have been approved by the SECP, including innovative products with technology-based product features proposed to be distributed via digital platforms.

Registration of insurance companies
The SECP has registered 5th Pillar Family Takaful Limited as a life insurer in accordance with the applicable regulatory requirements. This will further pave the way for future foreign investments in Pakistan in the insurance sector and will resultantly increase insurance penetration.

Licensing of Surveying Company and Authorized Surveying Officers
During the period under review, 567 licenses of insurance surveying companies and Authorized Surveying Officers have been issued, of which 240 licenses were issued to surveying companies and 367 licenses were issued to ASOs.

Licensing of insurance brokers
During the year, insurance broking license of 16 brokers was renewed, while fresh license was issued to 4 new insurance brokers.

Approval of appointment of directors and CEOs of insurers
During the year July 2021 to June 2022, 87 approval for the appointment of Directors and CEOs of insurance companies have been issued under Insurance Companies (Sound and Prudent Management) Regulations, 2012.Furhter, 16 applications for appointment of Directors and CEOs of insurance brokers were also processed and approved.

Approval of Third-Party Administrators (TPA)
During the year, TPA licenses of 1 company was renewed, while fresh license were issued to 1 company.

Outcome of SECP's intervention

Whilst the impact of regulatory reforms undertaken shall be more evident in the years to come, some positive outcomes already visible are highlighted below:

- The gross premium of the insurance industry demonstrated growth of 24% during the calendar year.
- After lapse of more than a decade, a new private sector Life Insurance Company was registered under the Insurance Ordinance, 2000 for providing family Takaful Services.
- On the intermediary side, 16 (sixteen) fresh licences were issued to new market entrants i.e. insurance brokers (3), reinsurance broker (1), insurance surveyor (11) and third-party administrator for health insurance (1).
- A total of 129 life insurance products were registered, including seventy-eight (78) pure protection products and twenty-three (23) health insurance products. Seven new products registered involve mobile network operators
- Three (3) non-life insurance companies launched Index Based Crop Insurance Product in different areas of the country on pilot basis.
- The largest state-owned life insurer commenced digital distribution of health insurance and life insurance through its website.
- For gearing the industry towards phased manner implementation of IFRS -17; insurance companies completed detailed gap analysis through identification of operational, technical and human resource needs.
- Life insurance companies revisited the product structure of their unit-linked products by providing higher investment account allocations for insurance policy holders, as a result of promulgation of the Corporate Insurance Agent Regulation, 2020.
- In order to minimize the potential of mis-selling of insurance policies through corporate insurance agents, life insurers have commenced showing audio / video clips for sale of regular premium life insurance policies.
- Necessary enhancements were made in Centralized Information Sharing Solution for Life Insurance (CISSII), covering claim register, risk register and group claim register.

Way forward

The regulatory reforms aimed to be introduced through Insurance Ordinance (Amendment) Bill, 2021 are expected to bring a paradigm shift in insurance sector regulation through creating conducive environment for market development, alignment of regulatory framework with international insurance supervisory standards, and strengthening the supervisory powers of SECP. Similarly, the proposed amendment to Unit Linked Product and Fund Rules, 2015, will improve the market conduct and ensuring protection of policyholder's interests. The regulation of unit linked products is critical as the investment risk is borne by the policyholder in unit linked insurance products.

- Promoting digitalization and encouraging innovation in the insurance sector will continue to be the key area of focus of SECP encompassing the following main initiatives:
    - The draft regulatory framework for registration of digital-only insurers and dedicated microinsurers is expected to be finalised by FY2022-end. The framework will lower the barriers to entry, and enable small and tech-based entities to enter insurance market, thereby increase number of suppliers and enhancing insurance penetration by serving the underserved markets.
    - The Centralized Information Sharing Solution for Insurance Industry (CISSII) enables insurance industry to share critical information which helps in underwriting, pricing and claims processing and also acts as data repository of more than 3 million policies. Under the regulatory impetus of SECP, expansion of CISSII to form auto insurance repository is under consideration which will help non-life insurance

industry to improve underwriting and pricing in motor insurance by use of data such as information of particular vehicle, location, person's driving record, accident record, claims data, insurance discount etc. In addition, the auto repository can also help in monitoring and enforcement of motor third party liability insurance (MTPL) which is compulsory for all vehicles on roads in Pakistan as per Motor Vehicles Act, 1939.

- Introducing RBC regime and implementation of IFRS 17 will be the most challenging areas of focus of SECP in the insurance sector. The SECP is contemplating to seek industry consultation on the draft framework for RBC regime for insurance sector as well as to assess gaps and opportunities for further improvements and refinements. It is envisaged that the adoption of risk-based capital regime will assist insurance companies to determine the required minimum capital in accordance with risks taken by it. The graduation of the insurance sector in Pakistan from factor-based capital requirements to risk-based capital requirements is considered to increase resilience as well as financial discipline within the sector and hence paying way for increase in stakeholders' confidence therein.

- With regards to IFRS 17 implementation, the Phase - II is to be completed by Insurance companies and takaful operators by December 2022. Subsequently, the phase -III of IFRS 17 implementation i.e. System Design and Methodology would be initiated after due consultation with the stakeholders. It is expected that implementation of IFRS 17 in Pakistan will make the financial statements of insurers' more useful as well as ensuring consistency in insurance accounting practices across jurisdictions.

- The role of Insurance intermediaries in the value chain of non-life insurance needs no emphasis. Insurance intermediaries facilitate the placement and purchase of insurance, and provide services to insurance companies and consumers that complement the insurance placement process. With the objective of strengthening the insurance regulatory framework and consumer protection. SECP will examine and deliberate upon the existing framework for the conduct of Insurance intermediaries mainly: brokers, agents and surveyors and make its recommendations, in the context of evolving challenges and opportunities in the area.

Islamic Finance

Overview

Within the regulatory ambit of the SECP, Islamic finance has touchpoints in capital market, insurance industry and non-bank Islamic financial services. Islamic Finance Department (IFD) serves as a conduit to lead SECP's efforts for development on Islamic finance within the regulated sectors. The Islamic finance sector consist of Shariah-compliant-companies, Shariah-compliant-securities, Modarabas, Takaful operators, window Takaful operators, Islamic non-banking financial institutions, Islamic mutual and pension funds and Shariah compliant real estate investment trusts. As on June 30, 2022, 258 securities listed at Pakistan Stock Exchange (PSX) are Shariah compliant, 110 mutual funds and 30 pension funds managing total assets under management of Rs.448.13 billion and Rs.27.10 billion respectively are Shariah complaint. Moreover 22 Takaful operators are licensed to provide general takaful whereas another 7 takaful operators are providing family takaful businesses.

Reforms and Developments

During the period, public consultation has been completed on the proposed amendments to the Shariah Governance Regulations, 2018. In order to develop a strategic roadmap for development of Islamic finance, ADB, under a technical assistance, engaged a consultant to conduct a gap analysis of the Islamic finance sector and provided its recommendations in form of a future road map. A comprehensive capacity building drive has also been concluded wherein series of online trainings on different aspects of Islamic finance were covered. 43 SECP officers and a large number of representatives from the Modaraba Sector, AMCs, and Takaful Sector attended the programme conducted by the ADB's consultant IFAAS-UK.

Additionally, SECP in collaboration with Islamic Financial Services Board (IFSB), Malaysia arranged a workshop on "Facilitating the Implementation of the IFSB Standards (FIS) for the SECP officers. To establish a high level of standardization in the operational and commercial operations of Islamic financial institutions, SECP has also been steadily implementing the Accounting and Shariah Standards published by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and consultations on 10 standards have been completed, during the year.

Outcome of SECP's intervention

During the year, SECP has issued twenty-eight (28) certificates of Shariah compliant securities to the companies (Islamic Commercial Papers and Sukuk) under the Shariah Governance Regulations, 2018. Further, fifteen (15) Shariah Advisors have been registered with the SECP. It is pertinent to mention that so far, 115 Shariah advisors have been registered with the SECP including 8 private limited companies for providing Shariah advisory services. Furthermore IFD launched an "Islamic FinTech Series 1.0" in collaboration with IBA-CEIF with an objective of paving way for formulizing a policy framework for regulating the Islamic FinTech in the Pakistan.

Way forward

Legal reforms

- IFD is contemplating to draft a new Islamic Financial Services Bill to provide an umbrella law for Islamic financial services in Pakistan
- Promulgation of revised Shariah Governance Regulations and revamping Shariah Advisors Regulations are also in progress to improve regulatory framework and remove bottlenecks.

Market Development

- IFD, in collaboration with other policy department has planned to work on new products within the securities market and mutual funds industry
- Adoption of 10 AAOIFI standards have also been planned to promote standardization of practices in Islamic financial industry in Pakistan
-

Expanding outreach

- First International conference on Islamic capital market in collaboration with NIBAF, AAOIFI, IFSB and CEIFs has been planned.
- Several capacity building initiatives for officers of the Commission as well as the industry players are underway.

Modarabas

Overview

Modarabas are unique collective investment vehicles and the pioneer Islamic financial institutions in Pakistan. Since the 1980s, Modaraba has been a specialised industry dedicated solely to Islamic financial services. Modarabas are being governed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules and Regulations made thereunder.

Modarabas have immense untapped potential to meet financial needs of underserved and unserved sectors and to carve a niche in the financial services market. The Modaraba sector, in particular, has the ability to play an important role in serving SME financial needs and collaborating with other ventures as partners. The sector is expected to rethink its business plan and look for new business opportunities now that the tax exemption has been removed. It's critical that the industry keeps up with the changes and expands its reach through technologically advanced products and services.

Reforms and Developments

In order to improve the legal and regulatory framework, a considerable amount of work has been done to finalize the proposed amendments to the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981, which are under the process of legislative approval. These proposed amendments encompassing ease of doing business, empowering the certificate holders through introduction of the concept of AGM, change in remuneration structure of Modaraba Management Company and introduction of concept of unlisted Modaraba. Additionally, the Modaraba Regulations, 2021 have also been holistically reviewed and several amendments therein have been proposed. The proposed amendments have been notified for public comments and are at final stage.

During the year, SECP has re-constituted the Religious Board to remove key impediments in the Modaraba sector to help expand and diversify their business, achieving economies of scale. Constitution of Religious Board will remove major obstacles in moving forward on key initiates aiming to help Modaraba sector to expand and diversify business and achieve economies of scale. It may be noted that the Board was dysfunctional since 2019.

To further facilitate deposit taking Modarabas, SECP has notified three new instruments, in addition to Shariah-compliant government securities. These include Islamic income and money market funds with a rating of AA-; Sharia-compliant listed Sukuk/TFCs rated "A" or above, and Sharia-compliant bank accounts with "A" or above rated banks.

Enforcement of laws

- To carry out adjudication function in a more proactive and aggressive manner specially to enforce AML laws and Code of Corporate Governance in modaraba sector. During the year under review, 12 proceedings under Modaraba Ordinance, AML Regulations and CCG Regulations have been concluded through orders.
- The SECP has taken a number of measures to provide ease to corporate sector and relaxed / modified the effective date for applicability of IFRS-9 for Modarabas till June 30, 2022.

Outcome of SECP's intervention

As of June 30, 2022, the the equity of the sector stood at Rs. 25.38 billion, whereas total assets of the Modaraba sector amounted to Rs. 61.46 billion. Out of total twenty-five (25) profit making Modarabas, nineteen (19) Modarabas declared cash dividend and/or bonus for the year 2021. As of date, the registered Modaraba companies are thirty-one (31) while twenty-eight (28) Modarabas are currently operating and are listed at PSX.

There has also been renewed interest by the new players in the sector and as a result during the period from July 1, 2021 to June 30, 2022, approval was granted to float a new Modaraba namely Modaraba Burj Clean Energy Modaraba, the first clean energy Modaraba of the country. This indicate that despite challenges, the Modaraba sector has potential to grow and the Modarabas can introduce new products and services by focusing on new markets and technologies.

Apart from granting regulatory approvals, 2 NOCs were issued for proposed mergers of Modarabas whereas two other proposals are under consideration.

Way forward

Automation

- In order to facilitate the modaraba companies in filing of applications / documents and seeking approvals through online system, major Business Requirement Documents (BRDs) have been finalised. These are expected to automate all the regulatory functions performed by the SECP.

Legal reforms

- SECP will continue to provide assistance to the standing committees of the National Assembly on finance and review, for approval and promulgation of the proposed amendments in the Modaraba Ordinance, 1980
- Preparation of draft subsidiary legislation under the amended Modaraba Ordinance, once approved by the Parliament.
- Promulgation of the amendments to the Modaraba Regulations, 2021, once approved by the Commission after conclusion of public consultation

Anti-Money Laundering

The Securities and Exchange Commission of Pakistan (SECP) has demonstrated significant progress towards fulfilling FATF obligations and has taken effective measures in addressing ML/TF deficiencies by aligning its AML/CFT regulatory framework (AML/CFT Regulations, Guidelines, Risk Based Supervisory Framework, Sanctions Regime) with the FATF standards. The SECP continues outreach for regulated sectors, risk-based supervisory activities and implementation of effective, proportionate and dissuasive sanctions regime to ensure sustainable implementation of AML/CFT compliance requirements in the regulated sector.

Mutual evaluation of Pakistan and action plan

In response to additional deficiencies later identified in Pakistan's 2019 APG Mutual Evaluation Report in June 2021, Pakistan provided further high-level commitment to address these strategic deficiencies pursuant to a new action plan that primarily focuses on combating money laundering. In this context, SECP was the designated the lead for FATF Action Plan for Immediate Outcome 5 relating to Beneficial Ownership (BO) and Transparency regarding all types of Legal Person & Legal Arrangement (LPLA) in Pakistan. In this regard, key initiatives undertaken by the SECP are as follows:

- Conduct of Sectoral Risk Assessment of LPLA in 2021.
- Developed and issued Typology paper in December 2021 after the study of techniques used by criminals to misuse legal persons and legal arrangements for ML/TF purposes.
- Conducted BO outreach Program to raise awareness amongst its regulated entities, 38 awareness sessions have been conducted during the year attended by 2,230 participants.
- Video tutorials were disseminated through SECP's social media accounts to facilitate in greater understanding of the legal requirement of BO declaration, online procedures of form filling.
- Established designated desks at CROs to address issues faced by entities in ensuring compliance.
- Initiated strict dissuasive and proportionate sanctions on non-compliance with BO requirements. The enforcement actions undertaken by the SECP entails 54,427 financial penalties amounting to Rs. 2377.104 million being imposed on companies.

Pakistan has successfully completed the action plan with respect to Immediate Outcome 5 - Beneficial Ownership in October 2021.

Reforms and Developments

Pakistan is undertaking its National Risk Assessment (NRA) 2023. SECP is a key stakeholder in this NRA exercise. During the year, legislative amendments were made in relevant framework to promote greater transparency in the corporate and regulated sectors.

During the year, 177 risk-based inspections were carried out. Of these, 90 were onsite inspections while 87 were thematic reviews conducted in the regulated sectors.

Outcome of SECP's intervention

- Streamlined the SROs dissemination process issued by Home Departments to Financial Institutions;
- 36 Capacity building sessions were undertaken for the financial sector in collaboration with IFMP, ICAP, ICMAP, MUFAP, IAP and PSBA to improve the risk understanding of the regulated sectors.
- Compliance forum meetings were held with SECP regulated sectors to promote a greater compliance culture with improved understanding on Terrorist Financing and Targeted Financial Sanction implementation.
- AML/CFT guidelines and FAQs are developed/ updated on an ongoing basis to facilitate ease of compliance with AML/CFT regulatory framework.
- Assisted in amendment proposed and implemented in AMLA Act, Companies Act, LLP Act, UNSCR Act, Sindh Trust Act and allied regulation.
- SECP became a signatory to MMOUs with LEAs and Regulators on Cooperation and Exchange of Information.

Enforcement

The Commission is entrusted with the supervision of regulated sectors within its purview to ensure enforcement of the laws and regulations under its ambit. An effective supervisory role ensures accountability and transparency within the regulated sectors. The Commission, with this objective has successfully achieved functional alignment, by establishing a centralised Adjudication Division for all regulated sectors w.e.f. December 01, 2019 and a centralized Supervision Division w.e.f. March 31, 2021.

Regulatory compliance culture is the intended outcome of any effective supervision function. The Commission has been mindful of the fact that to inculcate a culture of compliance while there has to be zero tolerance for perpetrators, regulatory intervention must always be proportionate to the regulatory risk. To this end risk-based supervision models have been put in place across the regulated sectors. Such models ensure focussing of supervisory resources on higher risk entities and consider status of compliance with prescribed prudential requirements, solvency, capital adequacy, profitability etc. as well as complaints and past governance record of management. Sharp focus narrow scope offsite reviews and onsite inspections enhance achievement of regulatory objectives.

At the completion of first year of such risk based consolidated enforcement, the intended aim of ensuring consistent, more transparent and focused regulatory oversight across sectors has been achieved. Integrated enforcement plan was achieved by focused, risk-based identification of violations by Supervision Division complemented by independent and judicious adjudication function by Adjudication Division, enabling autonomy and operational efficiency in its functions.

As evident from results of the supervision activity, as well as the number of cases pursued within adjudication, the Commission has been able to achieve better compliance with its rules and regulations, and protected the rights of the minority shareholders by taking timely and effective supervisory actions, supplemented with proportionate and dissuasive adjudication orders.

Moving ahead, in the forthcoming year, Commission foresees thorough and well synced enforcement supported by offsite supervision, onsite inspections, investigations and adjudication functions. Priority areas continue to aim at transparent disclosure, informed decision making, accountability and protecting minority shareholders and general public from unscrupulous agents. AML/CFT related compliance shall remain a key focus. Further, focus areas include strengthening of risk-based supervision including improving the risk matrix for identification of high-risk companies for prioritizing examination of such companies, taking appropriate measures against non-performing units, pursuing actions against non-filers and strengthening vigilant inspection and investigation functions.

The enforcement interventions undertaken during the year by the Commission are summarized below sector wise.

Capital market

Market Surveillance

Surveillance of markets is a continuous effort to detect market abuses and ensure fair market practices through timely detection of market abuses and malpractices and take remedial measures to protect the interest of all market participants. During the year, offsite surveillance resulted in recommendations of adjudication proceedings for non-disclosure or inappropriate disclosure of material information while, cases of market abuses were also identified for further investigation. Offsite market surveillance was complemented by onsite investigations, to further probe the suspected market abuses. Outcomes of instances of market manipulation, insider trading and other market abuse observed during the year are given below;

Actions	Number of cases
Investigations completed/in process	14
Cases referred for criminal prosecution	5

Brokers/SROs/CRAs

Offsite supervision supplemented with onsite reviews is the key tool to monitor activities of brokers to ensure regulatory compliance. Inspection and investigation of the brokers are conducted regularly on the basis of indicators of risk assessment criteria inclusive of financial strength, compliance level and business performance. A significant number of inspection/investigations were conducted during the year leading to compliance directives or referrals for adjudication depending upon the nature of regulatory non-compliance. Besides, supervision of SROs (Including NCCPL, PSX, PMEX and CDC) and CRAs was also conducted through offsite/onsite reviews.

The synopsis of output generated from the offsite and onsite supervision of Brokers/SROs/CRAs during the period under review is presented below:

Nature of actions	Number
Full Scope offsite reviews	73
Limited Scope offsite reviews (No. of Entities)	200
Onsite inspections/investigations conducted/in process	87
Warnings/Compliance/Directions issued	180

Enforcement actions (including AML related actions) initiated and penalties imposed for non-compliances with laws and applicable regulations are summarized in table given below:

Particulars	Opening Balance (SCN)	New Cases Received & Assessed	SCN issued	Orders	Amount of penalty (Rs in million)
Actions against non-Compliances	25	210	129	85	3.755
AML related non-compliances	19	94	80	76	12.210

Corporate sector

Offsite review of financial statements and other statutory returns is the primary tool for supervision of the corporate sector. Onsite inspections or investigations are conducted if necessitated by the offsite review, on the basis of recommendation of the Registrar or a complaint by an eligible shareholder. Major non-compliances or irregularities observed during the offsite or onsite reviews are referred for adjudication while warning/ compliance directives are issued for minor non-compliances by the respective supervision functions.

Segment-wise overview of supervision and enforcement activity in respect of the corporate sector are given below:

Listed Companies

During the year, 13 intended acquirers made public announcements of intention for acquiring more than 30% voting shares of 11 listed companies. The takeover process was completed in 5 cases, while public announcements of intention were withdrawn in 4 cases and the rest of the cases are in process. Adjudication proceedings have been recommended in 31 cases for alleged violation of the Securities Act, 2015.

In addition to the above, trading activities of beneficial owners of listed companies are also monitored through regular review of returns filed by companies, their beneficial owners and trading data of PSX. During the year, 2,062 returns received from companies and their beneficial owners were reviewed resulting into recommendation of adjudication proceedings in 105 cases for alleged violations of non-filing and delay in filing of BO Returns and non-reporting of tenderable gain under the Securities Act, 2015.

During the year under review, revenue of Rs. 8,748,003 was received from Beneficial owners under BO Regulatory framework.

An overview of the offsite and onsite activity of listed companies and consequent actions is given hereunder:

Nature of actions	Number of cases
Offsite reviews	355
Onsite inspections/investigations concluded/ in process	29
Warnings /directives issued	110

Enforcement actions initiated and penalties imposed during the year on listed companies for non-compliance with the applicable legal and regulatory framework are summarized below:

Particulars	Opening Balance (SCN)	New Cases Received & Assessed	SCN issued	Orders	Amount of penalty (Rs in million)
Listed companies	148	438	268	300	28.570

Unlisted companies

Supervision of unlisted companies is based on a risk targeted approach where public sector companies and other companies involving direct or indirect public interest are prioritized. During the year primary focus was on public sector companies and associates of listed companies. The other focus area included proactive actions against companies carrying out unauthorized business and compliance with the provisions of the Companies (Maintenance and Audit of Cost Accounts) Regulations, 2020 on applicable sectors e.g. sugar, cement, cooking oil & ghee, chemical fertilizers, wheat and flour.

The primary focus of onsite supervision of unlisted companies during the year was on reported cases of unauthorized activities or misconduct.

An overview of offsite and onsite activities in respect of unlisted companies carried out during the year and consequent actions is summarized below in tabular form;

Nature of actions	Number
Full Scope offsite reviews	304
Limited Scope offsite reviews (No. of Entities)	1,607
Onsite inspections/investigations conducted/in process	82
Warnings/Compliance letters/directions/STRs issued	190

Enforcement actions initiated imposed during the year on unlisted companies for non-compliance with the applicable legal and regulatory framework are summarized in table given below. It also includes enforcement actions taken for non-compliances reported by Registry function of the Commission:

Particulars	Opening Balance (SCN)	New Cases Received & Assessed	SCN issued	Orders	Amount of penalty (Rs in million)
Un Listed companies	344	14,100	86,117	85,519	4,701

Non-Banking Finance Companies (NBFCs)

Full scope offsite reviews were primarily focused on published information and data received electronically through Specialized Companies Returns System (SCRS) on monthly basis. Besides, thematic reviews of entire NBFC & Modaraba sector were also carried out to review compliance with minimum equity requirements, exposure limits etc.

Risk-based periodic on-site inspection or investigations is also an important feature of the supervision of NBFCs in order to carry out an in-depth assessment of compliance status with applicable requirements. Offsite and onsite activity is concluded by recommendations for adjudication proceedings for major violations or issuance of compliance directives or warnings for minor noncompliance.

An overview of offsite and onsite activities in respect of NBFCs carried out during the year and consequent actions is summarized below in tabular form;

Nature of actions	Number
Full Scope offsite reviews	30
Limited Scope offsite reviews (No. of Entities)	120

Onsite inspections/investigations conducted/in process	18
Warnings/Compliance letters issued	157

Adjudication proceedings for legal and regulatory non-compliances related to laws pertaining to NBFCs, Modarabas and AML regulatory regime as initiated and concluded during the year are summarized below:

Particulars	Opening Balance (SCN)	New Cases Received & Assessed	SCN issued	Orders	Amount of penalty (Rs in million)
Actions against non-Compliances	0	26	20	17	1.950
AML related non-compliances	9	20	21	27	20.540

Insurance

The objective of integrated enforcement is to ensure compliance with the applicable laws and supervisory framework, oversee the stability of the insurance sector and protect the interest of policyholders/ shareholders. Supervision of Insurance sector is actively pursued through offsite review of financial statements and other statutory returns supplemented by risk-based periodic inspections/investigations. Penal action on violations detected during the off-site and onsite reviews are referred for adjudication while warning letters or directions for compliance are issued by the supervision depending upon the nature of the default.

The synopsis of outcomes from the offsite and onsite supervision of Insurance sector during the period under review is presented below:

Nature of actions	Number of cases
Full Scope offsite reviews	20
Limited Scope offsite reviews (No. of Entities)	68
Onsite inspections/investigations conducted/in process	14
Warnings/Directions/Compliance/ issued	82

Enforcement actions (including AML related actions) initiated and penalties imposed for non-compliances with laws and regulations applicable on insurance sector are summarized in table given below:

Particulars	Opening Balance (SCN)	New Cases Received & Assessed	SCN issued	Orders	Amount of penalty (Rs in million)
Actions against non-Compliances	22	42	37	51	4.390
AML related non-compliances	13	22	22	25	5.755

International Relations

The International Relations Department (IRD) has been mandated to facilitate SECP's international regulatory and enforcement cooperation, by working with international standard setting bodies, international financial institutions and counterparts in other jurisdictions. The department has also been entrusted to advance SECP's agenda to enhance outreach regarding new and upcoming developments through the Innovation Office. Key achievements of the department for the current year are:

SECP's work at IOSCO

In addition to being on the IOSCO Board, SECP is also a member of various committees, and through these interactions, SECP was able to keep abreast of various work streams at the forum, including work related to Fintech, sustainable finance, and retail market conduct. During the year, SECP also approached various IOSCO members under the IOSCO MMoU, for exchange of information concerning fitness and propriety of foreign nationals.

Bilateral matters

In line with Federal Government's mission to improve diplomatic relations with regional countries, the SECP has submitted proposals for signing of bilateral MoUs on cooperation and exchange of information with securities regulators of Abu Dhabi, Saudi Arabia and Philippines, which are currently being finalised. At present, SECP has entered into bilateral MoUs with 15 foreign counterparts to promote regulatory cooperation and assistance. During the year, multiple jurisdictions were approached to seek their guidance and assistance with respect to regulatory practices prevalent in other markets.

Capital Market Development Programme (CMDP)

The Financial Market Development Programme was initiated by ADB in collaboration with SECP in 2019. The objective of the programme is to strengthen market stability, enhance market facilitation, address supply-based measures, and improve demand centric measures for capital market development.

Under this initiative, a master plan for implementation of financial market development reforms, namely, the Capital Market Development Plan (CMDP) 2020-27 has been approved. Moreover, a strategic-level Capital Market Advisory Council (the Council) has been established, headed by the Finance Minister and comprising of members from SBP and SECP, to spearhead implementation of the CMDP.

During the year, the Council held two meetings, first on July 19, 2021 and second meeting held on January 27, 2022. A coordination body, namely Capital Market Growth Working Group has also been established, comprising members from legal fraternity, financial institutions, capital markets, Ministry of Finance, regulatory bodies, and capital market infrastructure institutions. The objective of the working group is to explore and propose new initiatives for growth of capital market for consideration of the Council.

Implementation status of CMDP indicates that out of 72 recommendations, 71 percent are related to SECP, whereas the rest are related to the Ministry of Finance. On implementation side, 42 percent recommendations relevant to SECP and 29 percent of recommendations related to Ministry of Finance, respectively, have been complied with, whereas the rest are in process of implementation.

ADB's Islamic Finance for Inclusive Growth Project

ADB, under its Islamic Finance Inclusive Growth Project (Project), is providing technical assistance to SECP, with the aim to support the development of Islamic finance in Pakistan. This programme was offered through the ADB's consultant IFAAS-UK, and was widely attended by SECP officers and representatives from Modaraba, AMCs and Takaful sector.

After successful completion of first phase of the Project, phase 2 has been initiated in 2022, covering the following key workstreams:

- Assisting SECP to revamp existing legal frameworks related to Islamic finance.
- Islamic financial products and instruments study.
- Capacity building for Modaraba companies.
- Specialised capacity building programmes for the stakeholders.

Activities of innovation office

As a part of its efforts to promote start-ups and create awareness about new developments, the SECP, under the banner of its Innovation Office continued to hold webinars in collaboration with the National Incubation Centre (NIC). During the 2021-22, 11 sessions were arranged by SECP's innovation office, covering diverse topics ranging from digital distribution platforms, green bonds, regulatory sandbox, digital-only insurer and micro insurers, creative financing strategies, Special Purpose Acquisition Company, Digitization of e-IPO process and company registration, Collateral Management Companies and electronic warehouse receipt, Leveraged Share Financing and initiatives introduced by SECP to promote digital on-boarding of capital market investors.

Way forward

In order to encourage ESG practices and facilitate sustainable investment, SECP published a position paper on ESG Regulatory Roadmap. This roadmap is a preliminary step in gaining understanding, setting momentum for achieving key milestones and way forward. In the upcoming year 2022-23, SECP plans to synergize and hold active engagement dialogue with all stakeholders for an inclusive approach to embrace ESG best practices and achieving long term objective of sustainable capital markets.

Moreover, in the upcoming year, SECP shall continue to be engaged with ADB on two sector development programmes, that include support on women inclusive finance programme, focusing on increased outreach to women owned/managed micro and small enterprises and support on reforms related to State Owned Enterprises (SOEs).

In the context of changes in global regulatory landscape due to the pandemic, SECP will continue to play an active role in IOSCO's priority areas for 2022-23, primarily regarding risks exacerbated by the COVID-19 pandemic. In addition, the SECP will continue to coordinate with relevant agencies for implementation of capital market development plan and future roadmap for 2020-27.

Statistics

Table 1: Incorporation trend

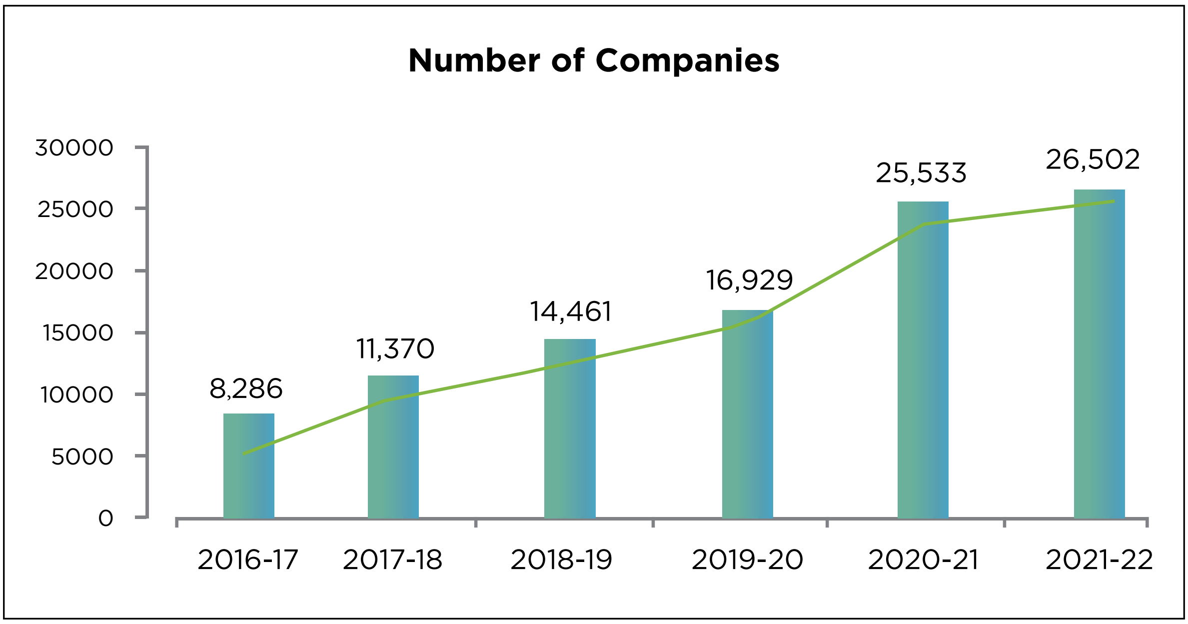


Table 2: Number and Types of Companies as on 30-June-2022

Company Type	Total
Public Unlisted Companies	88
Private Companies	16,951
Single Member Companies	8,802
Associations under section 42	90
Trade Organisations	15
Foreign Companies	22
Limited Liability Partnership	534
Total	26,502

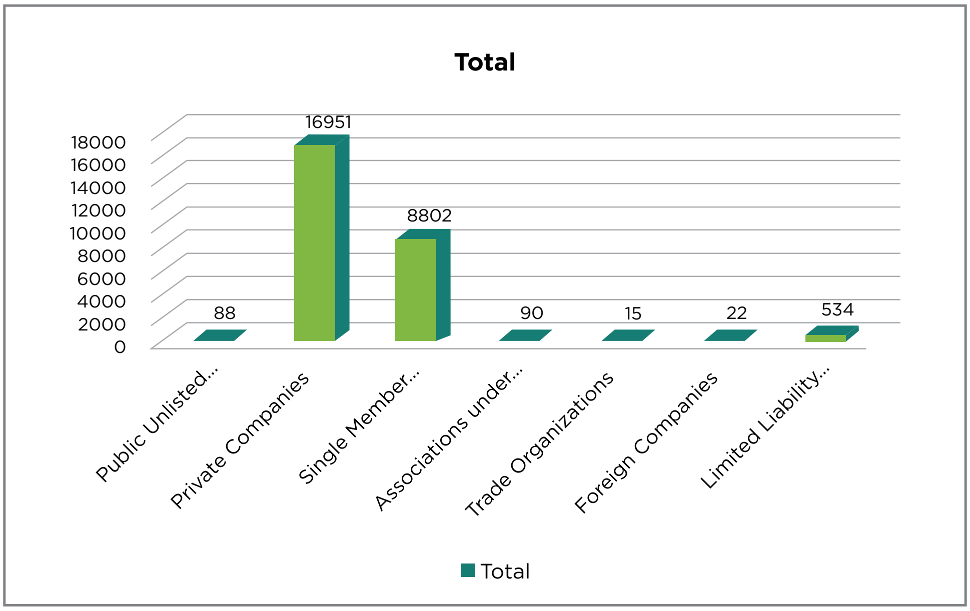


Table 3: Paid-up Capital Wise Break Up as of June 30, 2022

As on 30-Jun-2022	
Paid up Capital	No.of Companies
<= 100000	89,896
Between 100001 and 1000000	41,339
Between 1000001 and 10000000	25,630
Between 10000001 and 100000000	7,478
Between 100000001 and 1000000000	2,553
>1000000000	646

Table 4: Provincial Distribution of New Incorporations

Islamabad	Punjab	Baluchistan	KPK	Sindh	Gilgit Baltistan	Total
9,059	10,292	426	1,950	4,178	597	26,502

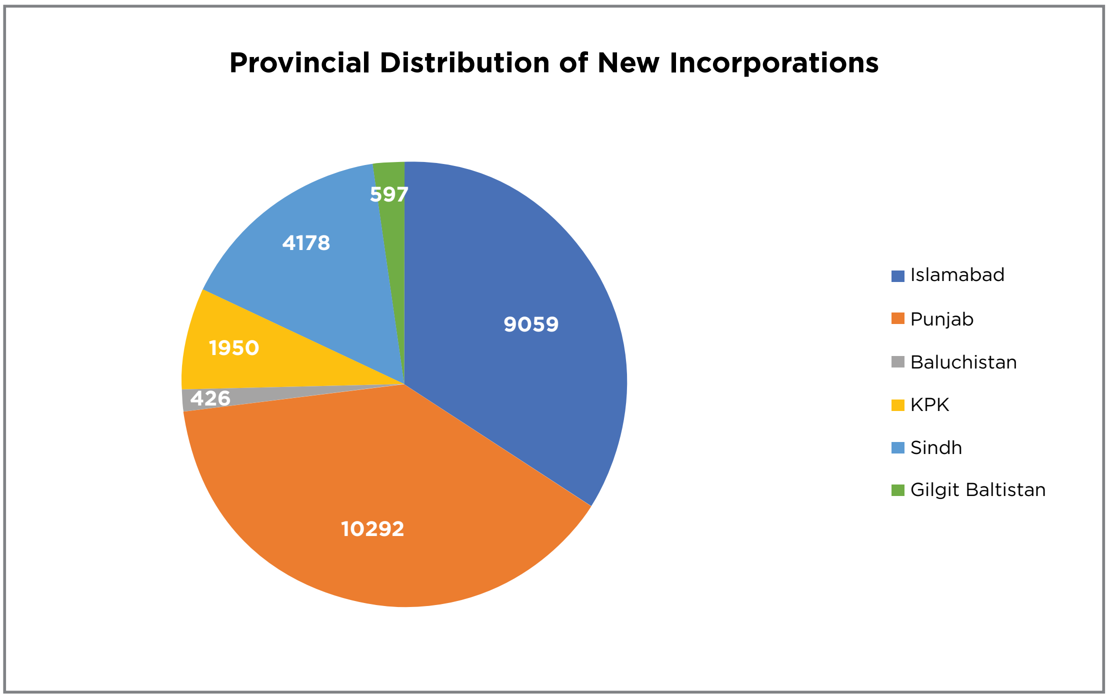


Table 5: Foreign Companies' Data

Country of Origin	No. of Companies
China	4
Germany	1
Hong Kong	3
Korea South	1
Portugal	1
Spain	1
Switzerland	1
Turkey	2
UAE	3
USA	5

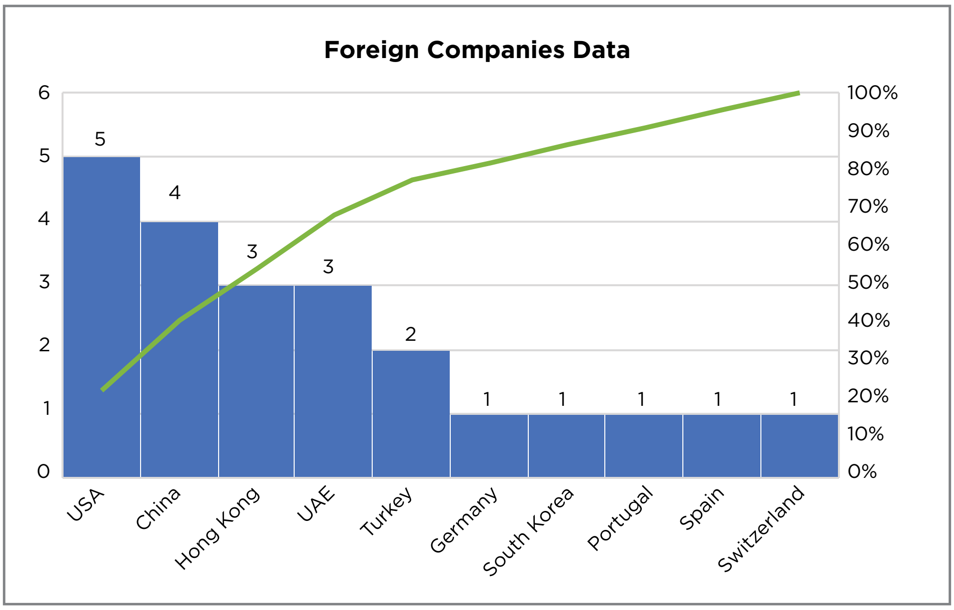


Table 6: Sector-Wise Distribution of New Incorporations (Top 20 sectors)

S.No.	SECTOR	NO. OF COMPANIES
1	INFORMATION TECHNOLOGY - ALLIED (OTHER)	2,338
2	TRADING - ALLIED (OTHER)	2,095
3	CONSTRUCTION - ALLIED (OTHER)	1,402
4	CONSULTANCY SERVICES	1,338
5	REAL ESTATE DEVELOPMENT - ALLIED (OTHER)	1,300
6	IMPORT / EXPORT	1,118
7	SOFTWARE DEVELOPMENT	1,079
8	E-COMMERCE COMPANIES	1,038
9	REAL ESTATE MARKETING	868
10	SERVICES - ALLIED (OTHER)	816
11	TOURISM	695
12	MARKETING AND ADVERTISEMENT	671
13	CONSTRUCTION	652
14	ENGINEERING	611
15	EDUCATION - ALLIED (OTHER)	601
16	REAL ESTATE DEVELOPERS	495
17	FOOD AND BEVERAGES - ALLIED (OTHER)	483
18	PHARMACEUTICAL - ALLIED (OTHER)	375
19	FOOD	372
20	GARMENTS	324

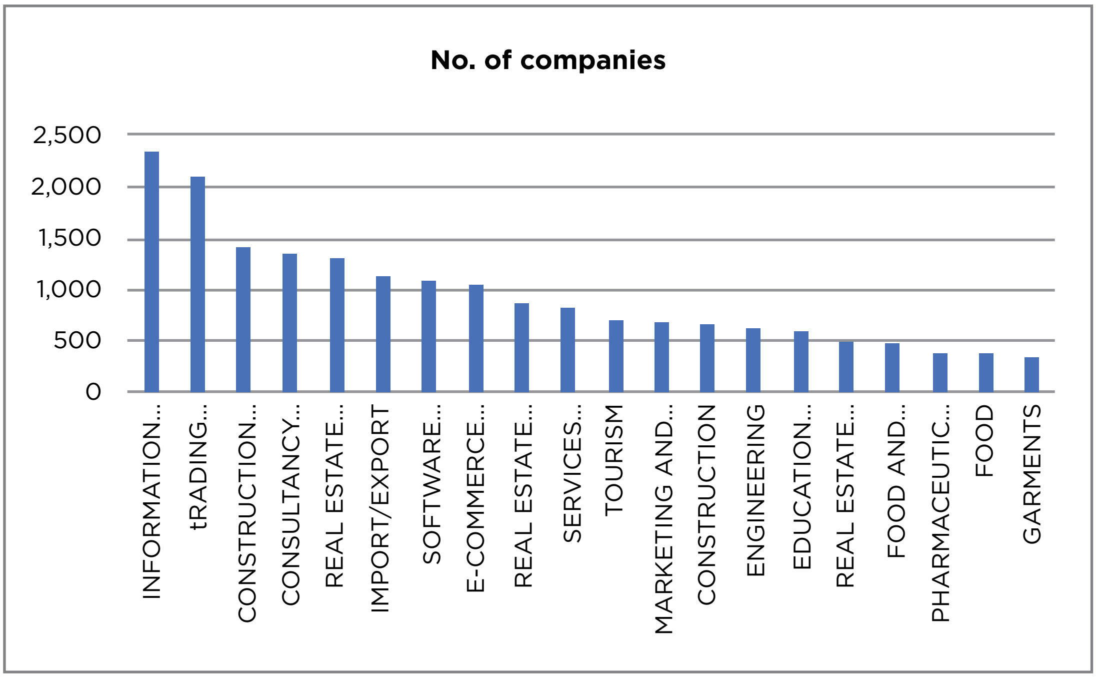


Table 7: Country-wise Foreign Investment

Row Labels	Count of Companies
China	289
USA	45
UK	42
Afghanistan	40
Germany	27
Canada	15
Korea South	14
Saudi Arabia	14
Turkey	14
Palestine	11
Netherlands	10
Singapore	9
Australia	8
Norway	8
Italy	6
Japan	6
Jordan	6
Lebanon	6
Philippines	6
Russia	6
Sri Lanka	6

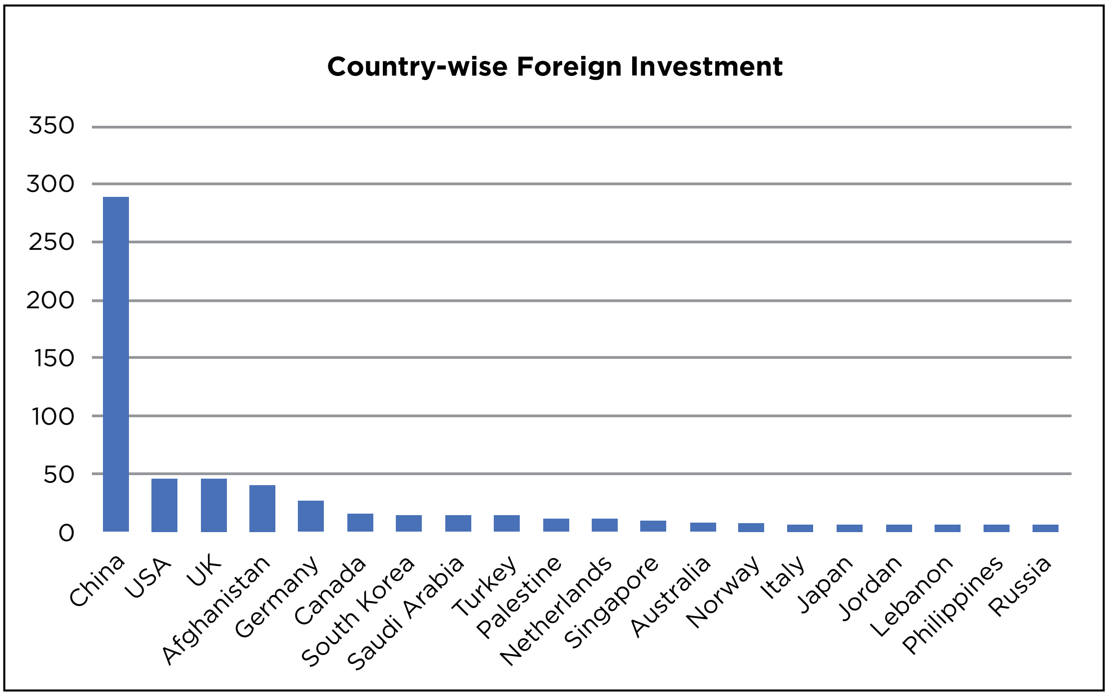


Table 8: Further Issue of Capital (Including Right Issues and Other Than Right Issues)

S. No.	Type of Issue	Number of Issues	Fund Raised (Rs. billions)	Number of Issues	Fund Raised (Rs. billions)	Number of Issues	Fund Raised (Rs. billions)	Number of Issues	Fund Raised (Rs. billions)
		FY-2022		FY-2021		FY-2020		FY-2019	
1.	Right Issues	12	27.43	23	45.03	18	31.5	9	15.3
2.	Other Than Right Issues	4	25.5	6	0.31	5	6.8	6	2.4
	Total	16	52.9	29	45.3	23	38.3	15	17.7

Financials

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INDEPENDENT AUDITOR'S REPORT
TO THE FEDERAL GOVERNMENT OF PAKISTAN

Opinion

We have audited the financial statements of Securities and Exchange Commission of Pakistan (the Commission), which comprise the statement of financial position as at June 30, 2022, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at June 30, 2022 and its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Crowe

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

The financial statements of the Commission for the year ended June 30, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on November 03,2021

The engagement partner on the audit resulting in this independent auditor's report is Shahzad Qazi.

Hussain Chaudhury

Crowe Hussain Chaudhury & Co.
Chartered Accountants

Crowe Hussain Chaudhury & Co. Islamabad Chartered Accountants

Place: Islamabad
Date: 18 OCT 2022
UDIN: AR2022103281MuOiqGyH

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	2022	2021
		(Rupees in thousand)	
NON-CURRENT ASSETS			
Property and equipment	5	525,783	596,413
Right to use of assets	6	334,977	531,864
Intangible assets	7	114,494	134,277
Intangible assets- under develop software	8	105	18,724
Long term investments	9	1,048,046	1,037,058
Loans and advances	10	359,473	349,040
Deferred tax asset	11	-	-
		2,382,878	2,667,376
CURRENT ASSETS			
Advances, deposits, prepayments and other receivables	12	242,327	237,092
Short term investments	13	2,327,525	2,121,474
Accrued profit on long term investment		26,668	26,668
Cash and bank balances	14	271,558	293,330
		2,868,078	2,678,564
CURRENT LIABILITIES			
Current maturity of lease liabilities	15	(195,056)	(180,056)
Accrued and other liabilities	16	(1,085,816)	(1,205,255)
Payable to Federal Consolidated Fund	17	(1,402)	(2,222)
		(1,282,274)	(1,387,533)
NET CURRENT ASSETS		1,585,804	1,291,031
NON-CURRENT LIABILITIES			
Provision for compensated absences	18	(167,488)	(206,535)
Liability against assets subject to finance lease	19	(170,527)	(352,008)
		(338,015)	(558,543)
NET ASSETS		**3,630,667**	**3,399,864**
REPRESENTED BY:			
SECP Funds		**3,630,667**	**3,399,864**
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 34 form an integral part of these financial statements.

CHAIRMAN

COMMISSIONER

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022	2021
		(Rupees in thousand)	
INCOME			
Fees and other recoveries	21	3,192,040	3,240,262
Other income	22	352,437	303,379
		3,544,477	3,543,641
EXPENDITURE			
Salaries, allowances and other benefits	23	2,509,793	2,279,621
Operating expenses	24	496,290	421,082
Depreciation on tangible fixed assets	5	124,505	122,233
Depreciation on right to use of assets	6	213,593	181,562
Amortization of intangible assets	7	60,139	60,105
		3,404,320	3,064,603
EXCESS OF INCOME OVER EXPENDITURE BEFORE TAX		140,157	479,038
TAXATION	25	-	243,497
EXCESS OF INCOME OVER EXPENDITURE AFTER TAX FOR THE YEAR		140,157	235,541
OTHER COMPREHENSIVE INCOME			
Items which will not be subsequently reclassified to income and expenditure			
Actuarial gains on staff retirement funds		90,647	29,417
Related tax effect		-	-
Total other comprehensive income - net of tax		90,647	29,417
TOTAL COMPREHENSIVE INCOME		230,804	264,958

The annexed notes 1 to 34 form an integral part of these financial statements.

CHAIRMAN

COMMISSIONER

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Assets acquisition reserve	Reserve for loan to employees	Accumulated comprehensive surplus of income over expenditure	Total
	(Rupees in thousand)			
Balance as at July 01, 2020	2,414,906	720,000	-	3,134,906
Comprehensive income:				
Excess of income over expenditure	-	-	235,541	235,541
Other comprehensive income	-	-	29,417	29,417
	-	-	264,958	264,958
Total comprehensive income	-	-	264,958	264,958
Transferred to asset acquisition reserve	264,958	-	(264,958)	-
Balance as at June 30, 2021	2,679,864	720,000	-	3,399,864
Balance as at July 01, 2021	2,679,864	720,000	-	3,399,864
Comprehensive income:				
Excess of income over expenditure	-	-	140,157	140,157
Other comprehensive income	-	-	90,647	90,647
	-	-	230,804	230,804
Total comprehensive income	-	-	230,804	230,804
Transferred to asset acquisition reserve	230,804	-	(230,804)	-
Balance as at June 30, 2022	2,910,668	720,000	-	3,630,668

The annexed notes 1 to 34 form an integral part of these financial statements.

CHAIRMAN **COMMISSIONER**

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022	2021
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus of income over expenditure before tax		140,157	479,038
Adjustments for:			
- Depreciation on tangible assets		124,505	122,233
- Depreciation on right to use of asset		213,593	181,562
- Amortization		60,139	60,105
- Amortization of long term investment		(10,988)	(8,328)
- Provision for pension		125,681	36,388
- Provision for gratuity		97,624	89,454
- Provision for compensated absences		(26,499)	38,567
- Discounting / (unwinding of) discount on long term loans to employees - net		151,184	(4,406)
- Interest income on short term investments		(181,481)	(164,216)
- Interest income on long term investments		(94,500)	(94,500)
- Discounting on operating lease liabilities		47,696	12,919
- Gain on sale of property and equipment		(9,257)	(16,260)
		497,697	253,518
Operating income before working capital changes		637,854	732,556
Decrease/(increase) in advances, deposits, prepayments and other receivables		(2,578)	137,681
Increase in accrued and other liabilities		(151,684)	4,294
Increase in loans and advances		(161,616)	68
(Decrease)/increase in payable to Federal Consolidated Fund		(820)	2,037
Contribution to pension fund		-	(119,776)
Contribution to gratuity fund		(98,117)	(103,260)
Compensated absences encashed		(12,548)	(14,959)
Interest paid on leased liabilities		(47,696)	(12,919)
Interest received on short term investments		198,670	259,934
Interest received on long term investments		94,500	94,500
Taxes paid		(4,954)	(177,968)
		129,855	(74,448)
Net cash generated from operating activities		451,011	802,188
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(149,407)	(300,489)
Proceeds from sale of property and equipment		22,125	37,986
Transfers from capital work-in-progress		82,665	1,333
Right to use of assets-additions		(16,706)	(557,669)
Purchase of intangible assets - net		(21,737)	(14,931)
Short term investments - net		(223,241)	(38,534)
Net cash used in investing activities		(306,301)	(872,304)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance leased liabilites-net		(166,482)	308,776
Net cash generated from financing activities		(166,482)	308,776
Net increase in cash and cash equivalents		(21,772)	238,660
Cash and cash equivalents at beginning of the year		293,330	54,670
Cash and cash equivalents at end of the year	14	271,558	293,330

The annexed notes 1 to 34 form an integral part of these financial statements.

CHAIRMAN

COMMISSIONER

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, southern regional office located in Karachi, eight companies registration offices and two facilitation offices across Pakistan.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Accounting and reporting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified by the Commission to companies in Pakistan. However, to follow the best practices the Commission has adopted IFRS as a framework for preparation of the financial statements.

2.2 Basis of measurement

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

2.3 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.

2.4 Significant accounting estimates

The preparation of financial statements in conformity with IFRS, 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 IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent years are discussed in the ensuing paragraphs:

(a) Income taxes

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

(b) Staff retirement benefits

The present value of the obligation for gratuity, pension and compensated absences depends on a number of factors that are determined on actuarial basis using number of assumptions. The 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 and equipment and Intangible Assets

The Commission reviews the useful life and residual values of property and equipment and intangible assets 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 and equipment or intangible assets with a corresponding affect on the depreciation/ amortization charge and impairment.

(d) Provision against loans, advances and receivables

The Commission applies the general approach for calculating a lifetime expected credit losses for its loans, advances, deposits and other receivables recognized. The life time expected credit loss is determined at least annually. However, an assessment is made at each reporting date to determine whether there is an indication that a financial asset or a group of financial assets may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and impairment loss is recognized for the difference between the recoverable amount and the carrying value.

(e) Impairment

The carrying amounts of the Commission's assets are reviewed at each statement of financial position 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

The fair value of Fair value through other comprehensive income (FVTOCI) and Fair value through profit or loss (FVTPL) investments are determined by reference to market interest rate at the reporting date. Any change in the estimate might effect carrying amount of investments with corresponding effect in the statement of comprehensive income.

3 NEW AND AMENDED STANDARDS AND INTERPRETATION

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2022 and considered not to be relevant for the Company's financial statements have not been detailed here.

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning from the dates specified below:

Amendment to IAS 1 'Presentation of Financial Statements' - Classification of Liabilities as Current or Non-current (effective for annual reporting periods beginning on or after January 1, 2023). The amendments provide more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies(effective for annual reporting periods beginning on or after January 1, 2023). The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'-Definition of Accounting Estimates (effective for annual reporting periods beginning on or after January 1, 2023). The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

Amendments to IAS 12 'Income Taxes'-Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted). The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.

On June 25, 2020, the IASB issued Amendment to IFRS 4 'Insurance Contracts' The fix expiry date for the exemption in IFRS 4 from applying IFRS 9 for an entity choosing to apply the deferral approach is now January 1, 2023.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

Further, the following new standards and interpretations have been issued by the IASB, which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1 First-time adoption of International Financial Reporting Standards

IFRS 17 Insurance Contracts

The following interpretation issued by the IASB has been waived off by SECP

IFRIC 12 Service concession arrangements

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except for 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 other income.

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 7 to the financial statements.

4.3 Impairment of non-financial assets

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.

4.4 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 temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

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

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

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

4.5 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 at the rate of 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) Funded Gratuity and Pension Scheme

Defined benefit funded gratuity and pension scheme for all eligible employees who complete qualifying period of service and age.

These funds are administrated by trustees. Annual contribution of the gratuity and pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 16 of financial statements.

Charge for the year is recognized in the statement of comprehensive income. Actuarial gain or losses arising on actuarial valuation are recorded directly in other comprehensive income.

Calculation of gratuity and pension requires assumptions to be made of future outcomes which mainly includes increase in remuneration, expected long term return on plan assets and the discount rates used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

(ii) 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 June 30, 2022.

4.6 Deferred grant

Grants that compensates the Commission for expenses incurred are recognized in the statement of comprehensive income as grant income on a systematic basis in the periods in which the related expenses are recognized. Grants related to assets are deducted from cost of related assets.

4.7 Revenue recognition

The Commission recognizes fee revenue on the basis of performance obligation satisfied i.e. when the services are rendered. Revenue is recognized as per the rates specified in respective rules, regulations, circulars or statutes.

All penalties/ fines recovered are not credited to income of the Commission. Rather, these are credited to and deposited in the Federal Consolidated Fund as required by the SECP Act 1997.

Income on bank deposits and short term investments are recognized using the effective yield method.

4.8 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 recognized in the other comprehensive income of the associate, the Commission recognizes its share of any change in its statement of 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 other comprehensive income.

4.9 Long term loans to employees

Long term loans are initially recognized at fair value. After initial recognition, these are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses recognized in profit and loss account when the assets are derecognised, as well through the EIR amortization process over the term of the loan. The EIR amortization is provision for discount on loans to employees in the statement of comprehensive income.

4.10 Contract liabilities

Under IFRS 15 "Revenue from Contracts with Customers", obligation to transfer goods or services to a customer for which the Commission has received consideration or an amount of consideration is due from the customer is presented as contract liability. The contract liabilities of the Commission comprises of advance payments received from customers in accordance with the forms of various statues/ regulations as described in note 16.3 to the financial statements.

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

All financial assets and financial liabilities are recognized at the time when the Commission becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Commission losses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of comprehensive income.

(i) Financial assets

Classification

Effective July 1, 2018, the Commission classifies its financial assets in the following measurement categories:

a) Amortized cost where the effective interest rate method will apply;
b) fair value through profit or loss.
c) fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the Commission has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Commission reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Commission commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Commission has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Commission measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of comprehensive income.
Financial assets with embedded derivatives and considered in their entirety when determining whether their cash flows are solely payment of principle and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Commission's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Commission classifies its debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the statement of comprehensive income and presented in other income/ (charges). Impairment losses are presented as separate line item in the statement of comprehensive income.

(b) Fair value through other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represents solely payments of principle and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest income which are recognized in the statement of comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of comprehensive income and recognized in other income/(charges). Interest income from these financial assets is included in other income using effective interest rate method. Impairment expenses are presented as separate line item in the statement of comprehensive income.

c) Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of comprehensive income and presented net within other income/ (charges) in the period in which it arises.

De-recognition of financial assets

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Commission has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Commission has transferred substantially all the risks and rewards of the asset, or (b) the Commission has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Commission has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Commission's continuing involvement in the asset.

In that case, the Commission also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Commission has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Commission could be required to repay.

Impairment of financial assets

The Commission assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Advances, deposits and other receivables
- Short term investments
- Cash and bank balances
- Loans and advances

Simplified approach for advances, deposits and other receivables

The Commission recognises life time ECL on advances, deposits and other receivables, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Advances, deposits and other receivables are separately assessed for ECL measurement. The lifetime expected credit losses are estimated using the Commission's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Recognition of loss allowance

The Commission recognizes an impairment gain or loss in the statement of comprehensive income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(ii) Financial liabilities

Classification, initial recognition and subsequent measurement

The Commission classifies its financial liabilities in the following categories:

- at fair value through profit or loss; and
- other financial liabilities

The Commission determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

a) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Commission has not designated any financial liability upon recognition as being at fair value through profit or loss.

b) Amortised cost

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the statement of comprehensive income, when the liabilities are derecognized as well as through effective interest rate amortization process.

De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

(iii) Off-setting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Commission has a legally enforceable right to set off the recognized amounts, and the Commission either intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Commission or the counter party.

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 loss allowance account. The Commission recognizes an impairment gain or loss in the statement of comprehensive income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. Known impaired receivables are written off.

4.14 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flows, cash and cash equivalents comprised of cash in hand and bank balance.

4.15 Accrued and Other Liabilities

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

4.16 Reserves

The amount appropriated to reserves for loan to employees and asset acquisition reserve is made as per approval of the Policy Board.

4.17 Leases

Right to use of Assets

The Commission recognises a right-of-use asset and a lease liability at the lease commencement date. The right-to-use of asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently amortised using the straight-line method at rate define in note 6 from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Commission's incremental borrowing rate. Generally, the Commission uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:

a. fixed payments, including in-substance fixed payments;

b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

c. amounts expected to be payable under a residual value guarantee; and

d. the exercise price under a purchase option that the Commission is reasonably certain to exercise, lease payments in an optional renewal period if the Commission is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Commission is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Commission's estimate of the amount expected to be payable under a residual value guarantee, or if the Commission changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero

Description	Leasehold Land	Buildings	Leasehold Improvements	Office Equipments	Other Equipments	Computers	Furniture & Fixture	Vehicles	SubTotal	CWIP	Total
5 PROPERTY AND EQUIPMENT - OWNED	(Rupees in thousand)										
Year ended June 30, 2022											
Net carrying value basis											
Opening net book value	202,595	3,657	11,979	13,058	25	88,869	17,081	259,149	596,413	-	596,413
Additions (at cost)	-	-	-	18,676	-	51,379	3,801	8,809	82,665	65,568	148,233
Adjustments	-	(215)	(48)	(122)	(25)	(17,191)	(101)	(30)	(17,732)	18,907	1,175
Disposals /Transfer											
Cost	-	-	(137)	(6,948)	(647)	(17,801)	(549)	(44,146)	(70,228)	(82,665)	(152,893)
Accumulated Depreciation	-	-	137	6,948	647	17,032	533	32,063	57,360	-	57,360
Net book value	-	-	-	-	-	(768)	(16)	(12,084)	(12,868)	(82,665)	(95,533)
Depreciation charge	(2,139)	(318)	(3,764)	(10,855)	-	(29,876)	(4,189)	(73,364)	(124,505)	-	(124,505)
Closing net book value	200,456	3,124	8,167	20,757	-	92,413	16,576	182,480	523,973	1,810	525,783
Gross carrying value basis											
Reclassified Cost	211,790	39,577	140,191	123,548	16,886	268,991	67,707	366,782	1,235,472	1,810	1,237,282
Accumulated depreciation	(11,334)	(36,453)	(132,024)	(102,791)	(16,886)	(176,578)	(51,131)	(184,302)	(711,499)	-	(711,499)
Net book value	200,456	3,124	8,167	20,757	-	92,413	16,576	182,480	523,973	1,810	525,783
Year ended June 30, 2021											
Net carrying value basis											
Opening net book value	204,734	3,769	9,727	13,179	182	62,648	15,189	130,455	439,883	1,333	441,216
Additions (at cost)	-	215	7,081	7,727	25	56,272	7,291	221,878	300,489	-	300,489
Disposals /Transfer											
Cost	-	-	(374)	(9,272)	(619)	(198,079)	(394)	(175,979)	(384,717)	(1,333)	(386,050)
Accumulated Depreciation	-	-	374	9,254	619	197,871	389	154,484	362,991	-	362,991
Net book value	-	-	-	(18)	-	(208)	(5)	(21,495)	(21,726)	(1,333)	(23,059)
Depreciation charge	(2,139)	(327)	(4,673)	(7,631)	(182)	(29,843)	(5,749)	(71,689)	(122,233)	-	(122,233)
Transfers/Reclassification	-	-	(156)	(199)	-	-	355	-	-	-	-
Closing net book value	202,595	3,657	11,979	13,058	25	88,869	17,081	259,149	596,413	-	596,413
Gross carrying value basis											
Cost / revalued amount	211,790	39,792	140,376	111,942	17,558	252,604	64,556	402,150	1,240,768	-	1,240,768
Accumulated depreciation	(9,195)	(36,135)	(128,397)	(98,884)	(17,533)	(163,735)	(47,475)	(143,001)	(644,355)	-	(644,355)
	202,595	3,657	11,979	13,058	25	88,869	17,081	259,149	596,413	-	596,413
Rates of depreciation / Useful life	99 years	5%	20%	30%	20%	20%/ 25%/33%	10%	20%			

		2022	2021
6	**RIGHT TO USE OF ASSETS**	**(Rupees in thousand)**	
	Opening balance- Leasehold Building	624,074	326,554
	Right to use of asset recognized	-	-
	Additions during the year	16,706	557,669
	Disposals during the year	(60,374)	(260,149)
	Closing balance	580,406	624,074
	Opening balance- Accumulated amortization	92,210	170,797
	Amortization for the year	213,593	181,562
	Disposals during the year	(60,374)	(260,149)
	Closing balance	245,429	92,210
	Net book value as at year end	334,977	531,864
	Rate of Amortization	Over lease term	Over lease term

		2022	2021
7	**INTANGIBLES ASSETS**	**(Rupees in thousand)**	
	Opening balance- Softwares	286,636	283,606
	Additions during the year	21,737	6,464
	Transfer	7,990	-
	Reclassification	10,629	-
	Disposals during the year	-	(3,434)
	Closing balance	326,992	286,636
	Opening balance- Accumulated amortization	152,359	95,688
	Amortization for the year	60,139	60,105
	Disposals during the year	-	(3,434)
	Closing balance	212,498	152,359
	Net book value as at year end	114,494	134,277
	Amortization rate (%) per annum	25%	25%

		2022	2021
8	**INTANGIBLE ASSETS- UNDER DEVELOP SOFTWARE**	**(Rupees in thousand)**	
	Opening balance	18,724	10,257
	Additions during the year	-	8,467
	Transfer	(7,990)	-
	Reclassification	(10,629)	-
	Closing balance	105	18,724

			2022	2021
9	**LONG TERM INVESTMENTS**		**(Rupees in thousand)**	
	Long term investment	9.1	1,048,046	1,037,058
	Investment in associate - Unquoted			
	Institute of Financial Markets of Pakistan	9.2	28,000	28,000
	Less: Impairment loss on investment		(28,000)	(28,000)
			1,048,046	1,037,058

9.1 This represents the investment in Pakistan Investment Bonds (PIB's). The rate of mark up is 9% per annum with maturity in 2022. The investment has been accounted at amortized cost.

9.2 **Investment in Institute of Financial Markets of Pakistan (a section 42 Company under the Companies Act, 2017)**

This represents 73.68% (2021: 73.68%) investment in issued, subscribed and paid-up capital of Institute of Financial Markets of Pakistan (the Institute) representing 5,600 (2021: 5,600) ordinary shares of Rs 5,000 (2021: 5,000) each. However, the Institute is an associate of the Commission since the Commission has no controlling power over the financial and operating policies of the Institute.
Further, the commission has undertaken to contribute an amount not exceeding Rs. 50,000 (2021: 50,000) to the assets of the institute in the event of its being wound up.

The following table summarises the financial information of the Institute as included in its financial statements for the year ended June 30, 2022, which have been used for accounting under equity method. The table also reconciles the summarised financial information to the carrying amount of the Commission's interest in associate.

Percentage of shareholding		**73.68%** **Un Audited**	**73.68%** **Audited**
Non current assets		26,362	27,589
Current assets (including cash and cash equivalents)		13,966	15,758
Total assets		40,328	43,347
Non-current liabilities		3,934	5,774
Current liabilities		3,284	3,625
Total liabilities		7,218	9,399
Net assets at fair value (100%)		33,110	33,948
Commissions share of net assets (73.68%)		24,395	25,013
Impairment loss on investment		(28,000)	(28,000)
Share in loss and assets not recognized		3,605	2,987
Carrying amount of interest in associate	9.3	-	-
Revenue		27,599	29,641
(Loss) from continuing operations (100%)		(838)	(2,188)
Other comprehensive income (100%)		-	417
Total comprehensive (loss) (100%)		(838)	(1,771)
Commissions share of total comprehensive (loss)		(617)	(1,305)

The information presented above for current year is based on unaudited financial statements of the Institute for the year ended June 30, 2022.

9.3 The carrying amount of interest in associate in the Commission's financial statements is Nil (2021: 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 recognized an impairment loss of Rs. 28,000,000 in prior years.

		2022	**2021**
10 LOANS AND ADVANCES		**(Rupees in thousand)**	
Loans and advances - considered good			
Interest Bearing		28,784	35,687
Non-Interest Bearing	10.1	714,423	548,898
		743,207	584,585
Less: Current portion of loans and advances			
Interest Bearing		(4,906)	(5,724)
Non-Interest Bearing		(110,065)	(112,242)
	12.1	(114,971)	(117,966)
Non-Current portion of loans and advances		628,236	466,619
Less: Provision for imputed interest on loans and advances		(268,763)	(117,579)
Non-Current portion of loans and advances-net		359,473	349,040

10.1 These represent loans to employees for various purposes as per SECP Human Resource manual, secured against employees' retirement benefits and collaterals. Loans are recoverable in monthly installments, to a maximum period by June 2034 . These loans have been designated as interest free for employees except for employees availing house and vehicle loans who have not opted out of interest on their respective provident fund balances.

		2022	2021
11 DEFERRED TAXATION		**(Rupees in thousand)**	
Deferred tax asset-opening		-	61,696
Deferred tax expense during the year	11.1	-	(61,696)
Deferred tax asset-closing		-	-
The net balance of deferred taxation is in respect of the following temporary differences:			
- Accelerated depreciation and amortization		-	-
- Profit on short term investments accrued but not due		-	-
- Discount on long term loan		-	-
- Operating lease liabilities under IFRS 16		-	-
- Impairment loss on investment in associate		-	-
		-	-

11.1 Through the Finance Act, 2021, effective from July 01, 2021, income of the Commission has been exempted from tax including the minimum tax under section 113 of the Income Tax Ordinance, therefore the commission is not subject to income tax in future years. Consequently, deferred tax asset has been written-off during the year.

		2022	2021
12 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		**(Rupees in thousand)**	
Current portion of loans and advances - considered good	10	114,971	117,966
Short term loans to employees - secured, considered good	12.1	5,764	6,010
Advances		20,002	7,527
Deposits		3,976	3,976
Prepayments		24,892	20,067
Advance tax - net	12.2	8,123	3,169
Fee receivable - considered good		17,625	29,909
Advances receivable	12.3	27,223	27,223
Receivable from staff retirement funds	16.2.1	-	2,296
Other receivables - considered good		19,751	18,949
		242,327	237,092

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

	2022	2021
12.2 Advance income tax / income tax payable - net	**(Rupees in thousand)**	
Opening balance	3,169	7,002
Tax charge for the year:		
Income and expenditure account	-	(181,801)
Other comprehensive income	-	-
	-	(181,801)
Tax paid during the year	4,954	177,968
Closing balance	8,123	3,169

12.3 This includes an amount of Rs. 19,425,000 (2021: 19,425,000) representing 5% bid money paid to Pakistan Railway in 2012 for purchase of land on 99 year lease and Rs 7,798,000 paid to Sindh Board of Revenue for stamp duty. The Honourable Supreme Court of Pakistan in Suo moto notice restrained the Government of Sindh to transfer the state land. Later the Honourable Supreme Court of Pakistan vide order dated August 07,2019 decided that Sindh Board of Revenue in the first place is the Competent Authority to consider applications for grant of allotment and if such allotment is sought to be bona fide and in accordance with the Law. Private sale of Government land apparently is not permissible in law.

In another case, the Honourable Supreme Court of Pakistan vide order dated January 04, 2019 has held that Pakistan Railways cannot lease land owned by center and province for more than five years where land is not required for railways operations . After the decisions of the Honourable Supreme Court of Pakistan, the Commission has requested the Pakistan Railways and Sindh Board of Revenue for refund of bid amount and stamp duty.

			2022	2021
13	SHORT TERM INVESTMENTS		(Rupees in thousand)	
	Government Treasury Bills (T-Bills)	13.1	2,327,525	2,121,474

13.1 This includes T-bills having maturity of one year and carry rate of mark-up ranging from 7.20% to 13.64% (2021:7.20 % to 7.40%) per annum.

			2022	2021
14	CASH AND BANK BALANCES		(Rupees in thousand)	
	Cash in hand		602	397
	Cash at bank - interest bearing accounts	14.1	270,956	292,933
			271,558	293,330

14.1 These carry mark-up ranging from 5.5% to 12.3% (2021: 5.5%) per annum.

			2022	2021
15	CURRENT MATURITY OF LEASE LIABILITIESS		(Rupees in thousand)	
	Current Maturity Of Lease Liabilities		195,056	180,056

			2022	2021
16	ACCRUED AND OTHER LIABILITIES		(Rupees in thousand)	
	Accrued Expenses		49,469	64,790
	Performance based incentives payables		429,714	444,330
	Accounts payable		17,461	39,056
	Withholding tax payable		729	37
	Payable to staff retirement funds	16.1	114,969	82,724
	Unearned income	16.3	78,515	102,292
	Levies payable to Competition Commission of Pakistan		381,427	458,691
	Other liabilities		13,532	13,335
			1,085,816	1,205,255

			2022	2021
16.1	Payable to staff retirement funds		(Rupees in thousand)	
	Gratuity fund	16.1.1	66,105	82,724
	Pension fund	16.2.1	48,864	(2,296)
			114,969	80,428

			2022	2021
16.1.1	Changes in net liability - gratuity fund		(Rupees in thousand)	
	Opening balance		82,724	87,263
	Charge during the year	16.1.2	97,624	89,454
	Other comprehensive income / (loss)	16.1.3	(16,126)	9,267
	Payments made during the year		(98,117)	(103,260)
	Closing balance	16.1.4	66,105	82,724

		2022	2021
16.1.2	**Amount charged to Statement of Income and Expenditure and Other Comprehensive Income**	**(Rupees in thousand)**	
	Current service Cost	94,173	85,418
	Interest cost on defined benefit obligation	115,430	92,886
	Interest income on plan assets	(111,979)	(88,850)
		97,624	89,454

		2022	2021
16.1.3	**Amount charged to Other Comprehensive Income**	**(Rupees in thousand)**	
	Premeasurement (loss) / gain - Experience adjustment	(12,256)	(38,390)
	Gain / (loss) on plan assets, excluding interest income	28,382	29,123
		16,126	(9,267)

			2022	2021
16.1.4	**Reconciliation of amounts recognized in the balance sheet**		**(Rupees in thousand)**	
	Present value of defined obligations	16.1.5	1,304,074	1,170,073
	Fair value of plan assets	16.1.6	(1,237,969)	(1,087,349)
			66,105	82,724

		2022	2021
16.1.5	**Movement in Present value of defined obligation**	**(Rupees in thousand)**	
	Present value of defined obligations at beginning of the year	1,170,073	1,041,968
	Current service cost	94,173	85,418
	Interest cost	115,430	92,886
	Benefit paid	(87,858)	(88,589)
	Experience adjustment	12,256	38,390
	Obligation at end of the year	1,304,074	1,170,073

Principle actuarial assumptions

Assumption used to determine Defined Benefit Obligation		
a: Discount Rate	13.50%	10.25%
b: Salary increase rate (Long term)	11.50%	8.25%
Assumption used to determine Defined Benefit Cost		
a: Discount Rate	12.50%	9.25%
b: Salary increase rate (Long term)	10.50%	7.25%

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:

	Increase	Increase
Discount rate (1% movement)	1,200,886	1,062,144
Future salary growth (1% movement)	1,430,327	1,299,857

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.

Projected benefit payments form funds are as follows:

Year 1	57,270	24,141
Year 2	134,633	37,478
Year 3	102,089	49,011
Year 4	55,557	132,967
Year 5	224,446	100,256
Year 6 to Year 10	798,986	866,089
Year 11 and above	4,786,434	-

16.1.6 Movement in Fair value of plan assets		2022	2021
		(Rupees in thousand)	
Fair value plan assets at beginning of the year		1,087,349	954,705
Interest income on plan assets		111,979	88,850
Contributions		98,117	103,260
Benefit paid		(87,858)	(88,589)
Return on plan assets, excluding interest income		28,382	29,123
Fair value of plan assets at end of the year	16.1.7	1,237,969	1,087,349

16.1.7 Break-up of plan assets	2022	2021
	(Rupees in thousand)	
Treasury Bills	174,051	1,036,190
Pakistan Investment Bonds - PIB's	1,003,905	41,009
Bank accounts	60,013	10,150
	1,237,969	1,087,349

Funds covered were invested within limits specified by regulations governing investment of approved retirement funds in Pakistan.
The plan exposes the Commission to various actuarial risks: investment risk, salary risk and longevity risk from the gratuity plan.

16.2.1 Changes in net liability - pension fund		2022	2021
		(Rupees in thousand)	
Opening balance		(2,296)	119,776
Charge during the year	16.2.2	125,681	36,388
Other comprehensive income	16.2.3	(74,521)	(38,684)
Payments made during the year		-	(119,776)
Closing balance	16.2.4	48,864	(2,296)

16.2.2 Amount charged to Statement of Income and Expenditure and Other Comprehensive Income	2022	2021
	(Rupees in thousand)	
Past service cost	88,861	-
Current service Cost	35,109	29,092
Interest cost on defined benefit obligation	179,421	152,158
Interest income on plan assets	(177,710)	(144,862)
	125,681	36,388

16.2.3 Amount charged to Other Comprehensive Income	2022	2021
	(Rupees in thousand)	
Premeasurement gain / - Experience adjustment	30,804	(13,801)
Gain / (loss) on plan assets, excluding interest income	43,717	52,485
	74,521	38,684

16.2.4 Reconciliation of amounts recognized in the balance sheet		2022	2021
		(Rupees in thousand)	
Present value of defined obligations	16.2.5	1,978,079	1,776,420
Fair value of plan assets	16.2.6	(1,910,229)	(1,778,716)
Present value of transfer amount		(18,986)	-
		48,864	(2,296)

16.2.5 Movement in Present value of defined obligation	2022	2021
	(Rupees in thousand)	
Present value of defined obligations at beginning of the year	1,776,420	1,670,562
Present value of transfer amount at beginning of the year	18,986	-
Current service cost	35,109	29,092
Interest cost	179,421	152,158
Past service cost	88,861	-
Benefit paid	(89,914)	(89,193)
(Gain) or Loss on obligation	(30,804)	13,801
Obligation at end of the year	1,978,079	1,776,420

Principle actuarial assumptions

	2022	2021
Assumption used to determine Defined Benefit Obligation		
a: Discount Rate	13.50%	10.25%
b: Salary increase rate (Long term)	11.50%	8.25%
c: Pension Indexation Rate	8.50%	5.25%
Assumption used to determine Defined Benefit Cost		
a: Discount Rate	12.50%	9.25%
b: Salary increase rate (Long term)	10.50%	7.25%
c: Pension Indexation Rate	7.50%	4.25%

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:

	Increase	Increase
Discount rate (1% movement)	1,868,526	1,615,269
Future salary growth (1% movement)	2,044,079	1,870,495
Pension rate (1% movement)	2,042,165	1,935,961

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.

Projected benefit payments from funds are as follows:

Year 1	150,051	59,970
Year 2	178,253	116,336
Year 3	130,499	104,637
Year 4	226,008	159,636
Year 5	199,463	108,992
Year 6 to Year 10	1,251,371	1,018,144
Year 11 and above	7,829,840	-

16.2.6 Movement in Fair value of plan assets		2022	2021
		(Rupees in thousand)	
Fair value plan assets at beginning of the year		1,778,716	1,550,786
Interest income on plan assets		177,710	144,862
Contributions		-	119,776
Benefit paid		(89,914)	(89,193)
Return on plan assets, excluding interest income		43,717	52,485
Fair value of plan assets at end of the year	16.2.7	1,910,229	1,778,716
Actual return on plan assets			

16.2.7 Break-up of plan assets	2022	2021
	(Rupees in thousand)	
Special Notice Deposit Receipts (SNDR) - NBP	-	30,756
Pakistan Investment Bonds - PIB's	1,449,291	1,693,734
Treasury Bills	391,614	47,929
Bank accounts	69,324	6,297
	1,910,229	1,778,716

		2022	2021
16.2.5	**Movement in Present value of defined obligation**	**(Rupees in thousand)**	
	Present value of defined obligations at beginning of the year	1,776,420	1,670,562
	Present value of transfer amount at beginning of the year	18,986	-
	Current service cost	35,109	29,092
	Interest cost	179,421	152,158
	Past service cost	88,861	-
	Benefit paid	(89,914)	(89,193)
	(Gain) or Loss on obligation	(30,804)	13,801
	Obligation at end of the year	1,978,079	1,776,420

Principle actuarial assumptions

Assumption used to determine Defined Benefit Obligation		
a: Discount Rate	13.50%	10.25%
b: Salary increase rate (Long term)	11.50%	8.25%
c: Pension Indexation Rate	8.50%	5.25%
Assumption used to determine Defined Benefit Cost		
a: Discount Rate	12.50%	9.25%
b: Salary increase rate (Long term)	10.50%	7.25%
c: Pension Indexation Rate	7.50%	4.25%

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:

	Increase	Increase
Discount rate (1% movement)	1,868,526	1,615,269
Future salary growth (1% movement)	2,044,079	1,870,495
Pension rate (1% movement)	2,042,165	1,935,961

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.

Projected benefit payments from funds are as follows:

Year 1	150,051	59,970
Year 2	178,253	116,336
Year 3	130,499	104,637
Year 4	226,008	159,636
Year 5	199,463	108,992
Year 6 to Year 10	1,251,371	1,018,144
Year 11 and above	7,829,840	-

			2022	2021
16.2.6	**Movement in Fair value of plan assets**		**(Rupees in thousand)**	
	Fair value plan assets at beginning of the year		1,778,716	1,550,786
	Interest income on plan assets		177,710	144,862
	Contributions		-	119,776
	Benefit paid		(89,914)	(89,193)
	Return on plan assets, excluding interest income		43,717	52,485
	Fair value of plan assets at end of the year	16.2.7	1,910,229	1,778,716
	Actual return on plan assets			

		2022	2021
16.2.7	**Break-up of plan assets**	**(Rupees in thousand)**	
	Special Notice Deposit Receipts (SNDR) - NBP	-	30,756
	Pakistan Investment Bonds - PIB's	1,449,291	1,693,734
	Treasury Bills	391,614	47,929
	Bank accounts	69,323	6,297
		1,910,229	1,778,716

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

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

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

16.3 Unearned income

This represents advance payments received from customers in accordance with the forms of various statues/ regulations including under the Companies Act, 2017, Insurance Ordinance, 2002 and Notified Entities Regulations, 2008. Unearned income is recognised as revenue when the performance obligation in accordance with the policy as described in note 4.10 is satisfied.

		2022	2021
17 PAYABLE TO FEDERAL CONSOLIDATED FUND		**(Rupees in thousand)**	
Balance at the beginning of the year		2,222	185
Penalties collected during the year	17.1	32,641	47,845
Penalties deposited to the Fund during the year		(33,461)	(45,808)
Balance at the end of the year		1,402	2,222

17.1 Penalties collected during the year

Company Law Division	16,488	15,037
Insurance Division	2,698	2,675
Securities Market Division	1,545	14,185
Specialized Companies Division	11,910	15,948
	32,641	47,845

17.2 In terms of an amendment to the SECP Act, 1997 through Finance Act, 2012, effective 01 July 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 SECP Act 1997 (amendment through SECP Amendment Act, 2016) "any surplus of receipts over the actual expenditure including budgeted expenditures 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:

17.3 Accumulated surplus transferred to the Fund	230,804	264,958
Less: Amount retained against actual and budgeted capital expenditures	(230,804)	(264,958)
Payable to the Fund	-	-

The Commission has transferred Rs. 230,802,155 (2021: Rs. 264,958,569) from the accumulated surplus to asset acquisition reserve.

	2022	2021
18 PROVISION FOR COMPENSATED ABSENCES	**(Rupees in thousand)**	

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

Obligation at beginning of the year	206,535	182,927
Income for the year	(26,499)	38,567
Encashed during the year	(12,548)	(14,959)
Obligation at end of the year	167,488	206,535

Principal actuarial assumptions

Latest actuarial valuation was carried out as at 30 June 2022 using Projected Unit Credit Method.

Valuation discount rate - per annum	13.50%	10.25%
Salary increase rate - per annum	10.25%	8.25%

	2022	2021
19 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE	(Rupees in thousand)	
The minimum lease payments under finance leases fall due as follows:		
within one year	223,727	226,825
later then one year but within five years	178,705	388,699
later than five years	-	-
	402,432	615,524
Less: Financial charges allocated to the future periods	(36,849)	(83,460)
Net lease obligation	365,583	532,064
Less: Current Portion shown under current liabilities	(195,056)	(180,056)
	170,527	352,008

19.1 The weighted-average incremental rate applied to lease liabilities recognized during the year was 10% per annum

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

(i) Certain companies / individuals filed suits against the Commission in respect of claims aggregating to Rs. 8,913 million (2021: 8,913 million) for damages. Based on legal advise, the Commission is confident of a favourable 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.

20.2 Commitments

Aggregate commitments for contracted capital expenditure at end of the year is nil. (2021: nil).

		2022	2021
21 FEES AND OTHER RECOVERIES		(Rupees in thousand)	
Fees and other recoveries	21.1	3,290,766	3,340,491
less: Competition Commission of Pakistan levy		(98,726)	(100,229)
		3,192,040	3,240,262
21.1 Company Law Division		2,244,910	2,327,018
Insurance Division		400,150	369,226
Securities Market Division		305,507	365,423
Specialized Companies Division		340,199	278,824
		3,290,766	3,340,491

	2022	2021
22 OTHER INCOME	(Rupees in thousand)	
Income from financial assets		
Income on bank deposits	54,270	17,807
Income on investments	275,979	258,632
Amortization income of Pakistan Investment Bonds (PIBs)	10,988	8,411
	341,237	284,850
Income from non financial assets		
Gain on sale of property and equipment	9,257	16,260
Miscellaneous income	1,943	2,269
	352,437	303,379

			2022	2021
23	SALARIES, ALLOWANCES AND OTHER BENEFITS		(Rupees in thousand)	
	Salaries		776,116	750,984
	House rent allowance		454,271	430,282
	Medical allowance		140,660	117,563
	Conveyance allowance		23,144	20,867
	Utility allowance		75,712	71,113
	Other allowance		776,434	660,299
	Provision for pension		125,681	36,388
	Provident fund contribution		66,650	64,104
	Provision for gratuity		97,624	89,454
	Provision for compensated absences		(26,499)	38,567
			2,509,793	2,279,621

			2022	2021
24	OPERATING EXPENSES		(Rupees in thousand)	
	Repair and maintenance		118,103	95,693
	Support Staff cost		127,091	99,886
	Travelling and conveyance		38,532	44,931
	Telephone, postage and courier		29,194	35,920
	Utilities		30,492	27,512
	Rent and rates		6,278	6,395
	Discounting on operating lease liabilities		47,696	12,919
	Printing and stationery		27,513	22,466
	Legal and professional charges		7,396	16,241
	Fees and subscription		8,160	9,063
	Human resource development		23,933	13,413
	Insurance		10,306	14,742
	Advertisement		5,514	2,560
	Entertainment		5,044	3,370
	Audit fee	24.1	521	580
	Others		10,517	15,391
			496,290	421,082

24.1 Audit fee

		2022	2021
	Annual audit fee	417	400
	Audit fee for employee benefits fund trusts	104	180
		521	580

		2022	2021
25	TAXATION	(Rupees in thousand)	
	Current tax		
	- current year	-	181,801
	- prior years	-	-
		-	181,801
	Deferred tax	-	61,696
		-	243,497

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

Surplus of income over expenditure	140,155	479,038
Applicable tax rate	-	29%
Tax at applicable tax rate	-	138,921
Tax impact of inadmissible expenses	-	201,991
Tax impact of depreciation and other admissible expenses	-	(159,111)
Impact of deferred tax expense	-	61,696
Tax expense for the year	-	243,497

26 TAX STATUS

(i) 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 Honourable 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 AdCIT 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 filed the reference applications before the Honourable Islamabad High Court (IHC), who held that the amendments brought in section 49 of the Ordinance through the Finance Act, 2007, are not applicable retrospectively. As a result of this, payment of tax demands previously made by the Commission under protest, stands refundable. The income tax department has filed an appeal in the Honourable Supreme Court of Pakistan against the order of the Honourable High Court of Islamabad.

(ii) 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 deciding 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 Honourable Islamabad High Court through order dated 19 February 2009 was in force. However, since, in view of the order of the IHC, the tax demands for the Tax Years 2004 to 2007 stood vitiated, therefore, consequent charge of default surcharge is also liable to be deleted.

(iii) The assessment of the Commission for the Tax Years 2008 through 2021 has been finalized under the self-assessment scheme envisaged in the Ordinance.

(iv) 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.

(v) The Commission has filed the return for the Tax Years 2008 to 2019, 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 Honourable Islamabad High Court (IHC). The writ petition of the Commission was rejected by the IHC. Against this rejection, the Commission has filed an Intra Court appeal to the Division Bench of the IHC, thereby addressing certain issues. Being not satisfied with the order of the IHC, the Commission as well as the Tax Department, have filed reference before the Honourable Supreme Court of Pakistan.

(vi) 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. Being not satisfied with the order of the CIR(A), the Commission has filed appeal before the ATIR, which is pending disposal till to-date.

(vii) Through the order framed by the tax authority under section 161 read with section 205 of the ordinance for the tax year 2017, tax demand of Rs. 360,230/- was raised and the SECP has requested the tax authority to adjust the same against tax refundable for prior years.

(viii) The tax authority has issued Notice to the Commission for ascertaining compliance with the income tax withholding obligations. The management of the Company has filed the relevant information with the tax authority and the proceedings are underway.

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

(ix) The tax authority has amended the assessment for the Tax Year 2016 and 2019, thereby, disallowing the adjustment of tax refunds for the prior tax years against the tax liabilities of aforesaid tax years. SECP has filed an appeal before the CIR(A) against the amended assessment order for the Tax, Year 2016, which is subjudice as of to-date. Further, the management of SECP is in process of filing of appeal for the Tax Year 2019.

(x) Through the promulgated Finance Act, 2021, income of the Commission has been exempted from income tax by way of inclusion of its name in Table I of sub-clause (1) of clause (66) of part I of the second schedule to the Income Tax Ordinance, 2001. The Finance Act, 2021 is effective from July 01, 2021.

	2022	2021
27 FINANCIAL INSTRUMENTS BY CATEGORY	**(Rupees in thousand)**	
Financial Assets at amortized cost		
Maturity up to one year		
Advances, deposits and prepayments	209,312	213,856
Short term investments	2,327,525	2,121,474
Accrued profit on long term investment	26,668	26,668
Cash and bank balances	271,558	293,330
	2,835,063	2,655,328
Maturity after one year		
Long term investments	1,048,046	1,037,058
Loans and advances	359,473	349,040
	1,407,519	1,386,098
	4,242,582	4,041,426
Financial liabilities at amortized cost		
Maturity up to one year		
Accrued and other liabilities	1,007,301	1,102,963
Current maturity of lease liabilities	195,056	180,056
Payable to Federal Consolidated Fund	1,402	2,222
	1,203,759	1,285,241
Maturity after one year		
Liability against assets subject to finance lease	170,527	352,008

27.1 Credit quality of financial assets

The credit quality of financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

Advances, deposits and prepayments			
Counterparties without external credit rating:	A-1+	209,312	213,856
Short term investments			
Counterparties without external credit rating:	A-1+	2,327,525	2,121,474
Accrued profit on long term investments			
Counterparties without external credit rating:	A-1+	26,668	26,668
Cash and bank balances			
Counterparties without external credit rating:	A-1+	271,558	293,330

[redacted]

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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, 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.

28.1 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.

[redacted]

a) Exposure to credit risk

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

Loans and advances	359,473	349,040
Advances, deposits and other receivables	209,312	213,856
Short term investments	2,327,525	2,121,474
Accrued profit on long term investments	26,668	26,668
Cash at banks	270,956	292,933
	3,193,934	3,003,971

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 Pakistan Investment bonds with banks of aggregate amount of Rs. 3,270,973,600 thousands (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.

28.2 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:

Financial liabilities

Maturity up to one year		
Accrued and other liabilities	1,007,301	1,102,963
Current maturity of lease liabilities	195,056	180,056
Payable to Federal Consolidated Fund	1,402	2,222
	1,203,759	1,285,241
Maturity after one year		
Liability against assets subject to finance lease	170,527	352,008

28.3 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.

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:

a) Fixed rate instruments		
Cash at bank	270,956	292,933
Short term investment	2,327,525	2,121,474
	2,598,481	2,414,407

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

Currency risk management

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

[redacted]

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.
The estimated fair value of all financial assets and liabilities is considered not significantly different from book values as the items are either short - term in nature or periodically repriced.

International Financial Reporting Standard 13, 'Financial Instruments : Disclosure' requires the company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) 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 2) ; and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement

	June 30, 2022		June 30, 2021	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets not measured at fair value				
Loans and advances	628,236	628,236	466,619	466,619
Advances, deposits and other receivables	209,312	209,312	213,856	213,856
Short-term investments	2,327,525	2,327,525	2,121,474	2,121,474
Accrued profit on long term investments	26,668	26,668	26,668	26,668
Cash and bank balances	270,956	270,956	292,933	292,933
	3,462,696	3,462,696	3,121,550	3,121,550

	June 30, 2022		June 30, 2021	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial liabilities not measured at fair value				
Accrued and other liabilities	1,007,301	1,007,301	1,102,963	1,102,963
Current maturity of lease liabilities	195,056	195,056	180,056	180,056
Payable to Federal Consolidated Fund	1,402	1,402	2,222	2,222
Liability against assets subject to finance lease	170,527	170,527	352,008	352,008
	1,374,286	1,374,286	1,637,249	1,637,249

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

Determination of fair values

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

Investment in securities- fair value through other comprehensive income

The fair value of fair value through other comprehensive income investments are determined either by reference to their quoted closing repurchase price at the reporting dates or as the present value of future cash flows discounted at market rates of interest for a similar instrument at the reporting dates.

29.1 Off-setting of financial assets and liabilities

The Commission does not have any legally enforceable right to set off the recognized amounts of financial assets and financial liabilities, therefore the Commission does not off-set any financial assets and financial liabilities.

30 CAPITAL RISK MANAGEMENT

The Policy Board of the Commission 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.

31 TRANSACTIONS WITH RELATED PARTIES

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:

Name of the related party	Relationship and shareholding	Transactions during the year	2022	2021
			(Rupees in thousand)	
Commissioners	Key management	Loan disbursed	8,855	1,800
		Loan repaid	(2,772)	(8,324)
		Outstanding balance	6,084	300
Pakistan Institute of Corporate Governance	State controlled entity results in associate	Contribution made	158	158
Competition Commission of Pakistan	State controlled entity results in associate	Opening balance	458,691	436,803
		Levy for the year	98,726	100,229
		Levy paid during the year	(175,990)	(78,342)
		Closing balance	381,427	458,690
Institute of Financial Markets of Pakistan	Associate (73.68% shareholding)	**Amount of Investment -at cost**	**28,000**	**28,000**
		Net assets at fair value (100%)	33,110	33,948
		Commissions share of net assets (73.68%)	24,395	25,013
		Impairment loss on investment	(28,000)	(28,000)
		Share in loss and assets not recognized	3,605	2,987
		Carrying amount of interest in associate	-	-

Name of the related party	Relationship and shareholding	Transactions during the year	2022	2021
			(Rupees in thousand)	
Federal Consolidated Fund	Federal Government of Pakistan	Outstanding balance at year end	1,402	2,222
National Savings-T Bills/TDRs	State controlled entity results in associate	Opening balance	2,121,474	2,178,658
		Encashed during the year	(4,150,000)	(2,227,827)
		Investment made during the year	4,356,051	2,170,643
		Closing balance	2,327,525	2,121,474
National Bank of Pakistan-PIBs	State controlled entity results in associate	Opening balance	1,063,725	1,055,398
		Encashed during the year	(94,500)	(134,745)
		Investment made during the year	105,489	143,073
		Closing balance	1,074,714	1,063,726
Securities and Exchange commission of Pakistan-Provident fund trust	Other related party	Provident fund-employer contribution	66,656	64,242
		Provident fund-employee contribution	66,656	64,242
Securities and Exchange commission of Pakistan-Pension fund trust	Other related party	Pension fund-(receivable)/payable	48,864	(2,296)
Securities and Exchange commission of Pakistan-Gratuity fund trust	Other related party	Gratuity fund - payable	66,105	82,724
Securities and Exchange commission of Pakistan-Volunteer Pension scheme	Other related party	Volunteer Pension scheme-Employer contribution	71,634	33,418
		Volunteer Pension scheme-Employee contribution	71,634	33,418

32 COVID-19

The management has taken appropriate steps to keep human resources and assets safe and secure. The management considers that the pandemic does not have any material adverse impact on financial position, the results of operations and cash flows for the year ended June 30, 2022. Management will continue to monitor the potential impacts and will take all steps possible to mitigate any effects. The management has evaluated and concluded that there are no material implications of COVID 19 that require specific disclosures in these financial statements.

33 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 14 OCT 2022 by the Commission.

34 GENERAL

- Comparative figures have been rearranged/ reclassified wherever necessary for the purpose of better presentation. Following major reclassification have been made in these financial statements:

Description	Reclassified from	Reclassified to	(Rupees in thousand)
Property and Equipment	Building	CWIP	190
Property and Equipment	Leasehold Improvements	CWIP	901
Property and Equipment	Office Equipments	CWIP	432
Property and Equipment	Computers	CWIP	17,253
Property and Equipment	Furniture & Fixture	CWIP	101
Property and Equipment	Vehicles	CWIP	30
Intangible assets	Intangible assets- under develop software	Intangible assets	10,629

- Figures have been rounded off to the nearest thousand of rupees.

CHAIRMAN

COMMISSIONER

Abbreviations and Acronyms

AAOIFI	Accounting and Auditing Organisation for Islamic Financial Institutions
ARNS	Adjudication Recommendation Notes
AAP	Annual Audit Plan
AML	Anti-Money Laundering
AI	Artificial Intelligence
APG	Asia Pacific Group
APRC	Asia Pacific Regional Committee
ADB	Asian Development Bank
AC	Assessment Committee
AMC	Asset Management Companies
ASOs	Authorized Surveying Officers
BMC	Base Minimum Capital
BO	Beneficial Owners
BOI	Board of Investment
BCP	Business continuity plans
BPR	Business Process Re-Engineering
CGT	Capital Gain Tax
CMB	Capital Markets Board
CEIFs	Centers of excellence for Islamic finance
CAREC	Central Asia Regional Economic Cooperation
CDC	Central Depository Company of Pakistan limited
CDS	Central Depository System
CIR	Centralised Insurance Repository
CKO	Centralised KYC Organisation
CMC	Collateral Management Companies
CIS	Collective Investment Scheme
CRO	Company Registration Office
CRA	Corporate Rehabilitation Act
CRC	Corporate Restructuring Company
CRAs	Credit Rating Agencies
CRCs	Credit Rating Companies
CRF	Customer Relationship Form
DFM	Deliverable Futures Market
DFID	Department for International Development
DNFBPs	Designated Non-Financial Business and Professions
DR	Disaster Recovery
ESCA	Emirates Securities and Commodities Authority
EOBI	Employees Old Age Benefits Institution

EMMOU	Enhanced Multilateral Memorandum of Understanding
ETFs	Exchange Traded Funds
XBRL	Extensible Business Reporting Language
FATF	Financial Action Task Force
FIP	Financial Inclusion Programme
STA	Financial Institutions (Secured Transactions) Act, 2016
FMU	Financial Management Unit
FMDP	Financial Market Development Programme
FMU	Financial Monitoring Unit
NBMFCs	Formal Non-Bank Microfinance Companies
GWP	Gross Written Premium
GEM	Growth and Emerging Markets
GEM	Growth Enterprise Market
HSD	High-Speed Diesel
HFCs	Housing Finance Companies
ISMS	Information Security Management System
IPO	Initial Public Offering
IFMP	Institute of Financial Markets of Pakistan
IACD	Internal Audit and Compliance Department
IAIS	International Association of Insurance Supervisors
ISO	International Organisation for Standardization
IOSCO	International Organisation of Securities Commissions
IFCs	Investment Finance Companies
IFA	IPO Facilitation Account
IFD	Islamic Finance Department
IFSB	Islamic Financial Services Board
IIRA	Islamic International Rating Agency
LEAP	Leading Efficiency through Automation Prowess'
MES	Margin Eligible Securities
MF	Margin Financing
MTS	Margin Trading System
MDPRD	Market Development, Policy and Regulation Department
MU	Memorandum of Understanding
MI	Microfinance Institutions
MFI	Microfinance Institutions
MMOU	Multilateral Memorandum of Understanding
MSF	Murabaha Share Financing
MER	Mutual Evaluation Report
NAB	National Accountability Bureau
System	National Clearing and Settlement System

NCCPL	National Clearing Company of Pakistan Limited
NCTA	National Counter Terrorism Authority
NFIS	National Financial Inclusion Strategy
NFSC	National Financial Stability Council
NIC	National Incubation Center
NRA	National Risk Assessment
NDM	Negotiated Deals Market
NAV	Net Asset Value
NBFCs	Non-Banking Financial Companies
NPAs	Non-Performing Assets
NE	Notified Entities
PIB	Pakistan Investment Bonds
PMIC	Pakistan Microfinance Investment Company
PMN	Pakistan Microfinance Network
PMD	Pakistan Mobile Database
PMRC	Pakistan Mortgage Refinance Company
PHL	Power Holding Limited
PPDS	Privately placed debt securities
PCM	Professional Clearing Member
REITs	Real Estate Investment Trusts
RMCs	REIT Management Companies
ROSC	Reports on the Observance of Standards and Codes
RT	Review Team
STR	Secured Transactions Registry
SLB	Securities Lending and Borrowing
SDMS	Service Desk Management System
SGF	Settlement Guarantee Fund
SAB	Shariah Advisory Board
SAC	Shariah Advisory Committee
SMEs	Small and Medium Enterprises
SSRC	Small Disputes Resolution Committees
SAFA	South Asian Federation of Accountants
SCRS	Specialized Companies Returns System
SBP	State Bank of Pakistan
SC	Statement of Compliance
TCI	Technical Committee on Insurance
TAT	Turn-around time
UIN	Unique Identification Number
UBL	United Bank Limited
UNCAC	United Nations Convention against Corruption

Declaration of Investment

Disclosure of investment by Commissioners of the Securities and Exchange Commission of Pakistan in pursuance of sub-section (6) of section 16 of the SECP of Pakistan Act, 1997. These disclosures were made on June 30, 2022.

Aamir Khan, Chairman			
Sr. No	Name of Fund	Nature of Interest	Number of units As on 30th June, 2022
1	UBL Fund	URSF - EQUITY SUB FUND(URSF-ESF)	22,787
2	UBL Fund	UBL STOCK ADVANTAGE FUND(USF)	53,228
3	UBL Fund	UBL MONEY MARKET FUND(MMF)	8,011
4	Al-Meezan	MTPF EQUITY SUB FUND	17,896
5	Al-Meezan	MTPF DEBIT SUB FUND	4,185
6	Atlas Assets Management	APF- EQUITY SUB FUND	2,455

Ms Sadia Khan, Commissioner		
Sr. No	Name of Fund	Number of Units as on 30th June, 2022
1	Pakistan Cables*	10,002
2	Siemens Pakistan*	500
3	Habib Bank Ltd*	100
4	Delta Shipping (Pvt) Limited**	1,691
5	Delta Transport (Pvt) Limited**	10,000

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