SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

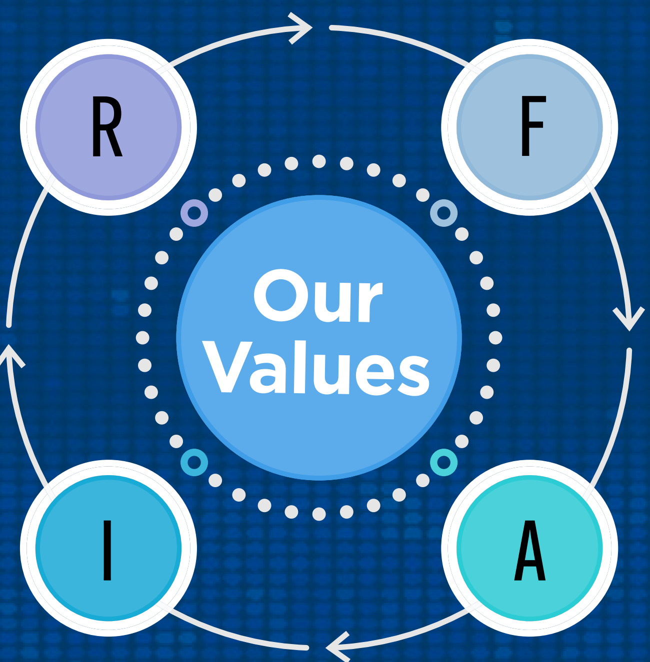
SECP

ANNUAL REPORT 2023

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.



Regulatory facilitation

Facilitate the users and investors by providing necessary services in simplest ways while remaining within the boundaries of law.

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.

Inclusiveness and diversity

Build and sustain an organization that seeks and embraces diversity, actively pursues equity and foster an inclusive environment.

Accountability

Establish high standards of corporate responsibility and be accountable to all stakeholders by adhering to highest ethical levels of honesty, fairness and transparency.

Chairman's Message

I am pleased to present the Securities and Exchange Commission of Pakistan's (SECP) annual report for fiscal year 2022-2023.

Despite a challenging year, the SECP continued the pace of regulatory reforms, keeping in view its extensive mandate, for the betterment of wider economy. During the year, we remained focused on achieving our core objectives of ensuring effective enforcement, encouraging capital formation, simplifying regulatory processes, and improving overall ease of doing business in Pakistan.

Our fundamental goal as a regulator is to ensure transparency and fair conduct within our regulated sectors. This year, refinements were introduced in the regulatory framework to improve stakeholder confidence and to prevent financial misconduct. Taking cognizance of rising number of complaints against digital lending apps, SECP introduced various measures to ensure equitable and fair business practices by lending NBFCs through introduction of a comprehensive set of digital lending standards. Moreover, to counter the spread of illegal apps, SECP collaborated with Google for developing a Standard Operating Procedure (white List), and now prior approval of the SECP is required by lending apps before being given access on the Google Play Store. This measure will curtail the spread of unlicensed digital lending platforms in Pakistan.

Another key aspect in combatting the risk of scams and frauds is to improve awareness amongst the general public, and in this context, the SECP revived its investor education program 'Jamapunji' in the current year. Outreach is essential in not only promoting knowledge about scams and frauds, imparting knowledge about consumer rights and data privacy; it is also vital in stimulating interest in the capital market, insurance and non-banking financial sectors as preferred avenues for investment.

On similar lines, we remained devoted to the growth of our regulated sectors and continued with our endeavours for the development of a vibrant and dynamic capital market in Pakistan. After extensive engagements with all stakeholders, we ensured introduction of a new trading and surveillance system at PSX, during the year. The new system offers faster trade processing capabilities and efficient handling of high trading volumes, while also having capability of offering new investment and hedging products for the public.

Keeping in line with SECP's mission to promote digitalization within the capital markets, regulatory framework for online-only securities brokers was introduced, allowing trading in the stock market using only online means. This category of brokers has less stringent financial resource requirements and can focus on customer onboarding and trading. Similarly, to improve digital onboarding process through simplification of KYC requirements, SECP approved the Centralised Gateway Portal (CGP) enabling standardized KYC requirements across different asset classes regulated by SECP. I am also pleased to report that after the launch of Pakistan's first digital distribution platform, Emlaak Financials, this year has also witnessed the launch of Pakistan's first Islamic digital distributor as well as the launch of the first Peer-to-Peer lending platform.

Internally, SECP's digital transformation program titled LEAP; that envisages end-to-end automation and a state-of-the-art technology platform, covering all functions of the Commission, is well underway. The project is planned in four phases, with the first three phases focusing on the new Corporate Registry and the fourth on supervision, adjudication, and litigation functions. The first phase has been completed, with the launch of new LLP Incorporation and post-incorporation filing and compliance module, while phase II is being expeditiously pursued for timely conclusion.

On the corporate side, company incorporation continued its positive growth trajectory, in large part owing to SECP's facilitative measures in promoting ease of business registration. Automation and process optimization have resulted in over 99.8% of companies registering online, leading to 27,746 new companies registered during the year, reflecting 4.7% growth from the previous year.

Similarly, the Non-Banking Finance Companies (NBFC) sector continued its positive growth trend and recorded 35.9% growth in assets during the year. To further support this vital sector and adapt to a modern regulatory framework, a dedicated law for the NBFC sector is underway. The draft law includes provisions for new licensed businesses like peer-to-peer lending platforms, collateral management services and enabling provisions for digital financial services.

In line with its mandate and considering the judgement of the Federal Shariat Court of Pakistan on the elimination of Riba from the economy, SECP has prioritized the promotion of Islamic finance and is actively facilitating the transformation of its regulated sectors in accordance with Shariah rules and principles. In this regard, a comprehensive review of Islamic finance within SECP's regulated sectors was conducted during the year, which revealed many key issues and challenges. To address this, work is underway to establish a conducive regulatory environment for Islamic financial institutions and Shariah compliant investments. Accordingly, guidelines for offering Islamic financial services across all sectors have been issued, facilitating introduction of Shariah-compliant financial products. Moreover, the Modarabas Regulations, 2021 have been revamped to improve regulatory compliance and business climate within the Modaraba sector. Pakistan's first international Islamic finance conference was held where local and international Shariah scholars and market practitioners exchanged ideas and SECP's 3-year roadmap for Islamic finance was also presented.

On the insurance side, the sector has seen a 34% increase in revenue this year, driven mainly by policy reforms designed to foster market development and strengthen policyholder protection. This has enabled a conducive environment for the insurance industry, boosting confidence among insurance providers and policyholders alike. In order to ensure sustainability of this sector, SECP has proposed a risk-based capital regime to strengthen financial stability for insurance companies, and in this regard, it is very encouraging to note that Phase-II of the IFRS 17 implementation process has been completed.

Our achievements are encouraging but they have not induced a sense of complacency among us, and in the coming year, the SECP is geared towards achieving tangible outcomes across all priority areas. Here are some of the details of our future plans.

The SECP's capital market reform agenda for the coming year is focused on revamping primary market framework to encourage quality listing in an efficient manner; implementing a state of the art on-boarding mechanism to expand the investor base; expanding investor education program through creation of market development fund; reviewing leverage products and bringing-in new products to enhance liquidity in the secondary market. Taking measures for shareholder rights and protection such as strengthening e-voting and shareholder meeting mechanism, timely and complete disclosures shall remain our priority. Further reviewing proxy framework and practices, and free float requirements; improving governance standards and practices along with focus on operating revenue at all capital market infrastructure institutions; engaging with banking industry to encourage banks to develop respective capital market strategy; and linking Pakistan Mercantile Exchange (PMEX) with the real economy are part of SECP's future plans. Moreover, with respect to our commitment towards Environmental, Social and Governance (ESG), SECP's Position Paper issued in 2022 was successful in starting cohesive deliberation around ESG and setting some key milestones in view of global best practices. I am glad to share that, in collaboration with key stakeholders, this year, we were able to mark considerable progress in achieving these milestones. In January 2023, a premier ESG advocacy session was held in partnership with UN WOMEN Pakistan, followed by a capacity building session on sustainability reporting framework in May 2023 in partnership with Institute of Chartered Accountants of Pakistan (ICAP). This was followed by a series of capacity building sessions by ICAP with active participation of SECP. Furthermore, a cohesive ESG Action Plan is being finalized with key stakeholders that will provide responsibilities and timeline for achieving an interconnected sustainable ecosystem. In context of availability of information, SECP has entered into an arrangement with a multilateral for establishing 'ESG Sustain'; a premier national level online dashboard that will also serve as one stop repository for all sustainability related information & data, capacity building tools, investor facilitation and overall awareness creation.

In the upcoming year, SECP intends to roll out voluntary Guidelines for ESG disclosures that will encourage ESG based reporting. We also look forward to some ESG based products in capital markets and increased collaboration. Our efforts remain focused on continued synergy and collaboration for sustainable capital markets.

On the corporatization side, we will continue our collaborative efforts with federal and provincial departments to establish a one-window registration system for businesses under the Pakistan Regulatory Modernization Initiative. The objective is to streamline the process of setting up a business, reducing both the time, cost, and number of procedures involved. Work on revamping the Companies Act 2017 has been started and during the year first exposure draft of amendments will be made public followed by consultation sessions. Focus is to align the framework with development in the digital space, rationalize reporting requirements, and bring-in transparency. Work on four key areas identified during Symposium on "Corporate Supervision and Regulatory Actions" held in June 2023, role of SECP in winding up of companies, approval of corporate mergers and restructuring by SECP, digitisation of shareholder register to address shareholder disputes and strengthening of Alternate Dispute Resolution (ADR) framework and practises will be done during the upcoming year.

Apart from implementing framework for digital intermediaries in insurance, asset management & brokerage sectors, efforts would be made to strengthen the role of respective associations towards some degree of self-regulation, for better investor protection and efficient enforcement in all the regulated sectors. Insurance sector would be another focus area where much needed legislative amendments would be moved to bring the framework at par with international standards and support growth and development of the industry. In this regard, work is underway to develop a 5-year strategic plan with industry consultation that would include under process action of implementing IFRS 17 and Risk Based Capital framework.

On a related note, SECP is in the process of introducing a cyber-security framework in the wake of increasing digitalization in the corporate and financial sectors; following up on the draft cloud adoption guidelines issued earlier. The framework is intended to encourage all companies to put in place measures to secure its sensitive and customer data from cyber-attacks and leakages. SECP is also collaborating with Pakistan Telecommunication Authority on the matter, and during the year, the issue of strengthening cybersecurity has been taken up with the board of directors of PSX, NCCPL, CDC and PMEX, to safeguard critical market infrastructure institutions against the risk of cyber-attacks.

In conclusion, I would like to express my profound gratitude to the federal government. I would also like to thank the Chairman and members of our Policy Board for their invaluable guidance and support. Finally, I am indebted to my fellow Commissioners, my predecessor Mr. Aamir Khan, Commissioner retired during the year Ms. Sadia Khan and to the entire SECP team for their hard work, dedication and commitment.

Akif Saeed
Chairman

Key Achievements

Enhanced Investment Opportunities for Mutual Funds to invest in ETFs

Mutual funds have been granted the opportunity to invest up to 10% of their assets in equity, income, and money market ETFs. This move offers mutual funds increased trading flexibility, portfolio diversification, and daily transparency of underlying holdings.

Insurance Rules, 2017 revision to lift investment limits in ETFs

Insurance companies can now invest 10% of their total investments in open-ended mutual funds, including ETF units. Furthermore, if they choose to invest in mutual funds and ETFs managed by the same AMC, their investment limit extends to 15% of their total investments. In cases where insurance companies already have investments with an AMC, they can allocate an additional 5% of their total investments in ETFs offered by that same AMC.

Amendments to Credit and Suretyship (Conduct of Business) Rules, 2018

Insurance companies are now mandated to develop risk assessment mechanisms to assess technical and financial strength of bond/guarantee issuers. Collateral requirements have been delinked from reinsurance arrangements, and cash collateral has been reduced to 10% of bond value.

Incorporating Right of Use Admissible Assets for Insurers Solvency

Insurance companies allowed Right of Use (ROU) assets admissible based on their corresponding ROU liability. However, it is important to note that vehicles, office equipment, and intangible assets are not considered admissible assets.

Introduction of Self-Regulatory Organizations (Registration) Regulations, 2022

The SRO Regulations, 2022 outline the registration process for SROs, including minimum capital requirements and “fit and proper criteria” for promoters, directors, chief executives, and board chairpersons. They also provide minimum paid-up capital requirements for companies seeking SRO registration.

Introduction of Digital Asset Management Companies

Digital AMCs have the potential to facilitate investors and increase investor base, by reducing paperwork, providing services remotely, and leveraging customer data. These companies provide a comprehensive range of AMC services, including launching of authorized Collective Investment Schemes (CIS), online account opening etc. through digital means, eliminating the need for investors to visit physical distribution points.

Digital-Only Insurers and Micro-Insurers

The SECP has introduced a registration regime for digital-only and dedicated micro-insurers, reducing barriers to entry through minimum capital and solvency requirements.

Amendments to Modaraba Regulations, 2021

Modaraba amendments encompass transitional provisions for minimum equity requirements, increased finance limits, real estate business, simplified reserve fund requirements, and alignment of casual vacancy filling time with the Companies Act, 2017.

Historic Meeting of ECO Heads of Capital Market Supervisory Authorities

The first-ever meeting of Economic Cooperation Organization (ECO) Heads of Capital Market Supervisory Authorities, arranged by the ECO Secretariat, and hosted by the SECP, aimed to promote sustainable socio-economic development of the region through collaboration between member states. Representatives from eight of the ten ECO member countries attended, including Republic of Azerbaijan, Islamic Republic of Iran, Republic of Kazakhstan, Kyrgyz Republic, Islamic Republic of Pakistan, Republic of Turkey, Turkmenistan, and Republic of Uzbekistan.

Revamp of Companies (Further Issue of Shares) Regulations, 2020

Major amendments include adoption of disclosure-based regime, provision of providing an Exit Opportunity to the shareholders, imposition of lock-in clause on the sponsors, reporting of proceeds utilization by the statutory auditors, and introduction of concepts like Minimum Level of Subscription (MLS) and ‘Applications Supported by Blocked Amounts’ (ASBA).

Allowing Listed companies to issue Convertible Debt through Right Offers

The new framework will provide an additional investment avenue for the shareholders and allow them to earn interest/profit, while retaining the option to convert debt instrument into share capital. Rights of CDS can also be renounced through Securities Exchange trading platform and can be traded in the same manner as Letter of Right (LOR) of shares are presently traded.

End-to-end Digitization of Incorporation Process

Auto-generated Memorandum & Articles of Association (MEMARTS) are now incorporated into the standalone incorporation process. Users can easily obtain auto generated MEMARTS during online incorporation.

Expansion of Money Market CISs in to Short-term Sukuk investments

Money Market Collective Investment Schemes (CISs) have been allowed to take exposure in short term corporate Sukuk along with commercial papers.

The cumulative exposure of Money Market CISs in commercial papers and/or short term Sukuk is capped at 20% of net assets of the CISs.

Introduction of Digital Lending Standards

The SECP, through Circular 15, has issued digital lending standards for NBFCs using digital channels and mobile applications. These standards require minimum mandatory disclosures and Key Fact Statements, including loan amount, annual percentage rates, loan tenor, instalment amounts, and fees and charges.

Issuance of "Guidelines for Offering Islamic Financial Services, 2023"

The SECP has issued "Guidelines for Offering Islamic Financial Services, 2023," aimed at facilitating the growth of Shariah-compliant financial products in the financial services market regulated by the Commission, which include Islamic capital markets, Takaful, Modarabas, NBFCs, pension and private funds, and REITs among others.

Premier ESG Symposium

SECP and UN WOMEN collaborated to host on a premier ESG symposium, aimed at promoting sustainable investment and fostering best practices in ESG principles. The event featured in-depth plenary discussions involving key institutions and stakeholders, highlighting their aspirations and commitment for strengthening the ESG ecosystem.

First International Conference on Islamic Capital Markets

SECP and AAOIFI joined forces to organize the first international conference on Islamic Capital Markets. This ground breaking event focused on charting the future direction and understanding market dynamics based on Federal Shariah Court's judgment and market dynamics.

Centralized Gateway Portal to facilitate Digital Onboarding of Investors

SECP approved the establishment of a Centralized Gateway Portal, a pivotal step towards simplifying digital onboarding for investors. This Centralized platform offers a uniform and standardized KYC process, reducing the complexities of onboarding to a one-time processing event. The CDC will oversee the development and implementation of this gateway.

Amendments to NBFC Regulations

Significant amendments have been introduced to the Non-Banking Finance Companies and Notified Entities Regulations, 2008. These revisions encompass digital fund management, lending platforms, and trustee services. Investment Advisors can now offer portfolio management services, provided they have a risk management policy and contingency plan in place.. Additionally, non-deposit-taking NBFCs now benefit from increased flexibility in their exposure limits.

Amendments to Securities & Futures Advisers Regulations 2017

The recent amendments to Securities & Futures Advisers Regulations 2017 mark a significant development. These changes have led to reduced financial resource requirements for distributor licenses and provide exemptions for scheduled banks, microfinance banks, non-bank microfinance companies, and electronic money institutions, sparing them the obligation of obtaining separate licences.

Securities and Exchange Policy Board

Mr. Mehmood Mandviwalla
(Private Sector Member)
Chairman

Mr. Imdad Ullah Bosal
Secretary,
Finance Division

Mr. Muhammad Sualeh Ahmad Faruqui
Secretary, Commerce Division

Raja Naeem Akbar
Secretary,
Law and Justice Division

Mr. Akif Saeed
Chairman,
SECP

Dr. Inayat Hussain
Deputy Governor
SBP

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

During the year, Syed Asad Ali Shah, a private sector member, resigned on August 22, 2022. Furthermore, Mr. Khalid Mirza, Mr. Adnan Afridi, and Mr. Veqar ul Islam completed their four-year terms and ceased to be members of the Policy Board on November 15, 2022.

The primary mandate 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. Additionally, it plays a crucial role in advising the government on matters falling within the purview of the Act and other corporate laws. Furthermore, it expresses its opinion on policy matters referred to it by the government or the Commission.

Board Initiatives
During the year, the Board granted approval for SECP's annual budget. Furthermore, it approved various rules and regulations to be prescribed under the administered legislation, along with amendments to the existing ones..

Attendance of Policy Board members during the year: A total of four board meetings took place, and the details are as follows:

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

The Commission

Mr. Akif Saeed, Chairman

Chairman and Commission Secretariats, Licensing & Registration Division, Prosecution & Legal Affairs Division, Internal Audit & Compliance Department, Support Services Division

Akif Saeed joined SECP in 2004 and served as head of various divisions. Later, he was appointed as Commissioner from December 2014 to December 2017. He has extensive regulatory, operational, and business knowledge of various infrastructure entities in the capital markets and non-bank financial sector. During his tenure at SECP, he has significantly contributed towards instituting various legal and regulatory reforms for enhanced corporate governance, transparency, investor education, investor protection, and risk management. He had been instrumental in introducing legal framework for REITS and private equity, in addition to introducing private pensions through the implementation of voluntary pension rules and issuance of license to four pension fund managers in 2007.

Akif played a significant role in the merger of three exchanges and the divestment of PSX's strategic shareholding to a consortium led by three Chinese exchanges. Furthermore, he played a vital role in achieving compliance with the IOSCO benchmark principles for the securities market.

Notably, Akif led the team that led a major overhaul of securities laws in Pakistan and drafted the new Securities Act, 2015, and Futures Act, 2016. His professional experience also extends to the private sector, including roles at the American Express Bank, and as a consultant for the Asian Development Bank. In his latter role, he was part of the team that prepared Financial Market Development Plan 2020-2027, which is now in implementation phase. He is a Chevening alumnus, completed his Master's in Business Administration from the University of Edinburgh, and holds a Master's degree in economics from Government College Lahore.

Mr. Aamir Khan, Commissioner

Insurance Division, Information Systems & Technology Department

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, as Commissioner, Khan served as Executive Director at the Securities and Exchange Commission of Pakistan. His tenure is punctuated by major reforms that led to new regulatory frameworks for the equity market, commodity market, EWHRF, digital lending, and REITs.

Khan led initiatives that fuelled the growth of entrepreneurship and innovative business concepts. Several new ideas were incubated through the regulatory sandbox, i.e., asset fractionalization, crowd funding, B2B lending, digital AMCs, and digital-only insurers. He also played an instrumental role to operationalize a fully automated 24/7 'Secured Transactions Registry (STR) for registration of security interests/charges, and launched the already underway project for a new company registry.

Aimed at ensuring consistent, more transparent, and focused regulatory oversight across sectors, Khan championed a paradigm shift in SECP's regulatory framework by moving from a sector-based to a functional-based regulatory body by establishing centralized supervision, licencing, and adjudication divisions.He was also the architect of SECP's "Leading Efficiency through Automation Prowess" (LEAP) program aimed at overhauling the entire IT and IS domain of SECP and digitalize its entire operations.

Aamir Khan is a staunch advocate of diversity and inclusion, women's empowerment, and youth's empowerment, and strongly supports a culture of substantive and material dialogue with regulated sectors.

Mr. Abdul Rehman Warraich, Commissioner

Securities Market Division, Supervision Division

Mr. Abdul Rehman Warraich is a financial services professional with more than 27 years of experience, including 10 years in the civil service, 9 years in asset management, 5 years in public debt management, and 3 years in financial consulting and advisory services. He has diverse work experience in both the public and private sectors.

In civil service, he served the Federal Board of Revenue as Assistant Commissioner and Deputy Commissioner of Income Tax. In asset management, he worked for NBP Fund Management Limited, Punjab Pension Fund, and UBL Fund Managers Limited in various roles, including financial analyst, fund manager, head of research, head of investment, and chief investment officer. In public debt management, he served the Government of Punjab as a Debt Management Specialist and the Government of Pakistan as Director General (Debt). In consulting and advisory roles, he worked for Oxford Policy Management, Adam Smith International, the International Finance Corporation, the WB, and the ADB.

His academic and professional credentials include a BA, LLB, CFA Charter, FRM certificate, and various certificates from the IMF Institute in the areas of public finance and governance.

Mr. Mujtaba Ahmed Lodhi, Commissioner

Adjudication Division, Information Security Department, Specialized Companies, Islamic Finance Department

Mujtaba Lodhi has extensive experience in global financial capital markets, risk management, regulatory frameworks, competition law, enforcement and compliance, and organisational digital transformation.

Before his appointment as Commissioner in SECP, he was a Member of the Competition Commission of Pakistan (CCP), where he supervised several core departments, including mergers and acquisitions, exemptions, the Office of International Affairs, information systems and technology, and the Office of Fair Trade.

At CCP, he led the automation exercise of the entire business process, which resulted in the time-efficient disposal of cases and the issuance of an unprecedented number of orders and certificates. As a member, he played an active role in CCP's enforcement actions.

In collaboration with top global competition agencies, including the Capital Market Authority UK, the Federal Trade Commission USA, and the Turkish Competition Authority, he successfully implemented capacity-building programmes at the CCP. Mujtaba was also instrumental in signing MOUs for bilateral cooperation with various competition agencies globally.

Mr. Lodhi developed extensive professional associations with the financial services and corporate industries in the United Kingdom while working with top global banks, including Barclays, HSBC, Citigroup, and JP Morgan. He holds a Master of Science degree in Investment and Finance from Queen Mary University of London and a Bachelor of Science (Honours) degree in Software Engineering from the University of East London, UK.

Ms. Sadia Khan
Commissioner

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.

• ***Ms. Sadia Khan completed her 3-year term as Commissioner on March 5, 2023.***

Commission's Secretariat
The Commission's Secretariat performs the duties and responsibilities 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 the number of Commission meetings attended by Commissioners during the financial year 2022-23 are as follows:

S. No.	Name of member	Number of meetings held	Number of meetings attended
1.	Mr. Akif Saeed, Chairman	25	25
2.	Mr. Aamir Khan, Commissioner	45	31
3.	Ms. Sadia Khan, Commissioner	32	29
4.	Mr. Abdul Rehman Warraich, Commissioner	25	25
5.	Mr. Mujtaba Ahmed Lodhi, Commissioner	25	25

Conduct of business
During the year, the secretariat convened 44 regular and 1 emergent meeting of the Commission, wherein 529 working papers of departments and divisions and 27 other business items were considered and decided appropriately. The Commission's Secretariat, on behalf of the Commission, issued 99 statutory regulatory orders/notifications and facilitated the issuance of 18 circulars.

Senior Management

Muhammad Asif Jalal Bhatti

Executive Director /
Head of Division
Supervision Division

Musarat Jabeen

Executive Director/Chief
Spokesperson/Head of Secretariat
Chairman's Secretariat, International
Relations Department, Systemic Risk

Ali Azeem Ikram

Executive Director/
Head of Division
Adjudication Division

Bilal Rasul

Executive Director/Head of
Secretariat/Policy Board
Commission's Secretariat

Imran Inayat Butt

Executive Director /
Head of Division
Securities Market Division

Bushra Aslam

Executive Director/
Head of Division
Support Services Division

Muzzafar Ahmed Mirza

Executive Director/Chief
Prosecutor/Head of Division
Prosecution & Legal Affairs
Division

Khalida Habib

Executive Director/
Head of Division
Specialized Companies Division

Mubasher Saeed Saddozai

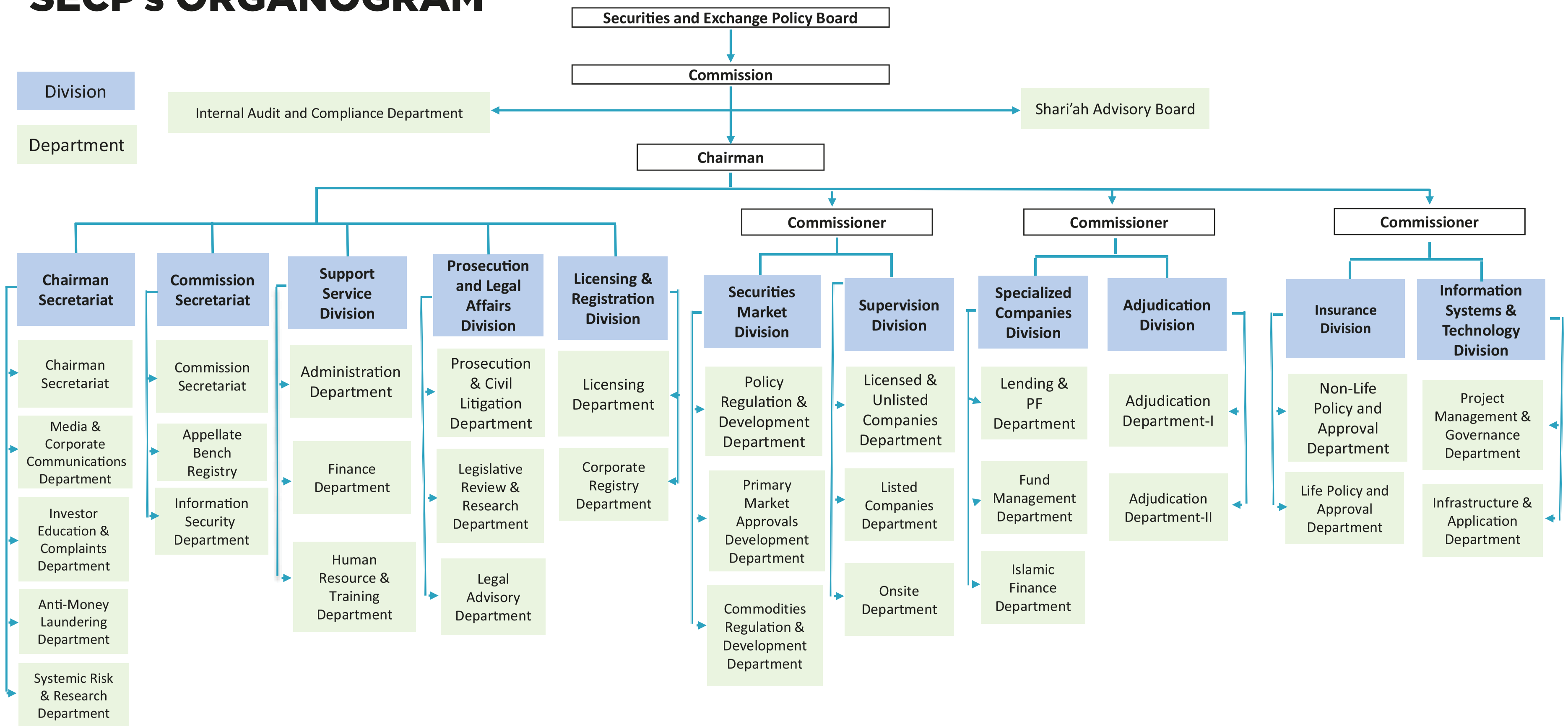
Executive Director/
Head of Division
Licensing & Registration Division

Waseem Khan

Director/HOD Policy, Regulations and Development Department Insurance Division

Organisational Structure of SECP

SECP's ORGANOGRAM



Corporatization

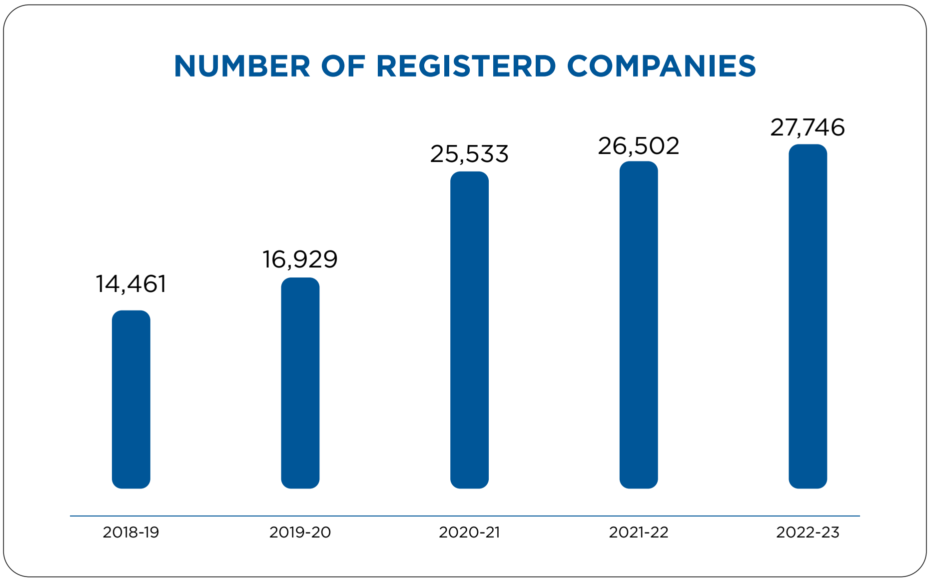
Overview

Pakistan's corporate sector is on a continuous growth trajectory, and the SECP has strategically established Company Registration Offices (CROs) in nine major cities, complemented by a Business Centre in Islamabad. These offices facilitate business ease and economy documentation, ensuring the country's competitive edge.

The SECP, as a regulator for the corporate sector, aims to facilitate business registration by encouraging non-corporate entities to embrace corporate advantages. Its network of CROs and Business Centres, along with information and communication technologies, promotes the inclusion of previously unregistered entities, fostering economic growth and development.

The current financial year 2022–23, has witnessed significant progress in Pakistan's corporate sector landscape. The SECP has successfully registered 27,746 new companies, reflecting a remarkable 4.7 percent growth as compared to 3.8 percent in the previous year. This brings the total number of registered companies to an impressive 196,805.

The strategic use of automation and process optimisation has materialised, with over 99.8 percent of enterprises registering online and 24% completing registration on the same day, benefiting entrepreneurs, shorten business launch procedures, and demonstrate commitment to efficiency.



Among the companies registered during the financial year 2022–23, approximately 58 percent were registered as private limited companies, 39 percent as single-member companies, and the remaining three percent were registered either as public unlisted, not-for-profit associations, trade organizations, foreign companies, or limited liability partnerships.

Breaking down the figures further, out of the 27,746 companies registered in this period, 9,264 were registered in Islamabad, 10,904 in Punjab, 4,251 in Sindh, 2,136 in KPK, 538 in Baluchistan, and 653 in Gilgit Baltistan.

Ìn terms of sector-specific distribution, the current year's registered companies exhibited a notable presence in various sectors. The construction and real estate sectors took the lead with the incorporation of 4,527 companies, closely followed by IT sector with 4,038 companies, trading with 3,539 companies, services with 2,928 companies, food and beverages with 1,106, tourism with 1,101, education with 1,048, e-commerce with 910 companies, agriculture with 732, and marketing and advertisement companies with 672. The remaining companies were registered in other sectors.

Foreign investment played a significant role with 841 new companies attracting international capital. Leading the pack was China with investment in 448 companies, followed by US (46) UK (36), Afghanistan (35), Germany (32), Turkey, and South Korea 16 each, the UAE (15), Singapore (11), Nigeria (10), Spain (9), Canada, and Hongkong with 8 each, Norway (7), Australia, Iran, Malaysia, South Africa, and Switzerland 6 each, Egypt, Japan, Jorden, Lebanon, the Netherland, and Thailand 5 each, and 84 companies from other countries. Furthermore, during the financial year, 33 foreign companies were registered in Pakistan representing nations such as China, the UAE, the UK, Azerbaijan, Hong Kong, Italy, South Korea, Singapore, Bahrain, and Germany, and others contributing to the country's business landscape.

Reforms and Developments

LEAP: Elevating Accessibility, Efficiency and Transparency

SECP began its end-to-end digitization endeavour aimed at enhancing accessibility, expanding organizational efficiency, improving ease of doing business, and increasing transparency through the project titled LEAP: Leading Efficiency through Automation Prowess. In this respect, SECP has launched the first phase of the LEAP project for the Limited Liability Partnership (LLP) Registry. This initiative marks a significant milestone in the organization's journey towards harnessing the power of technology to drive growth, enhance user experience, and lead from the front in the ongoing transformation of the business landscape in Pakistan.

WeChat Service for Foreign Investors

SECP became the first public sector organization to enable the WeChat service for facilitating Chinese investors in August 2022. The service enables the user to exchange messages, documents, images, and payments for complete support and solutions in Mandarin. This initiative aligns with SECP's ongoing efforts to build a culture of digitization and enhance the user experience.

MoU Signings for Business integration

In order to promote uniformity in business operations and facilitate foreign investors, MoUs for the integration of business registration were signed with the Special Technology Zones Authority (STZA), Pakistan Engineering Council (PEC), and Pakistan Software Export Board (PSEB) on December 6, 2022. The one-window registration of businesses aims to reduce the time, cost, and number of steps required to start a business.

Aligning Company law with International best practices

In order to align the company law with international best practices and promote business growth and development in Pakistan, SECP has initiated a comprehensive review of the Companies Act, 2017. In this respect, SECP has formed a special committee tasked with reviewing the Act, recommending amendments, and organizing extensive consultation with stakeholders.

Transition to Hague Apostille Convention

To facilitate the process of authentication of public documents abroad and vice versa, the Government of Pakistan has acceded to the Hague Convention, abolishing the requirement of legalization for foreign public documents (Apostille Convention of 1961). In this regard, SECP has issued S.R.O. 530 (I)/2023, S.R.O. 531 (I)/2023, and S.R.O. 532 (I)/2023, each dated May 3, 2023, amending the provisions of Companies (Incorporation) Regulations, 2017, Companies (General Provisions and Forms) Regulations, 2018 and Foreign Companies Regulations, 2018 respectively, in order to assist in the successful transition to the Apostille Convention and acceptance of "Apostilled" foreign public documents.

Draft Companies Regulations, 2022

SECP has released a draft of the Companies Regulations, 2022, to combine and unify nine separate regulations that were previously framed under Section 512 of the Companies Act, 2017. After extensive review of the existing regulations, several procedures have been simplified, resulting in a substantial reduction of the number of statutory forms to be filed with SECP from 75 to only 27. The purpose of consolidating these regulations is to develop a consistent set of forms and applications that companies must submit, making it easier to understand and comply with the regulatory framework.

Amendments to Companies (General Provisions and Forms) Regulations, 2018

SECP has approved amendments to the Companies (General Provisions and Forms) Regulations, 2018 and inserted a new Regulation 20A, vide S.R.O.627(I)/2023 dated 22nd May, 2023, specifying limits for incurrence of capital expenditure on any single item or disposal of a fixed asset by the Board of Directors of a company in terms of Sub-section 2(i) of Section 183 of the Companies Act, 2017.

Draft Unlisted Companies (Buy-Back of Shares) Regulations, 2022

Draft regulations have been issued under Section 88 of the Companies Act, 2017, seeking public opinion. These regulations provide a detailed procedure for purchase of shares issued by unlisted public and private companies, aiming to facilitate businesses and to boost investor confidence by providing an easy exit option to the shareholders.

Rationalization of Fees for Submission of Documents

The SECP has amended Seventh Schedule (fee paid by companies) of the Companies Act, 2017 through SRO 500 (I)/2023 issued on April 20, 2023. The SECP has revised the fee for the submission of documents/ applications, both electronically and manually, for various types of companies mentioned in the Seventh Schedule of the Companies Act, 2017.

Issuance and Publication of ‘Guidelines for Mergers and Amalgamations

Comprehensive merger guidelines have been formulated pursuant to section 510 of the Companies Act, 2017, in order to facilitate the general public. These guidelines are readily available on the SECP website and the brief contents of the guidelines are as follows:

- Scheme of Arrangement
- Petition to the Court
- Application to the Commission
- Requirements after Sanction of Petition/Application
- Filing under Section 284 of the Companies Act, 2017

Issuance of Promoters Guide in German and Korean languages

The SECP in line with the agenda of ease of doing business in the country has published promotors guides in German and Korean languages. This would help the potential investors from these countries to understand the procedure for company registration and other requirements in their native languages.

Awareness Programs

In a dedicated effort to improve compliance practices and improve capacity building, the SECP has organized a comprehensive series of seminars and awareness sessions. These sessions have been facilitated and conducted by Company Registration Offices (CROs) and the Business Centre. Remarkably, the Commission has hosted a total of 74 seminars and awareness sessions to date.

Outcome of SECP’s Intervention

SECP has embarked on a transformative journey that has yielded significant outcomes and enhancements, ultimately benefiting businesses and individuals alike:

- SECP started ‘Issuance of digital mortgage certificates’ on September 20, 2021 and a total of 9,821 digital certificates have been issued in the FY 2022-2023. Similarly, the facility of digital acknowledgement of annual and other returns was started on September 25, 2021 and 73,238 digital acknowledgements have been issued in the FY 2022-2023.
- SECP launched issuance of digital certified true copies of company’s statutory returns and company profile on September 08, 2021 and 124,210 digital CTCs have been issued in FY 2022-2023.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 1,128 easy exit applications were received online during the FY 2022-2023 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 244 times since its integration with the SECP.
- Online facility to file Declaration of Ultimate Beneficial Ownership Compliance in terms of Section 123A (2) and Regulation 19A (5) was launched in April 2021 and a total number of 24,817 forms have been filed by the companies in FY 2022-2023.
- 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 63,806 searches were carried out through this portal in FY 2022-2023. 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 30,025 financing statements were filed in the Secured Transaction registry and 27,412 public searches were made during the FY 2022-2023, enhancing access to finance for small & medium sized entities.

Way forward

With the objective of fostering a modern and efficient corporate sector, the SECP is determined to sustain and amplify its efforts towards corporatization. To ensure the healthy growth of the corporate sector, the following key steps will be prioritized:

- Aligning company law with international best practices. A comprehensive review of the Companies Act, 2017 has been initiated, along with stakeholder consultations and recommended amendments.

- Continual improvement of processes to facilitate document authentication through adherence to the Hague Apostille Convention, facilitating the acceptance of foreign public documents.
- Collaboration with federal/provincial departments, to establish a one-window registration system for businesses under Pakistan Regulatory Modernization Initiative. The objective is to streamline the process of incorporating a business, reducing both the time, cost and number of procedures involved.
- Aiming to consolidate and standardize forms and applications for easier compliance with the regulatory framework.
- End-to-end digitization efforts, such as the LEAP project, are being implemented to improve accessibility, efficiency, ease of doing business, and transparency.
- Launching the ‘Electronic Mortgage Register’ as additional feature in already established online banking portal. It will facilitate the banks in verifying the credit history and existing status of any company through a comprehensive mortgage register along with the additional facility to view and download instruments and statutory returns.
- Conducting regular awareness sessions to inform stakeholders about the measures implemented to improve the ease of doing business in the country. These sessions cover a wide array of topics including reforms initiated to promote ease of doing business for company incorporation and post incorporation requirements.
- Encouraging the companies to adopt the culture of compliance, mitigating the risks associated with non-compliance. This can be achieved through risk assessments, training, awareness programs, vigilant monitoring, robust enforcement mechanism and policy reforms.

Capital Markets

Overview

In retrospect, the fiscal year 2022–2023 posed significant challenges for the financial markets. The KSE-100 index began the year at 41,630.35 points and ended at 41,452.69 points on June 27, 2023, recording a slight decrease of 0.43 percent. Throughout the year, the market experienced notable fluctuations, soaring to its peak at 43,676.56 on August 17, 2022, and plunging to its lowest level of 38,342.21 on January 17, 2023. Notably, the index witnessed its highest single-day gain of 1,371.78 points on June 26, 2023.

The daily trading turnover averaged 191.83 million shares in the ready market and 79.66 million shares in the futures market. . A total of 524 companies with accumulated paid-up capital of Rs. 1,627.17 billion were listed on the Pakistan Stock Exchange, while the total market capitalization was Rs. 6,369.47 billion as of June 30, 2023. Foreign investment in the stock market exhibited a net inflow of $1.56 million during the year, marking a substantial 100.5 percent increase compared to the net outflow of $297 million observed in FY2021-22.

Commodity market

In the fiscal year 2022-23, PMEX witness a notable surge in trading activity across various commodities futures contracts including gold, copper, other metals, crude oil, Brent, currencies and US equity indices were traded on PMEX. The Traded value of commodity futures soared by an impressive 21.24%, reaching Rs4.641 trillion compared to the previous year's traded value of Rs3.867 trillion r. Additionally, the number of traded lots also increased significantly from 3.224 million to 3.828 million during the year.

Primary Market

Primary capital markets play a vital role in nurturing business growth and development by providing opportunities for raising capital, both in the form of equity and debt. Since, Pakistan is an emerging economy, there is huge potential for companies to go public, and SMEs can address their financing requirements through other listing avenues, such as GEM Board. In its capacity as the regulator of capital market, SECP is committed to implementing reforms that encourage companies to list on the securities exchange.

Public Offerings

The Primary capital markets play an exceptionally vital role in fostering business growth and development by offering avenues to raise capital, both in the form of equity and debt. Given Pakistan's status as an emerging economy, there is huge potential for companies to embark on the path of going public and for SMEs can full fill their financing requirements through alternative listing avenues, including the GEM Board. In line with its role as the regulator of the capital market, the SECP is dedicatedly pursuing reforms aimed at incentivizing companies to seek listings on the securities exchange.

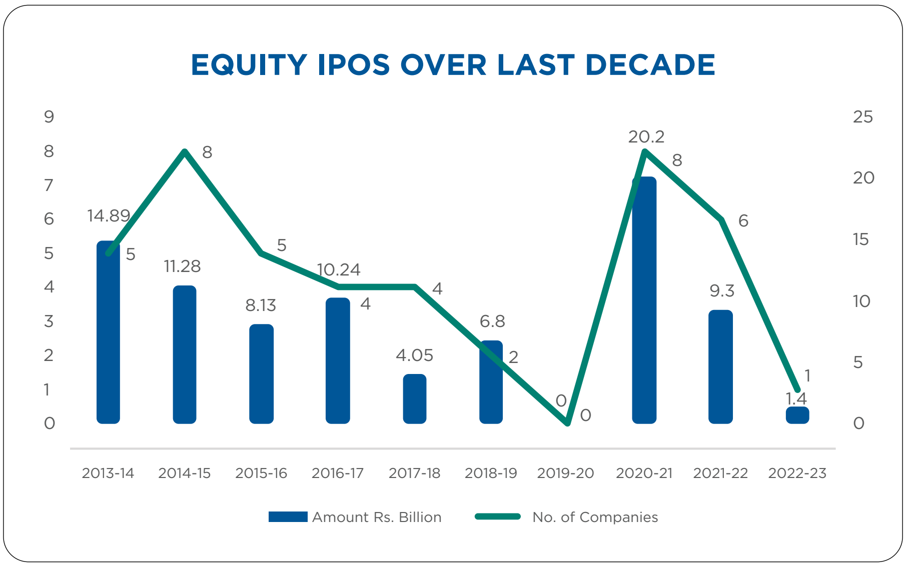
Equity

Activity in the IPO segment has decelerated from the previous year, primarily due to challenging global macroeconomic environment and uncertain domestic economic conditions. During the period under review, Pakistan's first Developmental Real Estate Investment Trust (REIT) Scheme issued REIT units through public offering on the main board of PSX and raised PKR 1.4 billion. In addition, the SECP granted approval for issuance and circulation of prospectus for two other IPO transactions i.e. Dalda Foods Limited and Symmetry Group Limited, which have not matured during the current year.

Equity Public Offerings

Listing on Main Board:

Sr. No.	Name of Company	Type of Instrument	Fund Raised (Rs. Millions)	Date of listing
1.	Globe Residency REIT	REIT Units	1,400	28-Dec-2022
	Total		1,400	



Further Issue of Capital – Listed Companies:
During the period under review, listed companies raised capital worth Rs.7.5 billion through right issuance and Rs 33.4 billion through other than right.

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

S. No.	Type of Issue	Number of Issues	Fund Raised (Rs. billions)
1.	Right Issues	5	7.5
2.	Other Than Right Issues	5	33.4
	Total	10	40.9

Regulatory Applications/Approvals
SECP's Securities Market Division handles applications filed by listed companies, seeking regulatory approvals in compliance with various legal provisions of the relevant legal regulatory framework. Tabular representation of processing of such applications during the year 2022-23 are given below:

Application for other regulatory approvals	No. of Applications Processed
Request for Extension in Holding of AGM of the Company	46
Direction to hold AGM	36
Application for extension of 30 days in filing of first quarter accounts	38
Request for Approval of Loan to CEO/Director	1
Application for Extension in the closure of Share Transfer Books	1
Application for Consolidation of Financial Statements	8
Application/Queries under the Code of Corporate Governance	5
Application u/s 243 - Deferment of Dividend	2
To extend the financial year of a holding company or a subsidiary of the holding	1
Total	136

Real Estate Investment Trusts (REITs)
As a result of widespread outreach efforts by the SECP, coupled with roll-out of revamped REIT Regulations and prioritization of the sector by the Government, as well as the capital market and banking regulators, the number of REIT Schemes registered with SECP has surged to a total of fourteen (14) within the review period. Furthermore, the launch of two (2) additional REIT Schemes is in the pipeline and during current year, NOCs have been issued for registration of trust deeds for six (6) REIT Schemes, classified as specialized trusts, in accordance with relevant trust laws.

As of March 31, 2023, the collective fund size of these REIT Schemes stands at approximately Rs. 184.94 billion.

This notable growth is a testament to stakeholder's continued t interest in REIT as a lucrative avenue for investing in real estate projects. This is underscored by the escalation in the number of companies authorized to provide REIT management services, which now totals eighteen (18).

Primary Market Reforms

Paper on IPO Market

The paper's aims to enhance awareness of the IPO market, highlight key trends, provide an overview of local IPO funds raised in FY17-21, make comparisons with the IPO market in other jurisdictions, and highlight value added contributions made by the SECP team in processing IPO applications in fiscal year 2021.

Amendments to Listed Companies (Buyback of Shares) Regulations, 2019

The Listed Companies (Buyback of Shares) Regulations, 2019, have undergone amendments to provide clarity in terms of the stepwise procedures for buyback through securities exchange. This update replaces the previously permitted tender offer method and established a mechanism for the cancellation of shares.

Amendments to Listed Companies (Substantial Acquisition of Voting Shares &Takeovers) Regulations, 2017

The amendments are aimed to align the regulations with the Securities Act, 2015, and offer flexibility to the acquirer while providing security in takeover transaction and making payment to the shareholders in such transactions.

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

In order to improve disclosure and bring transparency, new concepts have been introduced in the capital issue regime pertaining to right issue, other than right issue and employee stock option schemes.

Amendments to the Credit Rating Companies Regulations, 2016

SECP has notified amendments to the credit rating regulatory framework, introducing new rating concepts and aligning the regulations with international best practices. These amendments are expected to enhance transparency and support the development of the credit rating industry in Pakistan.

The Asset Backed Securitization Regulations, 2022

The SECP has notified the Asset Backed Securitization Regulations, 2022, to address operational matters and provide precise procedural guild lines related to the registration of SPVs and securitization transactions. These regulations, enable companies to issue asset-backed securities by creating a special purpose vehicle (SPV) registered with the SECP under the Companies (Asset-Backed Securitization) Rules, 1999. Additionally, companies can now create a 100%-owned SPV and securitize a broader class of assets.

Real Estate Investment Trust Regulations, 2022

SECP has notified new regulatory regime for REITs titled Real Estate Investment Trust Regulations, 2022. The new regime has repealed the Real Estate Investment Trust Regulations, 2015, and is focused on enhancing the universe of REIT projects, creating ease for REIT management companies in launching different schemes, and further shifting towards a disclosure-based regime.

Regulatory framework for issuance of Convertible Debt Securities

SECP has notified the regulatory framework for the issuance of convertible debt securities through the right offer. This new framework is intended to allow listed companies to achieve growth objectives by raising finance in a timely and cost-effective manner.

Secondary Market Reforms

Launch of the New Trading System at PSX

A new trading and surveillance system has been implemented by PSX, which has upgraded its technological functionality considering the more advanced and secure features available in the new system. The new system provides much faster trade processing capabilities and can handle high trading volumes efficiently. This system will also set the stage for the trading of highly desired derivative products, thus opening new investment and hedging avenues for the investing public.

Introduction of Online-Only Brokers

The regulatory framework for a new category of "online-only" securities brokers has been introduced, which shall enable trading in the stock market using only online means. This step will take the digitalization of the capital market a step further and increase the investor base by attracting new stock market investors. Further, this category of brokers is subject to less stringent financial resource requirements, while its settlement and clearing functions shall be performed by either a trading and clearing broker or a Professional Clearing Member, thus allowing it to focus on the key business operations of customer onboarding and trading.

Migration to One-share lot size
To encourage retail investor participation, increase affordability of investments in high-priced companies, boost market liquidity, and adhere to international best practices, the Commission endorsed the transition to a marketable lot size of one share for all listed equity securities traded in the Ready Market and on the GEM Board.

Introduction of Centralized Gateway Portal
The Commission has approved a centralized digital onboarding platform called the Centralised Gateway Portal (CGP), which will be implemented by the CDC. This platform will introduce a uniform digital onboarding process and standardized one-time KYC requirements across different asset classes regulated by SECP. These asset classes include securities brokers, futures brokers, asset management companies, insurance companies and their distribution agents, investment advisors, and securities and futures advisors. This regime will eliminate redundancy and streamline the customer onboarding process.

Furthermore, the CGP will also facilitate the specified asset classes by performing risk categorization for each customer for AML/CFT purposes on the basis of information submitted at the time of account opening. SECP has notified CDC and NCCPL as "Third Parties" to extend regulatory coverage to market intermediaries, allowing them to rely on the preliminary risk rating assigned by CGP or to determine the actual risk rating, where deemed appropriate.

Reforms in Sahulat Account
For swift onboarding of low-risk customers, the account opening fields of the Sahulat Account have been further reduced. In addition, the investment limit is enhanced from Rs. 800,000 to a consolidated limit of Rs. 1.0 million.

Unified list of Approved Auditors
The Commission has approved a single list of auditors to conduct statutory audits for SECP-regulated entities, replacing the old practice of having different auditor panels from various internal departments. This new list was created considering the specific risks and factors in our regulated sectors. To ensure everyone follows the rules, changes were made to the licensing regulations, and a circular was issued to put this approved list into action.

Simplification of Broker Ratings Regime
The rating requirements for securities brokers have been simplified by abolishing the Broker Management Rating and prescribing the minimum Broker Fiduciary Rating, which is a more comprehensive rating, for both trading and clearing brokers and for trading and self-clearing brokers. This shall promote efficiency in the capital market by adopting a unified rating system.

Reforms in Liquid Capital (LC) Regime
According to the Securities Brokers (Licensing and Operations) Regulations of 2016, securities brokers must uphold a minimum prescribed balance of LCs and submit LC statements to securities exchanges and clearinghouses, calculated as specified in Schedule III of the Regulations. In response to feedback from market participants, reforms were implemented to enhance the LC statement computation methodology.

Concept of Controlled Sub-Account (CSA) for Dormant / In-active Accounts
The concept of a controlled sub-account has been introduced for handling of dormant or inactive accounts under the participant umbrella of securities brokers, where inactive sub-accounts may be classified as dormant accounts after a certain time period, including the transfer of custody in such accounts to CSA maintained by CDC. This step will facilitate securities brokers efforts to reduce the cost of maintaining accounts, managing back office data, sending quarterly reports, and exempting holdings of securities in dormant accounts from the asset under custody limit.

Induction of National Savings Certificates into CDS
The Central Directorate of National Savings (CDNS) currently issues National Saving Certificates (NSCs) in physical form. To promote digitization, the CDC, in collaboration with CDNS, has introduced a mechanism to induct NSCs in book-entry form, and relevant amendments to the CDC Regulations have been approved by the Commission. This initiative will bring operational efficiencies to the operations of CDNS and facilitate the government of Pakistan in raising funds from the public through the issuance of NSCs in dematerialized form.

Risk Management Reforms
The SECP has introduced the following risk management reforms to strengthen its capital market risk management regime:

- The exposure limit for professional clearing members has adjusted to align with the capital adequacy model, now linked to liquid capital instead of net worth.

- Post-categorization of securities brokers in the capital market, position limits of brokers in the Deliverable Futures Contract (DFC) market have been revised based on the respective category of securities broker.
- Units of Money market mutual funds units are now accepted as eligible collateral in the DFC market.
- Directors and CEOs of securities brokers are allowed to deposit government securities as collateral like other customers.

Criteria improved for Bank Guarantee (BG) acceptable as Market Collateral
Criteria for accepting Bank Guarantees (BG) as market collateral have been enhanced to align with international standards. New conditions include that BGs will only be issued to non-financial clearing members and cannot be issued by a bank belonging to the same group as the covered non-financial clearing member.

Additionally, in order to promote and attract investors participation in the Growth Enterprise Market (GEM), revisions have been made to the GEM market's e risk management framework This realignment harmonizes existing exposure margins and mark-to-market (MTM) loss collection procedures for GEM with those of the Ready Market.

Eligibility criteria of MTS improved
The Margin Trading System (MTS) has been revised to increase the number of eligible securities, aligning with the DFC market's eligibility criteria. This will improve liquidity and mitigate risk. Additionally, dynamic risk parameters and financing participation ratios have been revised to mitigate different VaRs and financing participation ratios.

Electronic Transmission of Financial Statements
A notification has been issued, permitting listed companies to distribute their annual balance sheets, profit and loss accounts, auditor's reports, directors' reports, etc., to their members via QR-enabled codes and weblinks. This initiative is geared towards advancing digitization and ensuring transparency in the electronic dissemination of annual audited financial statements, aligning with the stipulations of the Companies Act, 2017. Additionally, this practice promises to be a cost-effective solution for companies and offers shareholders convenient access to their accounts.

Verification of Customer Information by CKO
In order to ensure smooth and efficient verification of the CNIC and IBAN of customers at the time of account opening, amendments have been made in the CKO Regulations to enable the Centralise Know Your Customer Organization (CKO) to use NADRA-API connectivity and the RAAST facility of SBP.

Exemptions from ECL Method in IFRS 9 for Companies
Considering the challenges faced by energy sector companies due to the circular debt issue in the country, and recognizing the potentially severe negative impact of applying the ECL impairment method as outlined in IFRS 9 on these companies and the creditworthiness of the Government of Pakistan, relief measures were extended. An exemption from the application of the ECL method has been granted for affected energy sector entities until the financial years ending on or before December 31, 2024. 2024.

Amendments to Futures Exchanges (Licensing and Operations) Regulations 2017
These amendments empower the Board of the futures exchange to approve necessary changes to the segregation plan. They also grant the futures exchange the authority to appoint auditors for conducting mandatory annual audits of its operations, regulatory functions, IT systems, and any other systems or functions, without requiring prior approval from the Commission. Additionally, the revised regulations outline the exchange's responsibilities regarding the management of brokers' or customers' assets, while prohibiting the use of these funds by the exchange except where explicitly permitted by law.

Reforms in Futures Brokers (Licensing and Operations) Regulations, 2018:
The Futures Brokers Licensing Regulations have undergone significant reforms to streamline operations, simplify business procedures, and rationalize requirements, aligning with the implementation of the Direct Fund Model at PMEX

- Reduced net worth requirement to Rs. 10 million, down from the previous stipulation of Rs. 20 million
- Relaxed the minimum educational qualification criteria for directors and compliance officers
- Extended the time frame for license renewal application from 45 to 30 days prior to license expiry .
- Implemented a prohibition on brokers from receiving or holding customers' funds/assets
- Eliminated redundant requirements for brokers related to segregation of customers funds

- Extended the time period for the brokers to comply with certain licensing requirements relaxed from 15 days to 3 months.

Amendments to the Securities Brokers (Licensing and Operations) Regulations 2016
The Securities Brokers (Licensing and Operations) Regulations, 2016 was amended to align with the Futures Brokers (Licensing and Operations) Regulations, 2018.As a rest, securities brokers are now required to obtain prior approval from the Commission before obtaining a license, unless they already hold a valid futures broker license, in which case they are exempt from this requirement.

Reforms to the Collateral Management Companies Regulations, 2019
In order to eliminate impediments, facilitate smooth operations, and ensure the sustainability of the collateral management company (CMC), amendments were introduced to the Collateral Management Companies Regulations, 2019. Under the liberalized regime, the CMC's board is authorized to set the pricing for its service. These changes empower the CMC's board to establish pricing for its services and modify its standard operating procedures and warehousing guidelines based on commercial judgment and market demands, all without the need for approval from the Commission.

Amendments to the Companies Postal Ballot Regulations, 2018
Amendments were enacted through a notification dated December 5, 2022, which primarily focus on expanding the scope and applicability of the regulations for listed companies. These changes mandate that listed companies provide e-voting facilities to members for all special business conducted during general meetings. Additionally, a 'scrutinizer' concept has been introduced, necessitating the appointment of a scrutinizer for specific business matters discussed in general meetings of listed companies. These amendments align with international best practices, aiming to boost shareholder engagement in critical company decisions, enhance transparency in the voting process, and bolster investor confidence in the market.

Voting in Separate Categories for Election of Female and Independent Directors
Amendments have been introduced in both the Listed Companies (Code of Corporate Governance) Regulations, 2019, and the Companies (Postal Ballot) Regulations, 2018. These changes enable separate voting categories for the election of female, independent, and other directors. The objective is to address the challenges faced by listed companies when electing independent and female directors and to foster diversity within the boards of these companies. These amendments will assist listed firms in fulfilling their regulatory obligations regarding the appointment of independent and female directors to their boards, thereby enhancing the overall corporate governance framework.

Amendments in PSX Rulebook
Amendments to the PSX Rulebook have introduced several reform measures aimed at promoting capital market development and enhancing operational efficiency at PSX. Some of the key reforms in this regard include:

a) **Regulations to Counter Market Misconduct Practices:** PSX in now empowered to conduct preliminary enquiries into potential instances of market abuses and insider trading in the market, and to report such cases to the Commission for conducting further investigation. Further, provisions for whistle blowers have also been included in the regulations.

b) **Review of Back-Office Systems and Information Security Measures of Securities Brokers:**

   PSX has the authority to review the information technology and security arrangements, as well as the usage of back-office software/applications by securities brokers, to ensure their compliance with prescribed regulatory requirements.

c) **Operational Efficiency of PSX:**

   PSX will now manage operational matters without the need for unnecessary approvals. To streamline this, we have removed operational details from the PSX Rulebook, including lengthy contract specifications for various derivative market contracts and the schedule for technical service charges for securities brokers. These details are now available on the PSX website.

d) **Arbitration and Complaint Handling at PSX:**

   The PSX Board of Directors will determine the size of the Permanent Arbitration Panel. Additionally, we have improved the process for filing an appeal with the Appellant Committee, established by PSX, against disciplinary actions taken by the Chief Regulatory Officer of PSX. These changes align with international best practices, making the process more efficient and streamlined.

e) **Launch of PRIDE Platform:**

PSX has introduced the PRIDE platform (Public Offerings Revolutionized through an Integrated and Digitized Experience) to automate the listing process and allow for the electronic submission of relevant listing documents. To support this initiative, we have incorporated relevant provisions into the Rulebook.

f) **Voluntary Delisting Regulations:**

We have amended the PSX Regulations to revamp the voluntary delisting process. This includes updating the criteria for determining the buy-back price and increasing the number of shares that majority shareholders must buy back to qualify for delisting.

g) **Ease of Reporting and Compliance Obligations of Securities Brokers:**

The PSX Regulations now include amendments related to the submission of shareholding patterns and financial information to the Exchange, the communication of changes in tariff structures to clients, and the reporting of violations to the Exchange and the Commission.

h) **Reverse Merger Regulations:**

We have introduced amendments to streamline the reverse merger process and facilitate the revival of listed companies in the defaulters' segment of PSX.

Outcome of SECP's Intervention

Increase in the number of UINs

Owing to various reforms undertaken in relation to the simplification and digitization of the account opening process, among other measures, the FY 2022–23 witnessed a significant increase of 23,269 UINs (July 1, 2022–June 30, 2023) despite prevailing macro-economic uncertainties.

Performance of Electronic Warehouse Receipt (EWR) Market

Since its inception in March 2021, the Electronic Warehouse Receipt (EWR) regime has been administered by Naymat Collateral Management Company, the sole registered CMC. In the fiscal year g 2022–23, Naymat issued a total of 1,043 EWRs for eligible commodities, such as rice, paddy, and maize. Among these, 629 EWRs were utilized as collateral for bank financing. The aggregate value of EWRs issued during this period was approximately Rs. 2.683 billion, with pledged EWRs valued at Rs. 1.604 billion.

A notable milestone was achieved on November 2, 2022, when PMEX, in coordination with the CMC, successfully facilitated the first trade of EWR on its platform. This achievement represents a significant achievement towards the development of the EWR system. Trading EWRs on PMEX has the potential to create new avenues of finance and liquidity for the agricultural sector and can play a crucial role in providing needed access to liquidity for farmers and agricultural products processors.

Induction of National Savings Certificates into book entry form

This induction of NCSs into CDS has resulted in improvement of operational efficiency and elimination of risk of loss or damage to the physical certificates. This facility has further removed inconvenience of delivering physical documents, thereby significantly improving efficiency and reducing cost of managing these certificates. Currently, CDNS has successfully integrated approximately 10 NSCs into CDS.

Handling of Dormant / In-active accounts through Controlled Sub-account (CSA)

Subsequent to SECP's approval of regulatory amendments in CDC Regulations regarding the management of dormant and inactive accounts, CDC has now fully implemented the process for Controlled Sub-account (CSA). In accordance with the prescribed requirements, securities brokers are responsible for identifying and flagging their respective sub-accounts as dormant. As of the end of the year, approximately 892 sub-accounts have been designated as dormant.

Way forward

Implementation of CGP

The implementation of CGP (Centralized Gateway Portal) has progressed following SECP's approval. CDC is in the process of finalising the operational modalities pertaining to CGP in coordination with PSX and NCCPL. It is expected that the operationalization of CGP will greatly facilitate market intermediaries and investors in the account opening process by making it more efficient, removing duplication of documentation, and bringing more uniformity and standardization.

ESG Guidelines

As part of the Commission's ESG Regulatory Roadmap, guidelines for ESG (Environmental, Social, and Governance) disclosures will be introduced for listed companies. These guidelines aim to promote ESG best practices and encourage companies to initiate their ESG initiatives and report their ESG performance using the specified metrics provided in the guidelines.

Introduction of new categories of futures broker

The introduction of two new categories of futures brokers, namely, 'digital-only' and 'agri-only' brokers, is in progress. These categories come with reduced entry barriers and compliance requirements. The objective is to incentivize fresh entrants in the commodities futures market, especially those with expertise in agricultural value chain dealings and the ability to provide brokerage services through digital platforms. The initiative will help attract new investors to the futures market and establish a linkage to the real economy once the EWR-based futures contracts start trading at full pace.

Improvements in the Code of Corporate Governance, 2019

Keeping in view the dynamics of international best practices, the evolving corporate landscape of our country, , and through consultation with different stakeholders, efforts are under way to bring about further improvements and strengthen the corporate governance framework. This will help achieve the Commission's objective of improving the corporate governance of the listed companies, increase investor confidence, and improve corporate governance comparability internationally.

Introduction of new stock market products

After the successful launch of the New Trading System (NTS) at PSX, efforts are underway to introduce new derivative products at PSX. We are also looking at reviving the existing products that have been dormant for several years. Additionally, we are focusing on promoting the shariah complaint segment. All of these steps aim to provide new opportunities for people to invest and protect their investments in the stock market**.**

Enhancing and Refining Existing Regulations

In our continues pursuit of regulatory improvement, we plan to review the following regulations in the upcoming year:

- REIT Regulations, 2022
- Public Offering Regulations, 2017
- Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017
- Companies (Further Issue of Shares) Regulations, 2020
- Issuance of Convertible Debt Securities (CDS) Through Right Offer Regulations, 2022; and
- Credit Rating Companies Regulations, 2016.

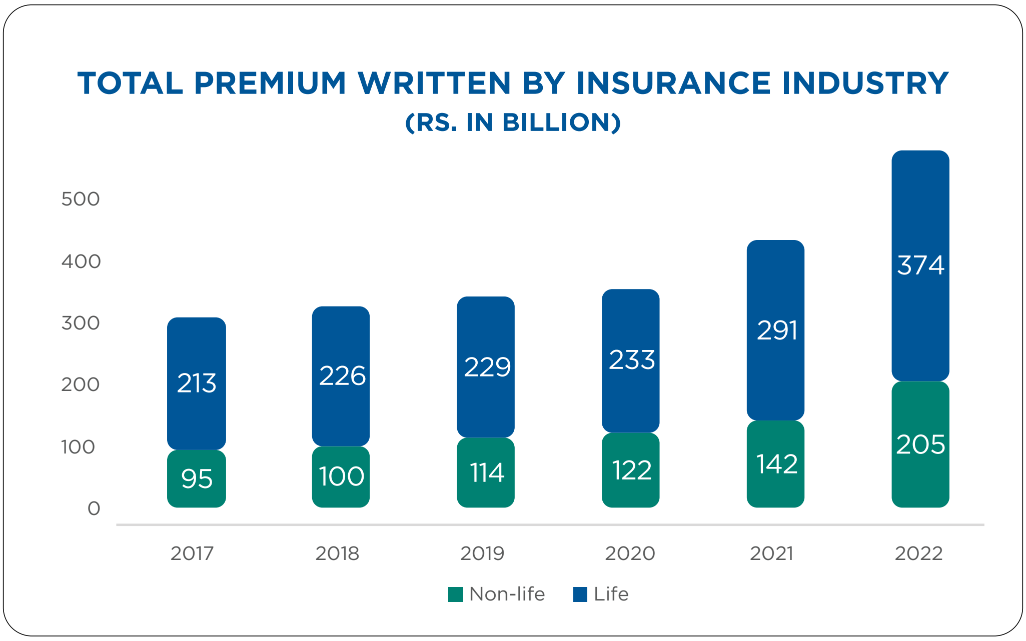
Non-Banking Finance Sector

Sector Overview

The Non-Banking Finance Sector is one of the most important parts of the overall financial markets infrastructure of the country as it completes the comprehensive product suit financial along with banking stock market, insurance, commodity market, futures and private pension funds.

The sector offers an immense potential for growth, especially to supplement our national efforts to include the un-banked demographic clusters into the main financial stream.

As of June 20, 2023, the collective asset base of NBFC sector stood at Rs 2.87 trillion, posting a promising growth of 35.9% as compared to assets totalling Rs 2.11 trillion on June 30, 2022. The breakup of the total assets of the NBFC sector is presented in schedule below:



Asset size of NBFC Sector June 30, 2023

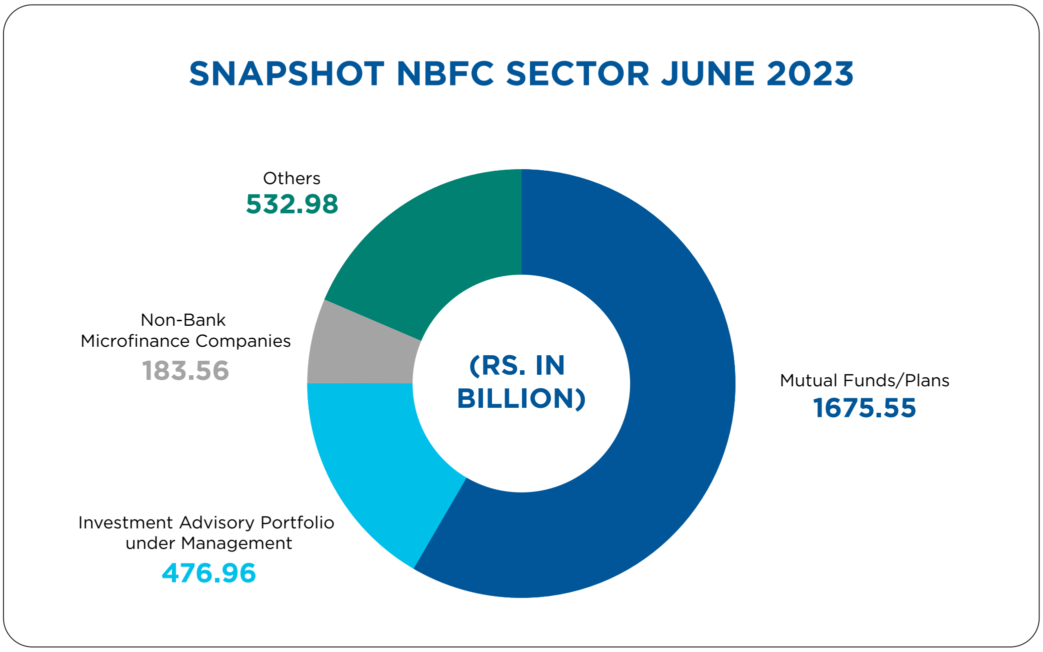
Description	No. of Licenses	Assets	Deposits/ Investments
		Rs. in billion	
Mutual Funds & Plans	340	1,675.55	1,675.549
AMC / IAs *	29	51.86	-
Discretionary / Non-Discretionary Portfolios	-	476.97	-
Pension Funds	24	50.26	50.255
REIT Management Companies*	22	9.40	-
Real Estate Investment Trust	15	276.64	276.637
Investment Banks	28	128.93	4.716
Non Bank Microfinance Companies	40	183.56	-
Leasing Companies	5	6.42	0.330
Housing Finance Companies	4	0.54	-
Discounting	1	0.05	
Private Fund Managers*	11	0.22	-
Private Equity & Venture Capital Funds	13	8.79	-
Total	**532**	**2,869.18**	**2,007.49**

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

Fund Management NBFCs

Within the NBFC sector, the Fund Management segment of the mutual fund industry emerges as a key player. As of June 30, 2023, the Assets under Management(AUM) of the Mutual fund industry stood at Rs 1,675 billion :, showing substantial growth from Rs 1,281 billion in June 2022, marking a remarkable 30.8% increase. The surge in AUMS can be attributed to the prevailing monetary policy situation, major thrust of investment remained vectored towards with its flexible product structure and robust ability to incorporate dynamic shared compliant solution both for retail and corporate segments. In essence, the NBFCs serve as a conduit, seamlessly connecting the supply and demand side of innovative investment and savings solution.

Money Market funds dominated the AUMs of the mutual fund industry with the largest share of 55%, followed by Income Funds having share of 23%. The assets under investment advisory portfolio management also showed positive trajectory by posting 34% growth year on year basis and amounts to Rs. 476 billion as of June 30, 2023.



As of June 30, 2023, the total assets under management of 24 pension funds managed by 13 Pension Fund Managers (Voluntary Pension Systems) stood at Rs. 50.25 billion. This asset class exhibited a robust growth of 20.67% in the year under review.

Another important area in the NBFC sector which is the cardinal element for capital markets is Private Fund Management. Currently, there are Eleven entities holding licenses as Private Funds Managers, out of which seven (7) entities also have licenses for Asset Management /Investment Advisory services. Furthermore, there are thirteen (13) Private Funds registered with SECP. The total asset size of the Private funds stands at Rs 8.79 billion as of June 30, 2023.

In the current year, SECP exceeded its targets by registering a total of 6 (six) new funds, all of which also have been launched. Moreover, Trust Deeds for two (2) more funds have been approved, underscoring a dynamic period of growth and development in this sector

Lending NBFCs

Lending NBFCs play a vital role in providing specialized financial services that complement the outreach of banking industry. They effectively channel financial resources, particularly in underserved segments of the economy, expanding the overall access to finance.

As on June 30, 2022, the cumulative assets of companies licensed for lending business, including investment finance companies (investment banks), leasing companies, housing finance companies, discounting companies and non-bank microfinance companies, have surged to Rs. 319.50 billion. This marks a substantial growth of 22.6%. compared to Rs. 260.65 billion as on June 30, 2022.

Reforms and Developments

Introduction of Non-Banking Finance Companies Bill

Introduction of Non-Banking Finance Companies Bill, 2021 as the primary law marks a significant stride towards a consolidated, modern and dynamic regulatory framework for Non-Banking Finance Companies (NBFCs) and Collective Investment Vehicles. This bill 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. Additionally, the draft bill incorporates provisions for new licensed businesses such as peer to peer (P2P) lending platform, collateral management services and flexibility for any other new/innovative services related to NBFC business.. The draft Act shall repeal Part VIIIA of the Companies Ordinance, 1984. Once the necessary approvals are obtained, the revised Bill will be submitted to MOF for final approval.

Amendments in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules)

In pursuit of regulatory excellence, the PRDD-SCD undertook a thorough review of the NBFC Rules, 2003, with the aim of identifying areas for improvement for enhancing ease of doing business, simplifying requirements, and streamlining the licencing procedures for NBFCs. As a result of this comprehensive review exercise, significant amendments have been recommended for their evaluation and approval by the Ministry of Finance. After the Ministry's concurrence, proposed amendments will be notified for public consultation.

Amendments in Non-Banking Finance Companies and Notified Entities Regulations, 2008:

Amendments to the Non-Banking Finance Companies and Notified Entities Regulations, 2008, have been introduced in May 2023, mainly to strengthen supervision and enforcement and enhance consumer and borrower protection at lending NBFCs (including digital lending).

The key amendments include;

- Newly licensed lending NBFCs now have the flexibility to meet the requirement of minimum investment in core business within a year time instead of immediately;
- Provisions have been introduced to enable prescription requirements for protection of consumer/borrower of Lending NBFCs (including Digital Lending);
- The regulatory framework has been adapted to facilitate emergence of digital NBFCs by slashing MER requirements criteria and enable the launch of digital fund management, lending and trustee services, etc.
- Asset Management Companies (AMCs) are now required to promptly notify unit holders of account activity and maintain the confidentiality of client information, reinforcing transparency and data security
- Redundant and superfluous provisions have been removed to simplify the regulatory framework and improve efficiency
- Investment advisers are now empowered to offer portfolio management services to all investors as being practised in countries like Canada, India and Malaysia.

In addition to these reforms, specific amendments have been introduced for lending NBFCs:

- Newly licensed lending NBFCs are given one-year window to meet the requirement of minimum investment in core business instead of immediately
- Loan classification criteria for smaller loans/nano-loans of IFS license holders have been aligned with micro loans as such loans have very short maturities;
- Introduced enabling provisions for prescribing requirements for protection of consumer/borrower of Lending NBFCs (including Digital Lending);
- Entry barriers for digital lending have been lowered and MER has been reduced to promote digital lending services;
- Lending NBFC can now provide finance against unlisted debt security guaranteed by an NBFC engaged exclusively in the business of issuance of guarantees;
- Lending NBFCs can offer finance to borrower against shares/TFC/Sukuk of the borrower's group companies as collateral; and
- Non-Deposit taking Lending NBFCs whose securities are no listed/publicly traded are facilitated by allowing such entities to determine and manage exposure limits as per their internal prudential limits, restrictions and requirements in accordance with the credit and risk management policies duly approved by its Board.

Amendments to Voluntary Pension System Rules, 2005

The SECP has undertaken an extensive engagement process involving more than 250 industry stakeholders and employers. This inclusive approach encompassed prominent multinational companies, conglomerates, private sector companies, and professionals. Drawing from the valuable feedback received, a comprehensive framework was developed for the launch of employer-specific pension funds.

The VPS Rules of 2005 have been amended to allow Asset Management Companies (AMCs) to offer annuity products to participants upon retirement. These changes underwent a thorough process of public consultations, making individuals holding Pakistan Origin Cards eligible for these benefits. The draft amendments were submitted to the MOF for approval. The Government of Khyber Pakhtunkhwa has adopted the VPS for new employees joining after July 1, 2022. This strategic more is expected to bring approximately 25,000-30,000 new participants this year, further expanding the VPS's reach and impact.

Amendments to Securities & Futures Advisory (Licensing & Operations) Regulations, 2017
The SECP announced amendments to the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017, in June 2023. These changes were introduced after a thorough review of the regulations, assessing their effectiveness and identifying the need for modifications. This review process also aimed to remove redundancies for ease of doing business. The amendments aim to expand the investor base, broaden its outreach to individual investors, and create employment opportunities for distributors. They include growth in mutual fund distribution channels, ease in third-party distribution of collective investment schemes and voluntary pension systems, and the ability for Scheduled banks, EMIs, and NBMFCs to act as distributors.

Amendments to the Corporate Restructuring Companies Rules, 2019
In light of the amendments made to the Corporate Restructuring Companies Act, 2016, it became imperative to establish a procedural framework, through rules, for liquidation of trust, composition, governance of the Corporate Restructuring Board, its functions, and budgetary allocations. To address these requirements, amendments to the Corporate Restructuring Companies Rules, 2019 have been concluded after a thorough process of public consultation. After approval of the Commission and concurrence of the Ministry of Finance, these finalized amendments will be formally notified.

Developmental Reforms

Enhancing investment avenues for CIS *[Circular-11 of 2022]*:
In order to stimulate growth of shariah compliant products, the scope of investment avenues for open-end money market collective investment schemes (CISs) have been enhanced by allowing them to take exposures in short term corporate Sukuks.

Development of Eligibility Criteria and Assessment of Financial Soundness of Housing Finance Companies *[Circular No. 14 of 2022]:*
During the year, the SECP has issued a circular addressing the eligibility criteria, financial stability assessment of housing finance companies, regulatory monitoring requirements, and the mechanism for mark-up subsidy payments. These measures enable eligible HFCs to capitalize on opportunities to extend housing finance, contributing significantly to economic empowerment.

Prescribing Standards for Digital Lending/Credit *[Circular No. 15 of 2022]:*
In response to concerns and grievances related to digital lending, SECP has implemented stringent digital lending standards as outlined in Circular No. 15 of 2022. The objective is to promote equitable and transparent business conduct among Non-Banking Financial Companies (NBFCs) engaged in digital lending. Under these standards, NBFCs are required to furnish borrowers with comprehensive details via a key fact statement. Additionally, they must adhere to guidelines focused on maintaining confidentiality, safeguarding data privacy, and verifying clients using digitally signed documents and live photographs.

Prohibition on App Integration, App Sub-Letting, License Sub-Letting *[Circular No. 03 of 2023]:*
In order to safeguard the interests of stakeholders, the PRDD-SCD has enforced a prohibition on licensed Non-Banking Financial Companies (NBFCs) from engaging in any form of collaboration or integration with digital lending applications that lack regulatory approval. This measure aims to ensure compliance and regulatory oversight in the digital lending space, promoting transparency and safeguarding the interests of stakeholders involved.

Minimum Short-term Rating Requirements for Short Term Instruments *[Circular No. 09 of 2023]:*
In close collaboration with Mutual Fund Association of Pakistan (MUFAP) and Credit Rating Agencies including Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Co. Limited (VIS), the PRDD has specified, minimum rating requirement for investment in short term debt instruments by open-ended collective investment schemes (CIS). These rating requirements introduced through amendments in earlier issued Circular No. 7 of 2009 (Categorization of Open-End Collective Investment Schemes) are primarily aimed at protecting the investments of unitholders across various schemes offered by asset management companies (AMCs). The objective is to enhance transparency and efficiency within the sector.

Issuance of Diagnostic review report of Pakistan's Private Funds industry

In August 2022, PRDD-SCD issued a comprehensive Diagnostic Review Report focusing on Pakistan's Private Funds Industry. This report, presents a range of vital recommendations aimed at revitalizing this sector. It recognized the industry's potential to boost economic activity, generate employment opportunities, , increase government revenues and bridge the country's investment and financing gap through innovative funding avenues for start-ups, SMEs, and financially challenged listed entities.

SECP has already started implementation of all the recommendations suggested in the Diagnostic Review Report to revitalize the sector, with several milestones achieved during the current period. This progress has been made possible through close collaboration with various stakeholders.

SECP continues to work hand in hand with stakeholders and regulatory bodies to address and accomplish the milestones delineated in the diagnostic review report for the private funds sector. Some notable initiatives include :

- Obtaining confirmation from State Bank of Pakistan to issue clarification in its Prudential Regulations FAQs, allowing banks to invest in Private Fund units;
- Proposing amendments to allow employee contributory funds to invest in PF units;
- Allowing insurance unit-linked funds to invest up to 5% of net assets in PF units through amendments to Unit-linked Products & Fund Rules, 2015;
- Facilitating Pension Funds to invest in PF units as per already allowed thresholds, with comprehensive reforms communicated through press release, social media and direct engagement with Private Fund Management Companies (PFMCs).

These collaborative efforts signify a commitment to rejuvenate the private funds sector, unlocking its potential to contribute significantly to Pakistan's economic growth and financial stability.

Proposed Introduction of Short-term Islamic Debt Instrument/Sukuk by the GOP

SECP has initiated discussions with GoP regarding the potential issuance of short-term Islamic debt instrument, commonly known as Sukuk. This strategic move is aimed at diversifying investment opportunities, particularly for Islamic money market funds, and fostering greater public participation in short-term Islamic government securities.

Introduction of VPS for KPK Government Employees

To facilitate business operations and promote the adoption of - VPS among government employees in KPK, a flexible regulatory framework has been established. This framework enables the launch of pension fund schemes tailored to the needs of KPK Govt. employees. Accordingly, SECP has granted clearances and NOCs to 9 AMC, allowing them to launch 16 pension fund schemes for the KPK employees. This initiative simplifies the process and enhances retirement planning options for KPK government personnel.

Digital Market Place for Investments/ Emlaak Financials

Pakistan's first Islamic Digital Market Place for Investments was successfully launched in November 22, 2022, featuring connectivity with three prominent AMCs.

Moreover, Emlaak Financials, the pioneering digital distribution platform for mutual fund launched last year, has undergone significant enhancements. The platform was made more convenient and user-friendly for investors to explore, select, and efficiently invest in various mutual fund offerings. As of June 30, 2023, Emlaak has invested Rs. 104 million, serving 585 accounts, with 424 new accounts opened during the fiscal year 2022-23. The platform aims to provide a user-friendly platform for investors to benefit from mutual fund performance.

Centralized Gateway Portal- Streamlining Digital Investor Onboarding

In order to facilitate digital onboarding of investors across all asset classes within the regulated sectors and eliminate the need for repetitive KYC processes, the SECP has approved the development of centralized digital onboarding platform namely Centralized Gateway Portal. The platform will offer a uniform digital onboarding process and standardized KYC requirements, along with one-time KYC information processing.

Testing the concept of Digital AMCs in Sandbox

As part of the second cohort of the sandbox program, two digital Asset Management Companies (AMCs) have been granted permission to operate within a sandbox environment. These AMCs will primarily rely on technology for their operations, marking a significant achievement in embracing digital innovation in the asset management industry.

SIP Ratings for the First Two NBMFCs

The inaugural SIP ratings for the first two NBMFC, RCDP and CSC, have been successfully completed and publicly disseminated by PACRA. Furthermore, discussions are underway with several others to facilitate their SIP Rating.

Approval of First P2P Service Provider

The Securities and Exchange Commission of Pakistan (SECP) achieved a significant milestone by approving the first Peer-to-Peer (P2P) Service Provider in the country, namely Finja Lending Services Limited (FLSL). The introduction of “Finja Invest” as Pakistan’s inaugural P2P service provider platform showcases notable progress within the country’s financial technology sector.

MUFAP’s Transition to an SRO –

The SECP has actively engaged in ongoing discussions with MUFAP to encourage its transition into a Self-Regulatory Organization (SRO). As a significant step in this process, the SRO Regulations were officially notified through SRO 1016(I)/2022 on July 6, 2022. Following the implementation of these regulations, MUFAP’s board was reconstituted in accordance with the new framework. The SECP’s proactive role in promoting MUFAP’s transition to an SRO demonstrate our commitment to enhance regulatory compliance and governance standards within the industry.

Publication of a Transformative Case Study

The SECP and Pakistan Microfinance Network collaborated to create a case study showcasing Safco Support Foundation’s successful transformation into a for-profit subsidiary. The study aims to inspire other non-profit NBMFCs to recognize growth potential by embracing equity participation from private investors, providing valuable insights into the process of SAFCO Support Foundation’s transformation.

Investor/Borrower Protection measures

a) **Introduction of Bio-Verisys in Coordination with NADRA –** For ease of doing business, liaison with NADRA has been increased to allow AMCs, Insurance, banks, CDCPL & NCCPL to use bio-verisys facility, in addition to web-based Verisys.

b) **Efforts for Securing Tax Credits for P&VC and CIS’s Investors**

SECP in collaboration with FBR and other Government Agencies, has successfully reinstated tax incentive for Venture Capital Companies and Funds. This achievement ensures tax exemption on profits and gains until June 2024.

c) **Transformation of NBMFCs in to For-Profit Entities**

Following extensive advocacy and consultation, the Board of Directors of Mojaz Support Program, in their Board meeting held on June 5, 2023 have decided to establish a private, for-profit subsidiary company. Additionally, Rural Community Development Programs are contemplating a transition from “not for profit” to “for profit” status in their upcoming board meeting.

d) **Prohibition on App Integration:**

In line with Circular No. 15 of 2022, the SECP has imposed a ban on licensed NBFCs from collaborating or integrating with digital lending applications that haven’t been approved by the SECP. This measure is aimed at ensuring compliance, transparency, and regulatory oversight, within the digital lending space.

Results of SECP’s intervention

While the full impact will be more evident in the coming years, several positive outcomes have already emerged, as outlined below:

- Lending NBFCs disbursed a total of Rs. 186 billion to 8.9 million borrowers during the financial year, employing both digital and conventional methods.
- Digital Onboarding: SECP has granted permission to two (02) digital AMCs to operate within sand box environment, focusing primarily on technology-driven operations.
- SECP has successfully collaborated with Google in developing a Standard Operating Procedure for getting prior approval of the Commission before providing access to lending applications on the Google Play Store. This step ensures that only approved digital lending platforms are accessible to consumers. The country-specific licensing documentation for digital lenders to prove their ability to provide or facilitate personal loans shall contribute to safeguarding the interests of consumers. Moreover, Google in its April 2023 policy update, has restricted personal loan Apps targeting users in Pakistan from accessing user contacts or photos. In this regard, the first two (2) Lending Apps have been approved during the year under clause 6(1) of the Circular No. 15 of 2022;

- Private Funds – Against the annual target of registering 2 funds, the department has successfully in registered 6 funds, with 2 already launched. Moreover, Trust Deeds for 2 more funds have received approval.
- Clearances and NOCs were granted to nine (09) AMC for the launch of sixteen (16) pension fund schemes designed for the employees of Khyber Pakhtunkhwa (KPK) Government.

Way Forward

- Registration of Mutual Fund Association of Pakistan (MUFAP) as a Self-Regulatory Organisation (SRO) in the mutual fund sector will be pursued. the
- Implementation of recommendations from the diagnostic review of the Private Funds sector, including amendments to the Private Funds Regulations, 2015. This review provides comprehensive understanding of the challenges faced by the sector and offers recommendations to revitalize and sustain the private fund sector in the long run.
- Introduction of short-term Islamic debt instrument / sukuk by GOP in order to provide an additional avenue of investment for Islamic money market funds and increase public participation in short term Islamic government securities.
- Implementation of information security framework requirements for NBFCs to ensure data confidentiality, integrity, availability and protection, while also safeguarding against privacy breaches and operational risks.
- Evaluating of fit and proper criteria for major shareholders, directors, and CEOs of Corporate Restructuring Companies (CRCs) to enhance corporate governance and build stakeholder confidence. This evaluation involves a comprehensive assessment of qualifications, industry expertise, track record, and integrity.
- Ongoing discussions with mobile wallet operators and Telecom Service Providers to ensure compliance of all digital lending platforms with regulatory requirements. Appropriate action will be taken against unlicensed apps, including the blocking of accounts/IDs engaged in illegal lending or deposit-taking.

Insurance Sector

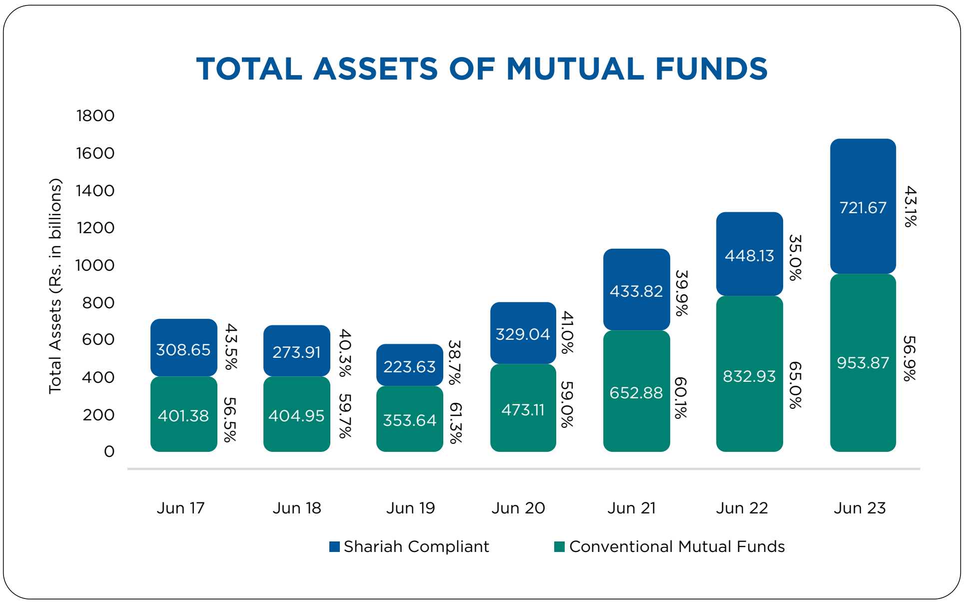
Overview

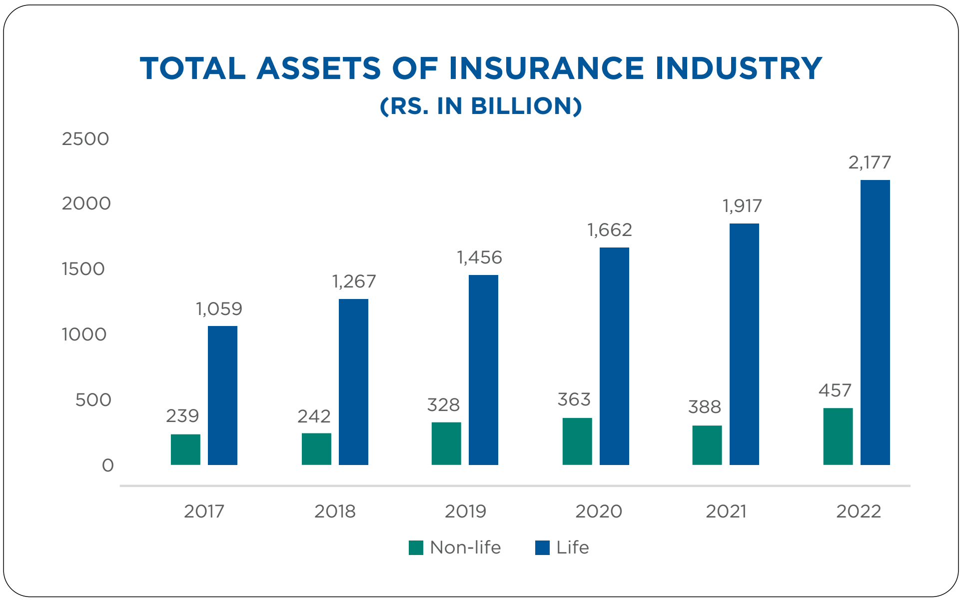
The insurance sector plays an important role in the financial industry by providing various types of insurance products and services to individuals, businesses, and other entities. Its primary function is to manage risk and provide financial protection against potential losses or unforeseen events like accidents, natural disasters, theft, health issues, etc. Insurance helps spread the risk across a larger pool of policyholders, reducing the financial burden on any single entity when a loss occurs. The insurance sector also contributes to capital market liquidity through investments in its capital reserves.

As of December 2022, the total assets of the insurance industry witnessed 14% growth, reaching Rs. 2,634 billion in comparison to the previous year's figure of Rs. 2,305 billion. Concurrently, the industry achieved remarkable revenue growth of 27% increase, with the direct gross underwritten premium amounting to Rs. 579 billion, compared to Rs. 455 billion in 2021.

According to the sector-wise breakdown,, the life insurance industry's assets amount to Rs. 2,177 billion, while the non-life insurance sector holds assets worth Rs. 457 billion. In revenue terms, the life insurance sector underwrote premiums of Rs. 374 billion, whereas the non-life insurance sector recorded premiums of Rs. 205 billion for the year 2022. This figure includes the premium from the sole reinsurance company in Pakistan, owned by the Government of Pakistan, amounting to Rs. 25 billion during the same period.

On the intermediary side, the insurance sector includes 22 insurance brokers, 2 reinsurance brokers, 4 third-party administrators, 249 surveying companies, and 393 authorized surveying officers, all duly registered with SECP.





Reforms and Developments

During the fiscal year 2022–23, a series of policy reforms were implemented to improve the insurance sector's regulatory framework, facilitate market development, and safeguard the interests of the policyholders, all while prioritizing adherence to the Insurance Core Principles. Additionally, SECP diligently initiated measures to address prevailing weaknesses within the industry and bolster consumer protection. The following paragraphs outline the key reforms and new initiatives.

Reduction of Solvency limits for Digital-Only Insurers

SECP has implemented a registration regime specifically tailored for digital-only insurers and dedicated micro insurers. These registration requirements have been carefully designed to reduce barriers to entry, particularly regarding the minimum paid-up capital and solvency requirements. In an effort to provide further support to new entrants, the SECP during the year, reduced the solvency limits for non-life digital-only insurers by 25 million until 2024.

Enhanced Grievance Handling Mechanisms for the Insurance Sector

Recognizing the paramount importance of addressing policyholder grievances, the SECP has issued requirements governing the grievance handling mechanism for the insurance sector. These guidelines were devised to ensure effectiveness, robustness, and uniformity in the grievance handling function with the objective of protecting policyholders. The requirements include formulating a grievance handling policy, maintaining a centralized system, defining acceptable complaint modes, categorizing complaints by criticality, setting resolution timelines, communicating with policyholders, raising awareness about grievance handling mechanisms, monitoring for improvement, and reporting complaints data. These requirements are in line with other financial sectors and international best practices, applying uniformly to all insurers and takaful operators.

Facilitating Treaty Arrangements Renewals with Foreign Reinsurers

To facilitate treaty arrangement renewals for 2023, a temporary relaxation was granted to the non-life sector regarding compliance with existing rating requirements for foreign reinsurers as per Circular 24 of 2010. The decision was made to assist non-life insurers and takaful operators to overcome the temporary challenges faced by them in reinsurance with foreign counterparts.

Publication of Insurance Industry Statistics Report

SECP published the Insurance Industry Statistics Report for the year 2021, which offers a comprehensive and holistic overview of the insurance industry, providing relevant stakeholders with valuable insights. The report being the first publication of its kind, will be a regular feature and published annually. The consolidated information provides relevant stakeholders with the necessary data to make informed decisions that align with their interests within the insurance industry.

Risk Based Capital (RBC) regime

SECP has issued a concept paper proposing a shift to a Risk-Based Capital (RBC) regime for Pakistan's insurance sector. The RBC framework aligns with international best practices, aiming to improve corporate governance and risk management. The proposed transition from rule-based to risk-based capital requirements increases resilience, financial discipline, and stakeholders' confidence in the insurance industry. The Concept Paper contains clear valuation standards and risk-sensitive capital requirements covering all major types of risks, which individual insurers are exposed to.

In order to have a broad-based consultation on the proposed regime and to ensure that the proposed RBC framework is viewed in the light of local industry feedback, SECP has invited all the stakeholders to provide their feedback and comments on the concept paper.

Implementation of IFRS 17

In a journey towards implementation of IFRS 17 (Insurance Contracts) in Pakistan, the SECP has devised a structured four-phase approach namely (i) Gap Analysis; (ii) Financial Impact Assessment (FIA); (iii) System Design and Methodology; and (iv) Parallel Run Implementation.

During the current year, Phase-II of the implementation process has been completed successfully, with FIA reports submitted by majority of the insurance companies. FIA is an important milestone that marks significant progress towards implementation of IFRS 17. Currently SECP is actively engaged with the stakeholder to devise a mechanism for rollout of phase - III of the implementation process.

Draft Motor Vehicles (Amendment) Bill, 2023 and its Implementation

Following extensive correspondence with Ministry of Finance (MOF) and Lad Justice Division, a draft notification of the Motor Vehicles (Amendment) Bill, 2023, which incorporates all proposed improvements and changes has been forwarded to MOF for taking the legislature process forward.

Further, a diagnostic study is under final stages of completion which will highlight the importance of MTPL, underlying issues, and a way forward for its effective implementation in Pakistan.

Mechanism for settlement and reconciliation of balances between PRCL and insurance companies
The persistent issue of settling and reconciling premium and claims balances between Pakistan Reinsurance Company Limited (PRCL) and insurance companies has finally been addressed. To streamline this process, a dedicated committee has been formed, comprising representatives from IAP, ICAP, PRCL, and SECP. After consultations, IAP and PRCL mutually agreed and finalized a mechanism for payment and settlement of such balances. The mechanism covers detailed procedure for premium and claim payments, reconciliation of existing balances, payment of outstanding balances and reconciliation of future balances. As per the mechanism agreed, insurance companies and PRCL paid each other 30% of amounts payable as of 31 December, 2022.

Streamlined Qualification Requirements of Insurance Agents
In a bid to address the challenges faced by insurers, particularly in distributing their products in rural areas where qualified insurance agents may be scarce, the SECP has implemented amendments to Rule 34 of the Insurance Rules, 2017. These amendments bring about a rationalized approach to the qualification and training requirements of insurance agents, facilitating greater access to insurance products for underserved regions.

Revamped Unit Linked Product framework
SECP has made significant amendments to the Unit Linked Product and Fund Rules, 2015, aimed at improving various aspects such as providing greater clarity on eligible investment avenues, establishing specific parameters and exposure limits for certain instruments, introducing comprehensive categorization and standardization of investment policies, and defining requirements for communication with policyholders. Additionally, the amendments offer guidance on risk categorization for asset allocation within the fund, among other notable enhancements.

Expanding Life Insurance Products Portfolio
In the year 2022, the SECP approved nearly 100 new life insurance products and supplementary riders. Theses approvals, include innovative products featuring technology-driven enhancements which are intended to be distributed via digital platforms. This expansion of life insurance products reflects a commitment to provide a wider range of options to consumers.

Impacts of SECP's Intervention

While the full extent of the regulatory reforms undertaken by the SECP will be more evident in the years to come, several positive outcomes have already materialized which are highlighted below:

- The insurance industry has demonstrated a remarkable growth, with a 34% increase in gross premium during the calendar year 2022. This surge reflects the industry's resilience and adaptability in response to regulatory changes.
- On the intermediary front, SECP issued a total of 29 fresh licenses to new market entrants i.e. insurance brokers 2, reinsurance broker 1, insurance surveying company 25, and third-party administrator for health insurance 1.
- A total of 100 new life insurance products were successfully registered, including twenty-eight (28) unit linked products, eight (08) health insurance and sixty-four (64) other products. Notably, these offerings included various small ticket products focused on protection component, providing coverage to the masses through innovative distributive channels including mobile applications of financial institutions and mobile network operators.
- Over 1,300 facultative reinsurance permissions were granted to facilitate risk placement abroad.
- 5th Pillar Family Takaful commenced its business during the year, further strengthening the Islamic insurance sector. The company's paid-up capital increased from Rs. 700 million to Rs. 2 billion. This increase in capital amounting to Rs.1.3 billion included Rs. 835 million foreign direct investment, marking as one of the largest foreign direct investment in a dedicated takaful company.
- First family takaful digital-only insurance company applied for getting license as a digital insurer under the newly introduced digital-only insurer framework.
- Insurance companies have achieved the major milestone of completing the financial impact assessment which marks significant progress towards the implementation of IFRS 17. This demonstrates the industry's dedication to transparency and financial reporting standards.
- In order to minimize the potential of mis-selling of insurance policies through corporate insurance agents, the life insurers have commenced recording audio / video clips for sale of regular premium life insurance policies.

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.
- Following the completion of public consultation process, the SECP is committed to further refining the RBC regime, ensuring consensus among the stakeholders. Phase 2 of this initiative will include preparation of detailed requirements of liability valuations, data analysis and impact assessment of the proposed regime.
- The journey towards implementation of IFRS 17 continues with the initiation of Phase III which focuses on System Design and Methodology. This phase will be shaped thorough extensive consultations with stakeholders. The initiation of Phase-III for the implementation of IFRS-17 will be coupled with issuance of guidance notes for the industry on key areas of IFRS-17 in collaboration with Pakistan Society of Actuaries. Further, to establish applicability of IFRS-17 on takaful operations, way forward will be finalized through broad industry consultation and duly evaluating the possible options of adoption of IFRS-17 with additional guidance or adoption of AAOIFI standards etc.
- A diagnostic study of MTFP will be Published with active engagement with law enforcement agencies to facilitate its implementation.
- SECP will embark on establishment of auto insurance repository to improve underwriting and pricing in motor insurance. This repository will leverage data such as information of particular vehicle, location, person's driving record, accident record, claims data, insurance discount etc. In addition to risk-based pricing and customer retention, the auto repository can also help in monitoring and enforcement of MTPL.
- An avenue for insurance companies to raising capital in form of subordinated debt will be introduced, incorporating it into regulatory capital/ solvency calculation. This step will contributes to increase the financial soundness and ability of the insurance companies to meet the potential losses effectively.
- SECP will undertake a comprehensive review of the existing regulatory returns and identify opportunities to simplify, consolidate, or eliminate redundant reporting obligations. This effort will involve engaging relevant industry stakeholders to gather feedback and ensure the proposed changes align with industry practices and realities. It will lead to improved efficiency, enhanced data quality, timely decision-making, and increased compliance and transparency.
- The availability of diverse products enhances the value and demand of an industry. Initiatives will be undertaken to introduce new products to the market, including microinsurance, disaster risk insurance, crop insurance, high allocation saving products, annuities, and other innovative offerings that cater to the needs of the masses. Moreover, deliberate efforts will be made to engage with the industry and other stakeholders in order to thoroughly investigate potential avenues for market development and foster the emergence of innovative products.
- Promoting digitalization and encouraging innovation in the insurance sector will continue to be one of the key areas of focus of SECP in the coming years.
- Simplification of the life insurance product approval process for small ticket protection only products is part of our ongoing efforts to alleviate the regulatory burden and ease of doing business.
- Our mission extends to creating awareness among the general public about the significance of insurance and to promote inclusive insurance through innovative means, rather than relying solely on conventional approaches. Greater priority will be given on raising awareness regarding takaful business.
- Recognising the pivotal role played by the public sector insurance entities have played in the development of insurance sector, we will actively engage with the relevant ministries to emphasize the need for further enhancing the governance and capacity building of the public sector insurance companies.
- The launch of a Life Insurance Policy Finder service, accessible through the platform of IAP platform is a significant step forward. This initiative aims to facilitate the beneficiaries and relatives of deceased policyholders in locating life insurance policies after their demise, ensuring ease and convenience in the process.
- SECP is committed to improve market conduct by introducing minimum service standards for the insurance industry. This will foster a healthy competition in the market as customers will have the ability to compare products and the efficiency of different companies.
- In pursuit of a robust regulatory framework and consumer protection, SECP will further examine and deliberate upon the existing framework for the conduct of Insurance intermediaries in the context of evolving challenges and opportunities in the insurance sector.

Systemic Risk and Research

The SECP has expanded its Systemic Risk Wing into Systemic Risk and Research Department, broadening its mandate to evaluate, oversee and mitigate systemic risk, as well as to conduct research and identify significant prevailing and emerging risks that may help in predicting any untoward impact on the regulated markets.

The KSE-100 Index continued to fluctuate throughout FY 2022-23 mainly due to political uncertainty, high inflation, unprecedented interest rate hike, delay in roll out of IMF program, global commodity price volatility and a sharp devaluation of currency.

There has been a liquidity crunch and foreign portfolio investment also reduced significantly during last quarter of FY 2022-23.

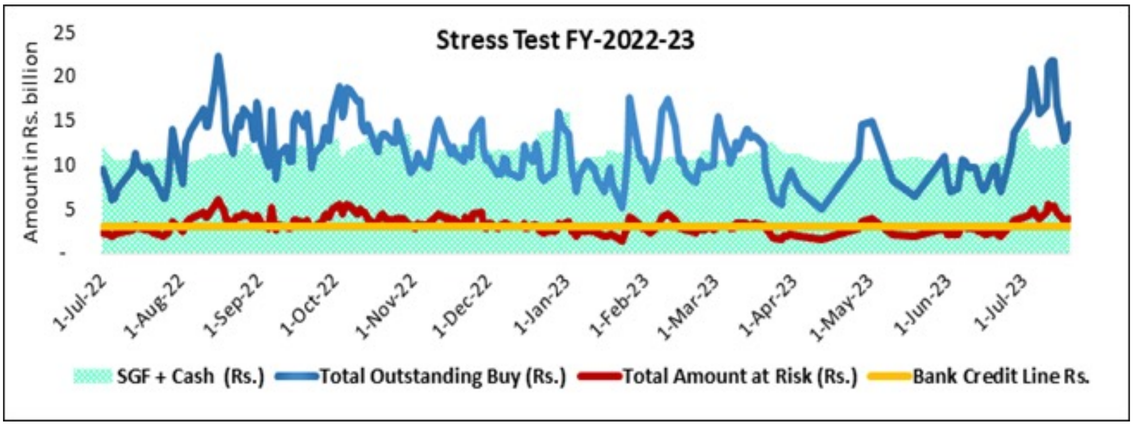
The SECP's risk team was engaged in the following activities during FY 2022-23:

Market Risk Analysis and Reporting

Leverage analysis was conducted by SRRD to gauge settlement, liquidity and concentration risk that may pose a threat to our clearing system. The table below illustrates the low and high ends of the settlement and leverage:

FY23	Net Settlement (Rs. Bn)	Leverage (Rs. Bn)
Low	0.38	8.9
High	6.5	19.9
Average	1.6	12.2

The department also reviewed the forward-looking stress test and reverse test to evaluate the sufficiency of the clearing house's margins, security deposits, and coverage under the Settlement Guarantee fund etc. The stress testing results for FY 2022-23 showed that there were enough financial resources including margins and settlement guarantee funds to deal with any capital market crisis.



SRRD also conducted an extensive research analysis on the current developments, risks and threats to the financial markets. This analysis included comparison of situation between post COVID period and the Russia-Ukraine tension, a global growth outlook assessment, considerations related to flood losses and an evaluation of Pakistan's external repayments.

Engagement with Market Participants and Collaboration with External stakeholder to gauge upcoming Risks

SRRD conducted extensive discussions with key players in the brokerage industry to gain insights and evaluate existing and developing risks. Additionally, to anticipate potential risks and threats to capital market and macroeconomy, a thorough examination was undertaken in collaboration NCCPL. The findings reveal that both exchange rate risk and interest rate risk are affecting our economy as a whole, though not directly impacting it due to low volumes. The risk management measures for settlement risk implemented in the stock market are effectively managing the current situation. However, there are potential risks to future economic growth in the form of rapid increase in Current Account Deficit and inflationary pressures as a result of elevated international commodity prices.

Additionally, the department engaged with State Bank of Pakistan for IMF's Macroprudential policy survey and finalization of standard operating procedures for National Financial Stability Council.

Way forward

As the department's scope has been expanded, it aims to conduct studies and research on various types of risks that can impact the financial system, with the purpose to identify potential risks that may affect the stability of the financial system. To achieve this, the department will be developing stress-testing scenarios to assess the resilience of financial institutions to different types of shocks. Additionally, the department plans to develop early warning tools that can effectively gauge emerging risks across all of our regulated sectors, including capital markets, Non-Bank Financial Companies, insurance, and commodity market.

Moreover, the department needs to evaluate the effectiveness of existing regulatory frameworks and identify areas that require improvement. Collaborating with other regulatory bodies and researchers to share knowledge and best practices on systemic risk management, is also on the agenda.

Islamic Finance

The Islamic financial services industry under the regulatory purview of the SECP consists of (a) Islamic institutions like Modarabas, Takaful operators, Islamic NBFCs, Shariah compliant companies, and Shariah advisors; and (b) Islamic instruments like Shariah compliant securities, Sukuk, Islamic commercial papers, Islamic mutual funds, Islamic Exchange Traded Funds (ETFs), Shariah compliant real estate investment trusts (REITs). In addition, non-profit organizations engaged in Islamic social finance are also being registered and governed in the area of social development in accordance with the provisions of the Companies Act, 2017.

During the financial year 2022-23, performance of the Islamic financial market is given below:

Islamic capital market

In the primary capital market, companies and other entities raise financial capital by issuing Shariah-compliant securities through public offerings or private placements. The SECP approves Shariah-structured securities under Section 451 of the Companies Act, 2017 and regulations made thereunder.

Under the said laws, 30 certificates of Shariah-compliant securities were issued to companies during the period from July 1, 2022, to June 30, 2023. The accumulated value of Shariah-compliant securities and sukuk issued during the period was Rs. 406.94 billion as compared to Rs. 564.64 billion in the last year, showing growth of 1.80%.

In the secondary capital market, there are currently 253 Shariah-compliant securities, constituting 48.28% of the total 524 listed securities on the PSX. These Shariah-compliant securities have a combined market capitalization of Rs. 4,149.83 billion, representing 65.15% of the total market capitalization, which stands at Rs. 6,369.47 billion as of June 30, 2023."

Further, PSX has three Islamic indices, namely KMI-All Shares, KMI-30, and MZNPI (Meezan Pakistan Index), that comprise a total of 258, 30, and 12 underlying Shariah-compliant securities, respectively, as of June 30, 2023. A total trading turnover of 31.2 billion shares, 14.8 billion shares, and 5.3 billion shares, respectively, was recorded from July 1, 2022, to June 30, 2023, which translates into 66.11%, 31.42%, and 11.16% of total trading volume at the PSX. Similarly, trading values of PKR 1,054.95 billion, PKR 771.88 billion, and PKR 503.62 billion, respectively, were recorded from July 1, 2022, to June 30, 2023, which translates into 70.06%, 51.26%, and 33.45% of total trading value at PSX.

CDC serves as the exclusive central security depository in the country, managing all categories of book-entry securities through its central depository system (CDS). At present, CDC manages a portfolio of 138 Shariah-compliant book-entry securities including ICPs, Sukuk, Modaraba certificates, and Islamic units offered by mutual funds declared CDS eligible. As of June 30, 2023, the CDS held Shariah-compliant book-entry securities with a collective market value of Rs. 895.9 billion, constituting 15.5% and 12% of the total securities within the system, respectively.

Registered Shariah advisors

During the review period, The SECP registered 24 new Shariah advisors under the Shariah Advisors Regulations, 2017, which includes three Shariah advisory companies. It is pertinent to mention that so far, 139 Shariah advisors have been registered with the SECP, including 7 private limited companies that provide Shariah advisory services.

Islamic collective schemes

This category includes mutual funds, pension funds, real estate investment trusts (REITs), and exchange-traded funds (ETFs). Here's an overview of the sector's size and performance as of June 30, 2023:

- Shariah-compliant mutual funds increased their market share within the total assets of mutual funds, rising from 34.99% to 43.07%. This growth translated to an increase in assets from Rs. 448.13 billion to Rs. 721.67 billion, representing a remarkable 43.07% and 61.04% surge, , respectively.
- In the voluntary pension system, Islamic pension funds now comprise 24 pension funds that collectively manage assets valued at Rs. 50.26 billion. Notably, this sector witnessed a substantial growth of 20.70% during the year. In terms of both size and quantity within the broader sector, Islamic pension funds constitute an impressive 64.90% and 54.17%, respectively.

Islamic REITs

After the launch of the first REIT scheme, namely Dolmen City REIT listed at PSX, this segment remained stagnant for a few years. However, collective efforts led by SECP have started to bear fruit, and now this segment is witnessing a growing interest from a wider stakeholder group. Out of the 15 REIT schemes as of

June 30, 2023, 13 are Shariah-compliant. Out of the total size of Rs. 276.64 billion of the 15 REIT schemes, the 13 Shariah-compliant REITs are worth Rs. 271.25 billion, which constitutes almost 98% of the total industry.

Islamic ETFs.

As of June 30, 2023, the total asset size of exchange-traded funds was Rs. 180,864 million. This figure signifies a significant decline from the previous year when it stood at Rs. 277,031 million as of June 30, 2022, representing a noteworthy decrease of 35.84% over the course of the year. Furthermore, the ratio of Islamic ETF shares to the total assets was Rs. 93,680 million and Rs. 69,473 million, reflecting the same substantial decrease of 35.84%.

Modarabas and other NBFCs

Modarabas are unique collective investment vehicles and pioneer Islamic financial institutions in Pakistan. 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 model and look for new business opportunities as a result of the withdrawal of tax exemption by the federal government.

As of June 30, 2023, the registered Modaraba companies are thirty-one (31) while twenty-two (22) Modarabas are currently operating and are listed at PSX. One (1) Modaraba company is planning to float a new Modaraba, namely Burj Clean Energy Modaraba, in the current financial year. As of June 30, 2023, the equity of the Modaraba sector stood at Rs. 22.42 billion, whereas the total assets of the Modaraba sector amounted to Rs. 52.32 billion, which comprises only 1.8% of the whole NBFI industry. Out of a total of twenty-two (22) profit-making Modarabas, eleven (11) declared cash dividends for the financial year 2022.

After the announcement of the Federal Shariat Court Judgement last year and the issuance of the Guidelines for Offering Islamic Financial Services, 2023, the Security Investment Bank Limited (SIBL) has announced and applied for its conversion into a Shariah-compliant investment bank to carry out Shariah-compliant investment finance services as a non-banking finance company (NBFC) under the Companies Act, 2017, and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. This conversion is paving the way for the conversion of existing conventional NBFCs and licensing of new Shariah-compliant NBFCs.

Takaful market

The Insurance Ordinance, 2000 defines the enabling legal and regulatory framework for takaful in Pakistan. In 2005, the Takaful Rules, 2005, were promulgated, which were subsequently replaced by the Takaful Rules, 2012, covering areas of Shariah compliance, market development, authorization, and financial soundness.

Takaful sector of Pakistan consists of 31 active operators. This includes 3 dedicated Takaful operators and 28 window Takaful operators. The asset size of the Takaful sector (dedicated & window) is Rs. 88.731 billion as of June 30, 2022.

Reforms and Developmental Activities

The SECP, in line with its mandate under the SECP Act, 1997 is implementing a new strategy to promote Shariah-compliant financial products in the financial services market. The strategy aims to enhance institutional capacity and introduce reforms in non-bank financial sectors, based on a comprehensive roadmap for Islamic finance development in all regulated sectors. Key developments during the 2022-23 financial year are covered in the following sections.

Enhancement of institutional capacity

A number of strategic developments took-place during the period including the following;

- SECP reconstituted its Shariah Advisory Committee (SAC) and its mandated to assist it in approving Shariah-compliance issues and guidance for the promotion of Islamic finance within its regulatory ambit;
- SECP constituted a dedicated committee for promoting Islamic finance in the non-bank financial sector. This committee comprises of experts from the industry to aid in the creation of the future roadmap and development plan for Islamic finance through empirical research, academic study, and industrial cooperation;
- The SECP has also designated its officers as "Islamic finance champions" within all its policy functions. They will serve as focal points for concerted and coordinated efforts across the regulated sectors of SECP. Their mandate is to provide strategic guidance for effective implementation of the FSC's judgement on Riba and to facilitate the transition of conventional financial markets, institutions, and services into Islamic ones.

Capacity building and awareness creation

During the period under review, SECP conducted and participated in a number of events. A summary of key events is appended below:

- SECP organized a "High Power Sensitization Session on Islamic Finance" for SECP top management to talk about potential issues, challenges, and opportunities for the development of Islamic finance within the regulated sectors of SECP. The session was delivered by Dr. Mufti Irshad Ahmad Aijaz, Chairman Shariah Advisory Committee of SECP.
- SECP organized an in-house full day workshop on "Misconceptions about Islamic Finance and Shariah Maxims" in collaboration with IFAAS under the Technical Assistance of ADB for SECP officers. The workshop was led by Dr. Mufti Irshad Ahmad Aijaz and assisted by Dr. Najeeb Zada.
- SECP co-hosted a Capacity Building Workshop for Market Players – Introduction to IFSB Standards related to Takaful and Islamic Capital Market (ICM) Segments, in collaboration with SBP and IFSB, at Islamabad, as part of the side events of the 41st IFSB Council Meeting.
- During the period, a comprehensive capacity building program was initiated with the collaboration of IBA Centre for Excellence in Islamic Finance. As a result, the SECP and the industry's human resources are trained. Through IBA, 146 SECP officers trained in seven Programmes.
- SECP senior management participated in the 15th IFSB public lecture at Islamabad, as part of the side events of the 41st IFSB Council Meeting.
- SECP's officers participated in many national and international events arranged by the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI), Islamic Financial Services Board (IFSB), IBA Centre for Excellence in Islamic Finance, Institute of Business Management, Islamia University Bahawalpur and Riphah International University.

Development of comprehensive roadmap for the promotion of Islamic finance

In order to develop a comprehensive roadmap for the promotion of Islamic finance, following key activities have been undertaken during the period under review:

Islamic finance Diagnostic Review

This review has been initiated with an aim to identify key issues and challenges and develop a cohesive action plan to address such issues and challenges and as on outcome develop a future roadmap for the promotion of Islamic finance within its regulated sectors. This review has been conducted for all regulated sectors while considering the present state of development and global development trends.

A diagnostic report was published in February 2023 to address key issues and challenges in Islamic finance in the non-bank financial sector. The report assesses the country's Islamic finance development and provides recommendations for promotion. A diagnostic review for technology-based innovation is being conducted by ADB consultant IFAAS, focusing on innovative tech-based Islamic financial products. A comprehensive action plan will be developed based on these reviews. A proposed FinTech framework has been issued and placed on the Commission's website.

Additionally, to contribute towards the development of global standards and principles for Islamic financial services, we have co-hosted two public hearings with AAOIFI on exposure drafts of the new standards.

First International Conference on Islamic Capital

The Islamic Finance Department in collaboration with Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) held a landmark inaugural conference on Islamic Capital Markets (ICM) in Islamabad on May 29, 2023. The theme of the conference was "ICM Development with Ecosystem Completion: Innovation, Growth and Transformation". The conference was sponsored by Asian Development Bank, capital market infrastructure institutions, market players from banking, takaful and asset management industries, and industry associations.

The conference was graced presence and addressed by Federal Minister for Finance and Revenue Mr. Ishaq Dar, Chairman AAOIFI Board of trustees H.E. Sheikh Ebrahim bin Khalifa Al Khalifa, Minister of State for Reforms Mr. Ashfaq Tola, Governor State Bank of Pakistan Mr. Jameel Ahmad, Chairman of the Commission Mr. Akif Saeed, Secretary General of AAOIFI, Mr. Omar Mustafa Ansari and Secretary General of IFSB, Dr. Bello Lawal Danbatta.

In addition, the conference was attended by Islamic finance practitioners from Bahrain, Malaysia, Saudi Arabia, Turkiye, UAE and UK, along with a large number of local industry participants, practitioners, academia, shariah scholars, government officials and media.

The conference showcased a diverse range of topics and an esteemed panel of experts. The event provided a platform for knowledge sharing, insightful discussions, and exploration of new opportunities in the field. The conference not only enhanced Pakistan's reputation as a hub for Islamic finance but also elevated the country's standing in the international community. The knowledge exchanged will serve as catalysts for innovation and advancement, propelling Pakistan's Islamic finance sector to new heights of success.

Regulatory Reforms

In order to create and promote an enabling regulatory environment for further development of Islamic finance within its regulated sectors, following key developments have been accomplished during the period under review:

Issuance of Guidelines for Offering Islamic Financial Services, 2023

In a landmark development for the growth of Islamic finance in the non-bank financial sector, SECP has issued the guidelines for offering Islamic financial services covering all its regulated sectors. The guidelines are framed to facilitate the growth of Shariah-compliant financial products in the financial services market regulated by the SECP, which includes Islamic capital markets, Takaful, Modarabas, NBFCs, pension and private funds, REITs, and so on. Issuance of these guidelines is part of SECP's resolve to promote and develop an Islamic financial system in line with the constitutional objective of the Islamization of the economy and in the light of the recent judgement of the Federal Shariah Court.

Revamping of the Modaraba Regulations, 2021

After a comprehensive review and stakeholders' consultation, the Modaraba regulations, 2021 have been revamped and several amendments have been made, aiming to remove bottlenecks, facilitate regulatory compliance and improve overall doing business climate for the Modaraba sector.

Guidelines for Shariah-Compliant Investing on PSX

The purpose of these guidelines is to facilitate the investors in undertaking Shariah-compliant investments through PSX. The guidelines briefly introduce Shariah-compliant trading options at PSX and Shariah-compliant indices. Guiding investment principles have also been laid down for Shariah-compliant shares, Sukuk, Islamic ETFs and Islamic REITs.

Consolidated Circular for Modaraba sector

SECP has issued this circular with the intent of consolidating, revising, updating, and integrating all prior circulars, notifications, clarifications, and directives issued since 1999. The consolidated circular is aimed at facilitating the Modaraba sector's compliance with statutory and regulatory requirements in an efficient manner.

Amendments to the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980

The proposed amendments to the Modaraba Companies and Modaraba (Flotation and Control) Ordinance are currently under review of the National Assembly's standing committee on finance and revenue. A subcommittee of the said standing committee has approved the Amendment Bill with some recommendations and changes. The revised draft bill has been submitted for legislative approvals.

The proposed amendments encompass ease of doing business, empowering the certificate holders through introduction of the concept of AGM, change in remuneration structure of Modaraba company and introduction of concept of unlisted Modaraba. The proposed amendments will strengthen the Modaraba sector in Pakistan and attract new market players for inclusion in formal Islamic financial structure. The proposed amendments aiming to introduce new format for audit report for Modaraba sector in line with changes introduced for the companies under the Companies Act, 2017.

Proposed Shariah Governance Regulations, 2023

In March 2023 new draft Shariah Governance Regulations, 2023 have been published for public consultation in an effort to clear regulatory bottlenecks and strengthen the framework for Shariah-compliant companies, Shariah-compliant securities, and Shariah advisors. The proposed regulations seek to address practical challenges in implementing Shariah screening criteria and transparency concerns in the stock screening process, in addition to reinstating the original scope of Section 451(2) of the Companies Act of 2017. It will provide for a complete process for creation of an Islamic index at the stock exchange and introduce the concept of Shariah supervisory boards, while integrating the Shariah Governance Regulations, 2018, and the Shariah Advisors Regulations, 2017, thereby removing some overlapping provisions and requirements.

Way Forward

SECP is in process of developing a strategic action plan for development of Islamic finance within its regulated sector and implementation of the recommendations of diagnostic review. Furthermore, for achieving greater standardization in Islamic financial industry, work is underway for development and implementation of a strategy for global Islamic finance standards, as well as for adoption of staggered approach in AAOIFI standard adoption.

To strengthen the legal and regulatory framework for Islamic Finance, SECP is undertaking reforms for robust legal and regulatory framework for Islamic finance, which include amendments in Modaraba Ordinance, 1980, amendments to the subsidiary legislation for Modarabas that include revision of Modaraba Rules, Modaraba Regulations and various circulars, drafting Islamic Financial Services Act, revamp of Shariah Governance Regulations and introduction of Shariah governance framework for NBFCs.

SECP believes that the above-mentioned work streams, along with milestones to be determined through Islamic Finance Strategic Plan 2023-25, will pave the way for organized development of Islamic finance within the regulatory domain of SECP.

Enforcement

The Commission oversees corporate sector, capital markets, and licensed entity compliance with a range of laws and regulations through its various operating divisions. The centralized Adjudication Division serves as the Commission's quasi-judicial arm, upholding the independence of the adjudication function in line with IOSCO principles and best practices. The Adjudication Division has enhanced the effectiveness of the Commission by making fair and consistent decisions, embracing technological transformation of operations, and mitigating the risk of arbitrariness in the discharge of its judicial function.

The Adjudication Division consist of:

Adjudication Department – I (dealing with listed companies and entities having additional registration or licensing requirements). The Adjudication Department – I is primarily assigned with the adjudication function in respect of licensed entities and listed companies. In this regard, the Department comprises of two wings i.e. Licensed Entities Wing and Listed Companies wing.

Adjudication Department – II (dealing with unlisted companies and the Registry functions). The Adjudication Department – II is primarily assigned the adjudication function in respect of unlisted companies including section 42 companies, and limited liability partnerships (LLPs).

During the year 2023, a robust adjudication function was noticed due to the following adjudication actions taken by the Adjudication Division:

Nature of Actions	Nature of Companies		Year 2023
	Listed Companies and Licensed Entities	Unlisted Companies	
Orders Passed	641	742	1383
Penalties Imposed	Rs. 55 million	Rs.5.2 billion	Rs. 5.3 billion

During the current period, the Commission took proportionate, dissuasive, and effective enforcement actions to uphold the laws it administers. These measures led to corrective measures, significantly enhancing compliance within the corporate sector with the relevant laws

Furthermore, 83 orders addressing AML violations by the regulated entities, resulted in penalties of Rs. 10.609 million for the year. The improvements made by the regulated entities in their systems and controls to comply with AML/CFT regulations resulted in a reduction in the number of instances of violations, and accordingly, proportionate penalties have been imposed considering the riskiness of violations.

Unlisted Companies

To ensure an effective enforcement regime to safeguard public interest, stern actions were taken against companies involved in illegal deposit taking. This entailed imposing substantial penalties totaling Rs 5,222 million on twenty-four (24) such companies and their directors. Furthermore, 41 directors of such companies were debarred from becoming directors of any other company and incorporating new companies. Additionally, 21 sanctions were granted to initiate winding up process of companies. In totality, 742 orders were issued to unlisted companies imposing penalties amounting to Rs. 5,245 billion.

A comprehensive overview of Enforcement actions and penalties levied on unlisted companies for non-compliance with the applicable legal and regulatory framework during the year are summarized in table given below:

Opening Balance (SCNs)	New Cases Received	New Cases Assessed	SCNs issued	Order passed	Penalty imposed (Rs.)
298	3016	2991	1829	742	5,245,175,000

Capital Markets

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	New Cases Assessed	SCN issued	Orders	Amount of penalty (Rs.)
Actions against non-Compliances	79	265	292	231	247	8,595,000

AML related non-compliances	21	42	44	42	49	4,950,000

Listed Companies

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

Particulars	Opening Balance (SCN)	New Cases Received	New Cases Assessed	SCN issued	Orders	Amount of penalty (Rs.)
Listed Companies	119	313	326	217	264	22,222,000

NBFCs

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	New Cases Assessed	SCN issued	Orders	Amount of penalty (Rs.)
Actions against non-Compliances	5	27	25	18	18	1,990,000
AML related non-compliances	3	23	22	20	22	2,370,000

Insurance Companies

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	New Cases Assessed	SCN issued	Orders	Amount of penalty (Rs.)
Actions against non-Compliances	15	26	28	24	29	11,395,000
AML related non-compliances	4	12	10	10	12	3,289,100

Prosecution and Legal Affairs

The Prosecution and Legal Affairs Division bears the primary mandate of legislative guidance, advisory functions, and handling prosecutions and civil litigation on behalf of the SECP. The Division is dedicated to delivering efficient legal support to assist SECP in achieving its regulatory objectives and fulfilling its functions. The Prosecution and Legal Affairs Division consists of three departments, namely:

- Legislative Review and Research Department;
- Legal Advisory Department; and
- Prosecution and Civil Litigation Department.

Primary Laws under consideration in SECP

Securities and Futures Market Bill, 2023
The Bill aims to merge the Securities Act and the Futures Market Act, driven by the recognition of redundancies and overlaps within both statutes. This consolidation seeks to establish a single, streamlined legal framework.. Moreover, a review of both laws became necessary to adapt to evolving market dynamics and to ensure that the legal framework remains not only robust but also conducive to the capital and futures markets. It aims to facilitate ease of doing business and enhance investor protection.

Amendment in Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980
The proposed Modaraba Companies and Modaraba (Floatation and Control) (Amendment) Bill, 2020 aim to oversee Modarabas business and Modaraba Companies to safeguard the interests of investors, modaraba certificate holders and public. The existing Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) ("the Ordinance") was promulgated by the Federal Government in 1980.

The proposed Bill aims to amend a four-decade old Ordinance. Its objectives include enhancing the regulation of Islamic financial services within the remit of SECP, foster and support Islamic financial institutions in the country and to reduce the regulatory burden on those regulated. The Bill places particular emphasis on bolstering the modaraba sector by introducing reforms such as the creation of unlisted modarabas, granting more authority to certificate holders through the introduction of annual general meetings to maximize their involvement in the decision-making processes of modarabas, and creating a conducive environment for business ease.

Draft NBFC Law
Non-Banking Finance Companies (NBFCs) are specialized companies with unique licensing, monitoring, prudential, governance, and other requirements. Similarly, investment vehicles demand a dedicated framework for registration, monitoring, supervision, revocation, winding-up, and more, governed by special legislation. The proposed Non-Banking Finance Companies Law offers a modern and comprehensive framework for NBFCS and collective investment vehicles (notified entities in the existing structure).

Furthermore, the draft accommodates emerging licensed businesses such as peer-to-peer (P2P) lending platforms, collateral management services, and allows for inclusion of other new or innovative services related to NBFC businesses under the scope of the Act, subject to notification by the Federal Government.

The draft bill provides comprehensive coverage of Part VIIIA of the Companies Ordinance, 1984, and strong legal backing of the rules and regulations made thereunder, along with coverage of the requirements of Section 457 of the Companies Act, 2017

Proposed amendments to Insurance Ordinance, 2000
The amendments to the Insurance Ordinance, 2000 (the "Ordinance") encourage the development of the insurance market by providing licencing requirements for new categories of insurance companies and insurance intermediaries, as well as enabling foreign insurers and reinsurers to operate in Pakistan through branch offices.

The proposed amendments further provide for facilitating market development and growth through the adoption of information technology and emerging insurance concepts such as index-based insurance, technology-based platforms, disaster risk insurance, insurance self-network platforms, etc.

The amendments intend to improve market conduct and discipline in the insurance sector by requiring the appointment of actuaries for non-life insurers, licencing of reinsurance brokers and corporate insurance agents, etc., as well as empowering SECP to provide fit and proper criteria for promoters of insurance companies and specify expense limits, etc.

For the purposes of making the insurance sector more financially resilient, the amendments to the Ordinance empower SECP to introduce a risk-based capital and supervision framework in Pakistan, as well as develop systems and processes for macroprudential supervision of the insurance sector in Pakistan.

Proposed amendments to SECP Act, 1997
The draft amendment Bill aims to incorporate changes on following three areas;

(i) Enhancing SECP's governance and transparency in appointment of Chairman, Commissioners (SECP) and Members of policy board of SECP;

(ii) Establishment of Financial Services Market Tribunal; and

(iii) Strengthening of Audit Oversight Board (AOB).

Legal Advisory
The Legal Advisory Department is mainly responsible for providing legal advisory services on matters referred to it by the respective divisions and departments of SECP. It advises the operational divisions and departments on legal issues, including the application and scope of provisions of laws administered by SECP under Schedule I of SECP Act, 1997 (as amended from time to time). Some of the major advisory functions of the department include:

- Providing legal advice with respect to procedural and substantive laws pertaining to self-regulatory organizations, share depositories, clearing houses, brokerage houses and other professional intermediaries;
- Scrutiny of investor complaints and suggesting availability of legal and quasi legal forums to provide relief;
- Insider trading Part-x of Securities Act, 2015, market manipulation and other fraudulent activities committed by various regulates as prohibited in the administered legislation of SECP;
- Applicability of takeovers Part-ix of Securities Act, 2015 and sanctions available to SECP for alleged contraventions;
- Guidance and resolution in instances of conflict and interpretation of laws;
- Issuance of shares, indirect acquisition, sale and repurchase of shares;
- Suitability of sanctions that may be imposed by SECP, including imposition of fines, issuance of directives and cancellation of licenses etc.;
- Clarification regarding the statutory requirements imposed under the Companies Act, 2017;
- Advising on the future course of action during inquiries and proceedings in light of technical and operational gray areas under various administered laws;
- Reviewing and legal vetting of draft show cause notices, orders etc. for the respective departments of SECP;
- Reviewing and vetting of draft agreements for SECP's Administration and Information and Technology Division; and
- Reviewing and vetting of draft memorandums of understanding to be signed by SECP with various regulators, Government agencies and academia.

Prosecution and Civil Litigation
Prosecution and Civil Litigation Department plays a crucial role in enforcing compliance with laws and regulations related to the corporate sector. The main functions of the Prosecution and Civil Litigation Department of SECP includes:

Prosecution
The department is responsible for initiating and conducting criminal prosecutions against individuals and entities involved in violations of the laws and regulations administered by SECP. This includes cases related to securities fraud, market manipulation, insider trading, and other violations in the corporate sector.

Civil Litigation

The department handles civil litigation matters on behalf of SECP. This involves representing SECP in civil lawsuits/Company Petitions filed by or against SECP, such as disputes related to regulatory enforcement actions, inter-parte dispute, winding up petitions, statutory appeals, merger/de-merger petitions and acquisitions matt.

Future plans

The Division plans to undertake the following activities over the coming year;

- Updating and archiving of legal opinion of data base/repository of legal opinions, for ease of reference and to avoid duplicity in the work;

- Preparing data base/ repository of Judgments passed by various courts on different provisions of administered legislation to enable officers of the operational departments for effective implementation of various functions and powers of SECP delegated to them;
- To prepare and draft panel of liquidators under Corporate Rehabilitation Act, 2018 and Corporate Restructuring Companies Act, 2016; and
- Preparing and drafting guide lines/ manual(s) for effective implementation of powers and functions of Prosecution and Legal Affairs Division including its various departments.

International Relations

The International Relations Department (IRD) plays a pivotal role in facilitating SECP's international regulatory and enforcement cooperation. This involves collaboration with international standard setting bodies, international financial institutions and counterparts in other jurisdictions. Additionally, the department is responsible for promoting SECP's agenda to increase awareness of emerging developments through the Innovation Office.

Key achievements of the department for the current year are:

SECP's Engagement with IOSCO

SECP actively engages with IOSCO through its participation in IOSCO's Asia Pacific Regional Committee (APRC) and Growth & Emerging Markets Committee. This engagement allows SECP to stay informed about various initiatives within IOSCO, particularly related to Fintech, sustainable finance, and retail market conduct. SECP was represented at the APRC meeting in Bangladesh and the Annual Meeting held in Thailand, where valuable insights and experiences were shared.

Moreover, SECP holds full signatory status to IOSCO's Multilateral Memorandum of Understanding (MMoU), which serves as the international benchmark for exchanging information between securities regulators. During the year, SECP effectivity utilized this MMoU to expedite adjudication cases and licensing applications. This was achieved by verifying the beneficial ownership credentials of foreign entities involved, demonstrating SECP's commitment to international regulatory cooperation and ensuring regulatory compliance

Bilateral Agreements and Capital Market Development

In line with Federal Government's diplomatic outreach to enhance regional relations, SECP has established bilateral MoUs with 15 foreign counterparts. These MoUs are designed to promote regulatory cooperation and assistance, facilitating a collaborative approach to regulatory challenges.

Capital Market Development Program (CMDP)

The Financial Market Development Program was initiated by ADB in collaboration with SECP in 2019. This collaborative effort led to approval of the Capital Market Development Plan (CMDP) 2020-27. The CMDP serves a comprehensive master plan for implementing financial market development reforms. SECP is diligently executing the policy actions outlined in this plan, adhering to specified timelines, and working closely with relevant stakeholders to ensure the successful realization of its objectives.

Activities of Innovation Office

In its commitment to fostering start-ups and disseminating information on cutting-edge developments, the SECP, through its Innovation Office, organized a series of 15 webinars in partnership with the National Incubation Centre. These webinars were aimed at nurturing entrepreneurial ventures and spreading awareness of emerging trends and innovations.

Sustainability Initiatives

In order to keep the momentum of discussion on sustainability issues post Environmental, social and governance (ESG) position paper published in 2022, a premier ESG symposium in collaboration of UN WOMEN was held in January 2023 at Karachi. The event attracted dynamic representation from capital market institutions and private sector presenting their success stories and aspirations for strengthening ESG ecosystem. Building upon the insight gathering during the advocacy session, a consultative paper outline an ESG action plan was circulated amongst key stakeholders, providing key areas of focus and mapping stakeholders.

In strengthening the advocacy initiatives and in perspective of evolving international framework for corporate sustainability reporting, SECP in partnership with Institute of Chartered Accountants of Pakistan (ICAP) held capacity building session at Lahore in May 2023. Senior representatives from companies, multilateral institutions, professional bodies, capital market institutions and business forums attended this session. Speakers emphasized need for continuous capacity building efforts and way forward towards adopting and implementing sustainability standards by International Sustainability Standards Board. Private sector representatives shared their sustainability related disclosure practices and feedback for improving reporting mechanism. Representative from IFRS Foundation also participated in the session.

The fireside chat on draft action plan garnered significant interest, featuring senior leaders from ICAP, Pakistan Stock Exchange, Asian Development Bank, International Finance Corporation, Pakistan Institute of Corporate Governance, Pakistan Business Council, UN Women, Pakistan and UNDP. They discussed the critical role of their institutions, concrete timelines and key areas of collaboration under action plan. The series of capacity building on sustainability reporting was extended for officers of SECP, Central Depository Company and Pakistan Stock Exchange officers through a partnership with ICAP, providing a detailed overview of sustainability standards.

Way Forward

In the context of changes in global regulatory landscape due to the pandemic, SECP is committed to maintaining an active and influential role in IOSCO's priority areas, particularly sustainable finance and advancements in Fintech. In addition, the SECP will continue to coordinate with relevant stakeholders for implementation of capital market development plan and future roadmap for 2020-27. Within its sustainability agenda, SECP plans to continue advocacy, capacity building initiatives and actively synergize with regulated sector for cohesive, inclusive and tangible ESG action plan.

Digital Transformation

The Digital Transformation Program (LEAP) is making significant progress in the comprehensive redesign of business processes while increasing value through innovation, enhanced user experience, internal efficiency, and transparency. The program has adopted industry-leading methodologies provided by the project consultant (M/s EYFR) and is currently in the process of implementing technical solutions in collaboration with the technology partner (M/s Techlogix). The project is being executed according to a well-structured plan to achieve the desired results.

The program includes several key components, including Business Process Re-engineering (BPR) conducted by project consultant. BRP aims to optimize business processes from both end-user and internal users perspectives. Additionally, it involves implementation of these optimized business processes pertaining across various business functions within SECP, including company incorporation, filing and compliance, licensing, regulatory approvals, supervision, adjudication, and litigation.

LEAP – Leading Efficiency Through Automation Prowess

SECP has embarked upon digital transformation program known as "Leading Efficiency through Automation Prowess" (LEAP). The primary objective of this program is to achieve digital transformation and end-to-end automation by implementing a state-of-the-art interface across all functions of the Commission.

The LEAP project consists of four phases, first three phases pertains to the implementation of new Corporate Registry solution while the fourth phase is related to the implementation of business processes pertaining to supervision, adjudication and litigation functions of SECP. Currently, the 1st Phase has been successfully implemented and the new LLP Incorporation and Post incorporation filing and compliance module has been launched. This new system enabled the general public to initiate the LLP processes and simultaneously the SECP internal team can efficiently process and manage submissions based on their predefine roles and responsibilities within the LEAP system .

As part of the LEAP initiative, the BPR Consultant has completed the BPR for first three phases (1a, 1b & 2a). Simultaneously, SECP internal BPR Team has conducted Business Process Re-Engineering (BPR) for fourth phase (2b) Supervision, Adjudication, and Litigation functions. The IS&TD BPR Team, in collaboration with relevant departments, has prepared comprehensive Business Requirement Documents (BRDs) based on the methodology derived from EYFR. Through this process, 152 business processes have been optimized and categorized into seven customer journeys.

To enhance the user experience, internal efficiency, transparency, and accountability, the BPR team has proposed a highly configurable, data-driven, integrated solution for the Supervision, Adjudication, and Litigation functions. This solution has been carefully designed to align closely with the functional and operational requirements of these key areas. In accordance with the LEAP project plan, this will enable the creation of wireframes/prototypes and the work stream is currently expected to be completed during Phase 2b, which is the fourth and final stage following the completion of 1a, 1b & 2a.

Online Mortgage Register (Ready to be launched)

SECP is about to launch the online Mortgage Register, a centralized repository that maintains companies credit history including comprehensive mortgage details. It is a useful online service that allows banks to verify a company credit history. The Mortgage register simplifies the process of evaluating a company's creditworthiness by providing the Banks access to relevant instruments, and valuable insights into a company's financial obligations and securities. This comprehensive view empowers banks to make well-informed decisions when extending credit.

Extensible Business Reporting Language (XBRL) Implementation Roadmap

Extensible Business Reporting Language (XBRL) is a globally recognized framework for exchanging business information. In order to optimize the reporting process, promote collaboration between various entities, and ensure effective use of data in the financial markets, SECP has finalized the XBRL implementation roadmap with the help of its Consultant. The Commission is in the process of hiring an XBRL taxonomy consultant to undertake the implementation of XBRL under LEAP program. After the implementation of XBRL, the automation of data collection and validation can greatly improve data quality. The enhanced business analytics will augment the macroeconomic policy making, quick dissemination of organization level financial and business information to the stakeholders will be improved.

Enablement of Listed Companies Financial Data Analysis Portal

The portal has significantly enhanced the effectiveness of financial data analysis for listed companies by allowing access to the consolidated & unconsolidated financial statements of listed companies. This solution empowers the Offsite department to perform a wide range of analyses, including technical and fundamental analysis of listed companies, Comparative analysis, Industry analysis, horizontal/vertical analysis, etc. effectively.

AML Watchlists Screening Solution

To ensure compliance with regulations, organizations are required to screen individual and entities against various watchlists establishing business relationship. These watchlists includes sanctions lists published by governments, transnational agencies and law enforcement bodies as well as lists from commercial sources and politically exposed person (PEP) lists. This comprehensive screening process is essential to verify the credentials of these individuals and entities for meeting their obligations related to TFS as per FATF recommendations and other international standards. The system has successfully screen more than 90,000 profiles providing the necessary assurance before on-boarding individual in to the company.

Market Surveillance System (MSS) Compliance with NTS Roll-out at PSX

The SECP Market Surveillance System (MSS) has been shifted to the new trading system (NTS) rolled out by PSX. The SECP IT team dedicated its efforts to ensure the seamless integration of its market monitoring solution with NTS. In this context, the data flow from PSX and NCCPL and the usual internal processing has been successfully streamlined. Additionally, enhance controls for data reconciliation and source data sanity check has been implemented.

Brokers Liquidity and Assets Segregation Review System (BLASRS) Upgrade

The objective of upgrading the BLASRS is to assess brokers financial strength, its liquidity and risk involved in asset segregation and pledging of securities, using IT based early warning system. The upgrade aims to achieve the following:

- Automation of filing of information by brokers.
- Ease of doing business (filing to be completed upon one click).
- Reduce time lag between information received and information reviewed.
- Enhance prowess in information assessment through Automation of Brokers' liquidity and asset segregation status.
- Automation of Consolidation of information on monthly basis.

The project has been carried out in two phases;

  - The first phase i.e. Input Data Mechanism includes finalization of input information and preparation of standardized input screens/ data feeds. The module has been upgraded using latest technologies, improving user experience, verification, reconciliation and automatic transformation of submitted data. The module is currently in the User Acceptance Testing(UAT) phase.
  - The second of phase, Business Intelligence and Analysis, includes designing and developing procedures/ processes to leverage the input information and generate output in the form of financial analysis which translates into risk rating.

This project has enabled the relevant department to consolidate information related to the brokerage industry, allowing for generation of a monthly sector report.

Collaboration with STZA, PEC, PSEB, Provincial Revenue Authorities (PRAs) under Pakistan Regulatory Modernization Initiative – PRMI

As part of the Pakistan Regulatory Modernisation Initiative (PRMI), SECP has entered into MoUs with various organizations, including the Special Technology Zones Authority (STZA), Pakistan Engineering Council (PEC), Pakistan Software Export Board (PSEB) and Provincial Revenue Authorities (PRAs). The objective of these MOUS is to consolidate and integrate sector level business registration into a unified e-Services portal. This integration is aimed at significantly reducing processing time, ensuring data integrity, eliminating unnecessary duplications, and fostering information-sharing among government departments. The overarching goal is to streamline due diligence procedures and enhance overall efficiency in the registration process.

Collaboration with Pakistan Single Window (PSW)

SECP has successfully integrated with the Pakistan Single Window (PSW) platform. Its primary goal is to establish a seamless and efficient connection between SECP's eServices and the PSW, which serves as a centralized platform for multiple government agencies involved in trade facilitation. The main objective of this integration is to enable the verification of companies registered with the SECP, as well as the information of their directors. Furthermore, for single-member companies (SMCs), the integration enables the verification of nominee details. These company and director details are regularly updated in accordance with the SECP's regulatory requirements. This initiative is an important step toward promoting ease of doing business and facilitating trade in Pakistan.

Collaboration with PPRA

SECP has successfully established integration with the Public Procurement Regulatory Authority (PPRA) to create a seamless connection between the Electronic Government Procurement (eGP) e-Pak Acquisition & Disposal System (EPADS) and the E-Service platform. The primary purpose of this integration is to enable the verification of companies and Limited Liability Partnership (LLP) particulars. This includes individuals such as directors, chief executive officers (CEOs), shareholders, partners, and designated partners (in the case of LLPs). These details are registered with the SECP and are regularly updated in accordance with regulatory requirements. The integration of SECP and PPRA allows for a more efficient process of verifying and cross-referencing company and LLP information, ensuring accuracy and dependability in procurement-related activities. This integration enhances transparency and strengthens Pakistan's regulatory framework for public procurement.

Operational Continuity Management (OCM)

SECP has formulated an Operational Continuity Management (OCM) policy to ensure the smooth functioning of its operations, particularly during times of declared emergencies. This policy is designed to document crucial requirements and provide guidance to the organization, enabling SECP to maintain critical operations and achieve business continuity in unforeseen events or crises. The OCM policy serves as a comprehensive framework that outlines the necessary measures and procedures that y SECP must follow to ensure uninterrupted operations. Moreover, SECP has effectively addressed concerns and implemented corrective actions at CRO Peshawar, incorporating valuable lessons learned from experience into the OCM policy.

By developing and implementing the OCM policy and incorporating lessons learned from the dress redressal process, SECP affirms its commitment to ensuring operational continuity and efficient management of potential disruptions that may arise during emergencies or unforeseen circumstances.

Automation of Medical Claim Process & Employee Final Settlements Application

As part of the ongoing automation efforts, SECP is committed to automate the manual processes. A significant achievement in terms of improving visibility and efficiency is the implementation of Medial Claims through Oracle ERP. Now, employees use Oracle ERP across SECP to initiate and approve all medical claim requests. In addition to above, another manual process named "**employee final settlement"** was also automated, enabling digital processing of the final settlement of the employee.

SECP - IPO data sharing API

In our pursuit of facilitating ease of doing business, SECP has established an API-based data sharing mechanism with the IPO (Intellectual Property Organization). This initiative enables seamless access to copyright and trademark data through SECP eServices platform, providing a convenient company name search feature connected to the IPO's backend system. SECP business center officers can now easily search the copyright and trademark repository before issuing a company name, simplifying the process for our stakeholders.

Issuance of Instant CTC at the time of Company and LLP Registration

To streamline the company registration process, a digital CTC facility has been added to the Company and LLP registration processes. Once the Upon the company registration is approved, users who have selected the "Digital CTC" option will receive a system-generated digital CTC sent directly to their registered email address.

Combined Incorporation Certificate for Baluchistan Province

To promote ease of doing business and improve digitization, SECP in collaboration with PITB has launched a combined registration certificate in partnership with the Baluchistan province.

Bank Portal Enhancements

SECP has implemented several information security controls for its Bank Portal to improve user account protection. These controls include the "Locking the account after 3 invalid attempts for 5 minutes" feature, acts as a deterrent against brute-force attacks by temporarily locking the account after three consecutive unsuccessful login attempts. Furthermore, we have introduced Two-factor authentication (2FA), requiring users to provide a second form of verification in addition to their password, thereby mitigating the risk of unauthorized access even if passwords are compromised.

Additionally, the system now captures the user's IP address, allowing for the identification of suspicious login attempts from unfamiliar locations or IP ranges. Lastly, a Captcha verification has been implemented on the Forgot Password screen, ensuring that only human users can proceed with the password recovery process, reducing the possibility of automated or malicious activities. These enhancements collectively enhance the security measures of the Bank Portal.

Web Accessibility Control on SECP Website

SECP has taken significant steps to enhance the accessibility of its official website by implementing web accessibility controls. These controls have significantly improved the overall accessibility of the website by enabling features such as compatibility with screen readers, keyboard navigation, alternative text for images, and adjustable font sizes.

As a result, individuals with visual, auditory, or motor impairments can now access and navigate the website more effectively, ensuring equal access to information and services and promoting a more inclusive online environment.

ERP Integrations with LEAP, Active Directory & Attendance Management System

The main objective of these integrations is to facilitate seamless exchange of data between various newly build systems. Through these integrations, we have achieved the synchronization of employee data with active directory, financial data with LEAP and attendance/leaves data with Attendance Management system. This ensures that ERP remains the main source of data for Employee and financial information.

Facial Recognition and Access Control System across the Commission

SECP has deployed a state-of-art facial recognition and access control system across its premises to enhance security measures. This implementation has multiple objectives, including strengthening security measures, preventing unauthorized access, and improving tracking of SECP guests and employees. Through this system, SECP can vigilantly monitor and track the movement of guests and employees throughout their premises. It ensures real-time visibility and meticulous oversight, permitting access exclusively to authorized individuals in specific areas.

Way Forward

Moving forward SECP aims to further improve technology governance and continue its journey toward digital transformation. The focus will remain on the seamless implementation of LEAP business processes, ensuring stability of the LEAP Platform and its allied infrastructure, and continuing to improve business processes. Some of the major milestones on the horizon for SECP IS&TD include the deployment of the New Company Registry solution as well as the automation of business processes pertaining to licensing, regulatory approvals, supervision, adjudication, and litigation. Furthermore, SECP will embark on the implementation of an advanced Omnichannel Service Desk Management Solution (SDMS) that integrates multiple communication channels, including social media, WhatsApp, UAN, email, IVR, and a website, This initiative will ensure comprehensive tracking and efficient management of all customer interactions conducted through different channels, further enhancing the quality of service provided.

SUSTAINABILITY INSIGHTS ANNUAL REPORT

Strengthening Environment, Social & Governance parameters

ENVIRONMENTAL STEWARDSHIP

SECP SAVED 75 TREES BY CONSUMING 604,000 (30%) LESS PAPER SHEETS IN FY 2022-23

This also means saving

- 56,776 gallons of **water**
- Oxygen for 750 **people**

Owing to meetings online, cost saving in fuel consumption has been reduced by 5%

Day light savings:

Conventional 18-watts tube lights have been installed on all floors of the head office building. These lights are being replaced with 8-watts LED lights.

Motion sensors have been installed in rest rooms to save electricity cost.

Electric geysers on all floors of the Commission are turned off for energy conservation.

Timer switches installed for automatic on/off control of electrical lights and appliances

SUSTAINABILITY INSIGHTS ANNUAL REPORT

Social Interventions

Incorporating differently abled individuals in the workplace is crucial for enhancing DEI and widening talent pool.

Inclusion of people with Disabilities Inclusion of specially abled employees:
2%

Health & Fitness session for all including female employees

Work place safety is priority area and training program on Anti Sexual Harassment Laws were held

SECP in partnership with Mehergarh held an awareness Session on Respectful Workplace for all employees of SECP

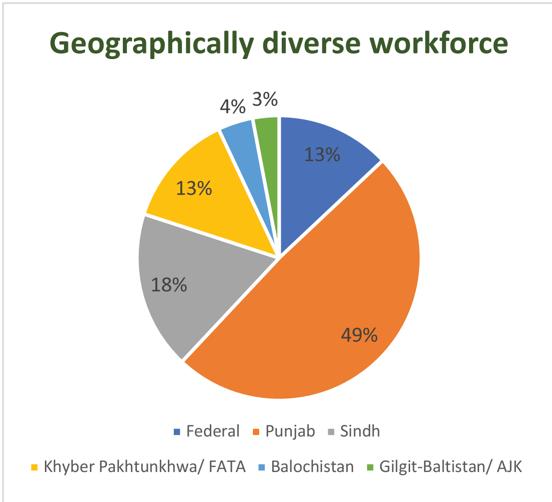
Strengthening Governance Pillar

Gender diversity and inclusion have been ensured at all level of management of SECP.

24%
Total percentage of female employees

21%
Females in management cadre

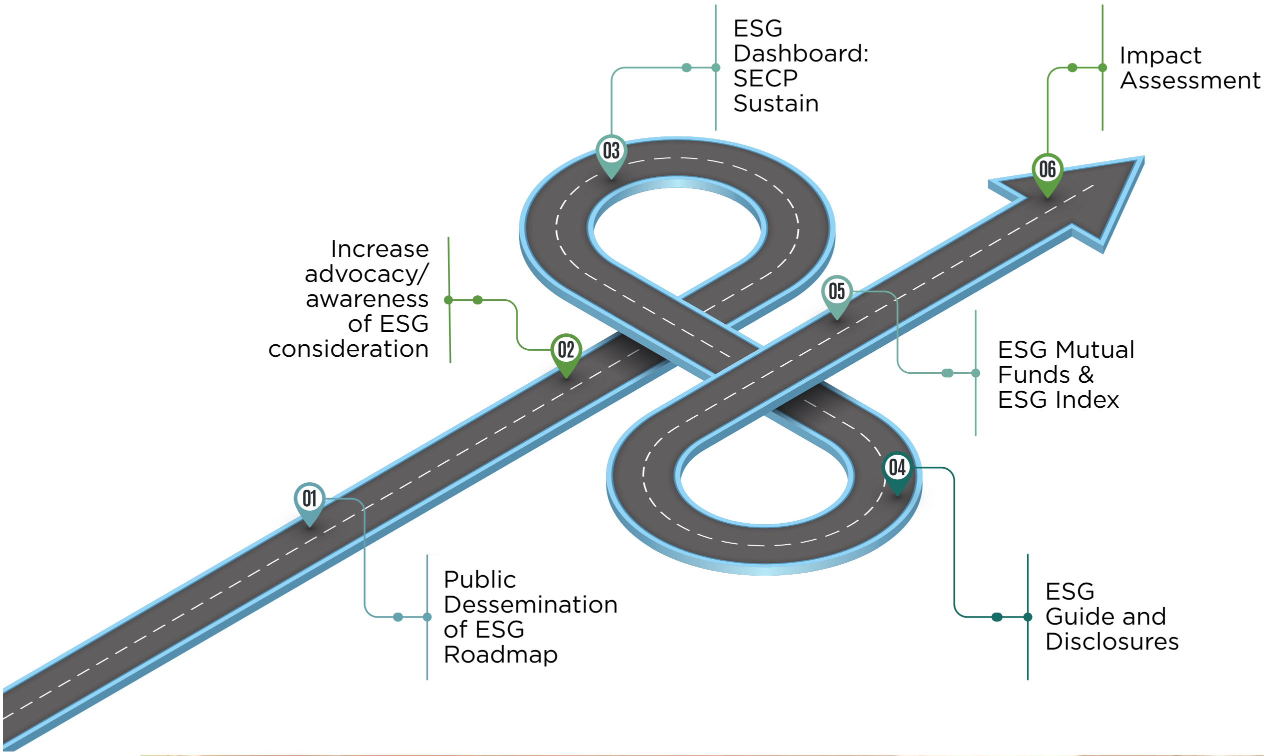
27%
Females in leadership roles



SECP continued its legacy of celebrating the International women's day on 8th March, 2023. Representation from all management cadre participated in an interactive session and shared their aspirations.

Regulatory priorities towards Sustainability

SECP published the position paper on ESG Regulatory roadmap in 2022 being the first consolidated effort focused on evolving landscape of ESG practices and way forward by specifying key milestones.



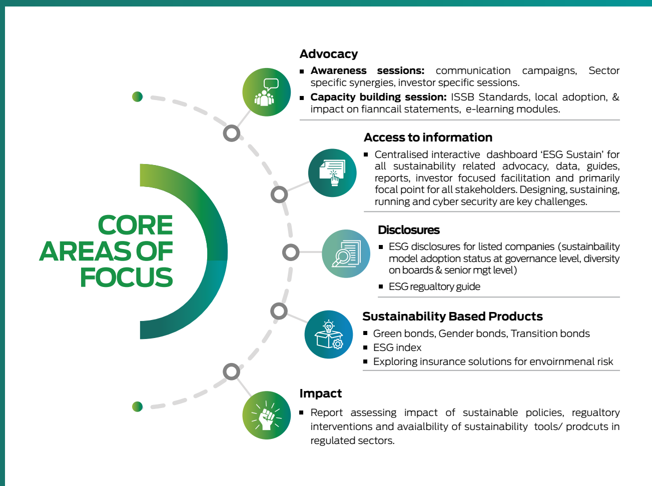
Premier ESG awareness session was organised by SECP in partnership with UN Women Pakistan in January 2023

SUSTAINABILITY INSIGHTS ANNUAL REPORT

Sustainability reporting capacity Building sessions for stakeholders as well as inhouse capacity building sessions were held by SECP in partnership with Institute of Chartered Accountants of Pakistan in May 2023

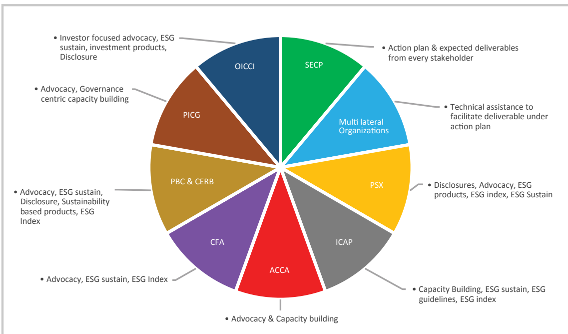
ESG Action Plan

In view of the consistent advocacy and capacity building sessions, ESG Action plan covering all regulated sectors was drafted and is under consultation with all key stakeholders. It is first cohesive and consolidated national level effort for aligning ESG initiatives under one roof.



Stakeholder Mapping for ESG Action plan

Stakeholders mapping based on strategic role of stakeholders for an integrated ESG ecosystem:



Statistics

Chart 1: Incorporation Trend

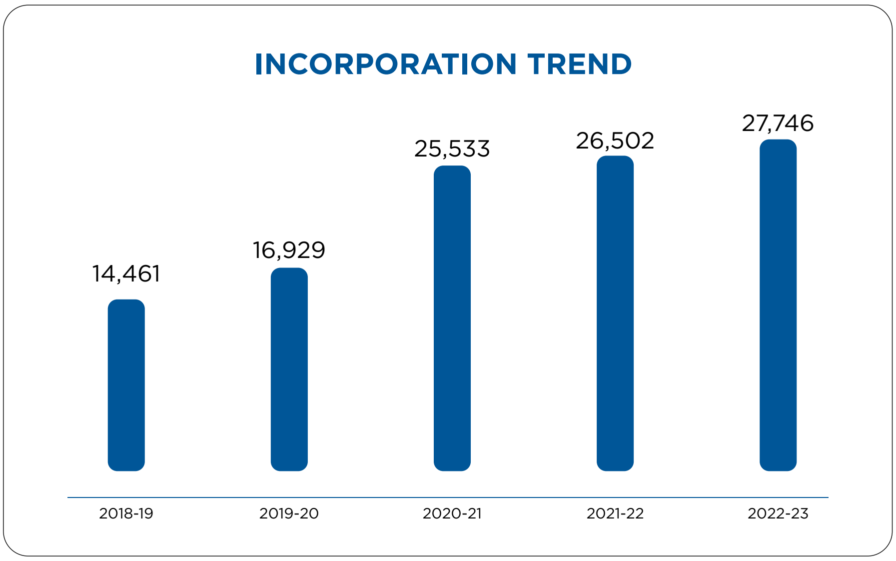


Table 1: Number and Types of Companies

Company Type	Total	Percentage
Public Unlisted Companies	75	0.27%
Private Companies	16030	57.77%
Single Member Companies	10949	39.46%
Associations under section 42	175	0.63%
Trade Organizations	10	0.04%
Foreign Companies	33	0%
Limited Liability Partnership	474	2%
Total	27746	

Table 2: Paid-up Capital wise breakup

As on 30-Jun-2023	
Paid up Capital	No.of Companies
<= 100000	113,000
Between 100001 and 1000000	45,802
Between 1000001 and 10000000	26,726
Between 10000001 and 100000000	7,581
Between 100000001 and 1000000000	2,638
>1000000000	721

Table 3: Sector Wise Distribution of New Incorporations

Top 20 sector in 2022-23		
S.No.	**SECTOR**	**NO. OF COMPANIES**
1	INFORMATION TECHNOLOGY - ALLIED (OTHER)	2,507
2	TRADING - ALLIED (OTHER)	2,160
3	CONSULTANCY SERVICES	1,701
4	CONSTRUCTION - ALLIED (OTHER)	1,249

5	REAL ESTATE DEVELOPMENT - ALLIED (OTHER)	1,226
6	SOFTWARE DEVELOPMENT	1,109
7	IMPORT / EXPORT	1,057
8	SERVICES - ALLIED (OTHER)	953
9	TOURISM	930
10	E-COMMERCE COMPANIES	910
11	REAL ESTATE MARKETING	889
12	EDUCATION - ALLIED (OTHER)	672
13	MARKETING AND ADVERTISEMENT	672
14	ENGINEERING	591
15	CONSTRUCTION	579
16	FOOD AND BEVERAGES - ALLIED (OTHER)	516
17	REAL ESTATE DEVELOPERS	501
18	FOOD	396
19	CALL CENTERS	390
20	MINING AND QUARRYING - ALLIED (OTHER)	380
	hardware	32
	unication	80

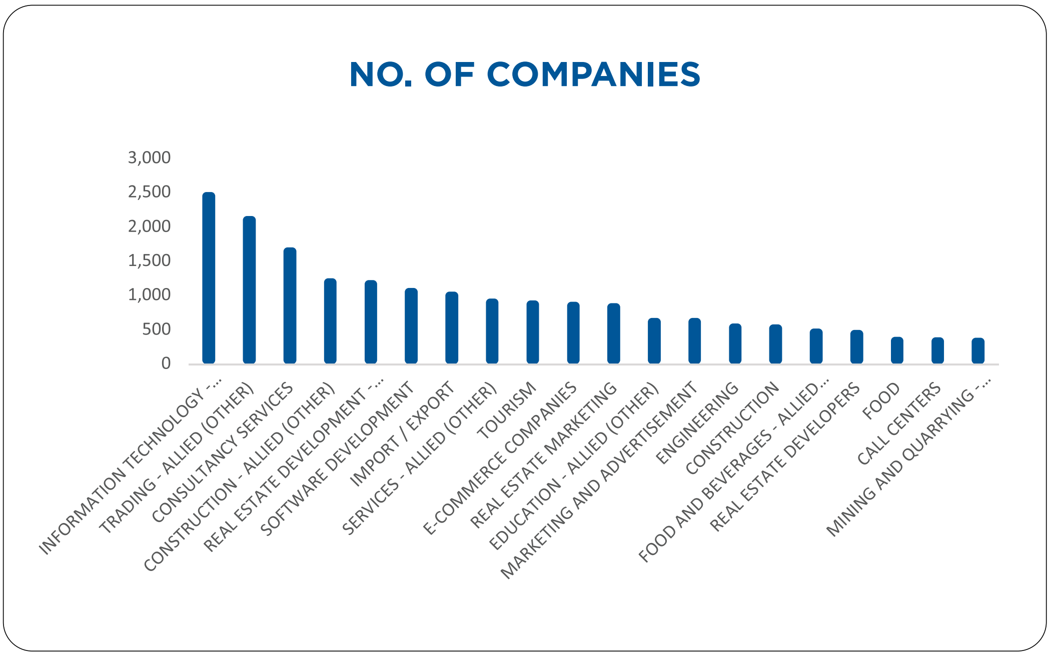


Table 4: Provincial Distribution

Company Type	Islamabad	Punjab	Baluchistan	KPK	Sindh	Gilgit Baltistan	Total
Total	9264	10904	538	2136	4251	653	27746

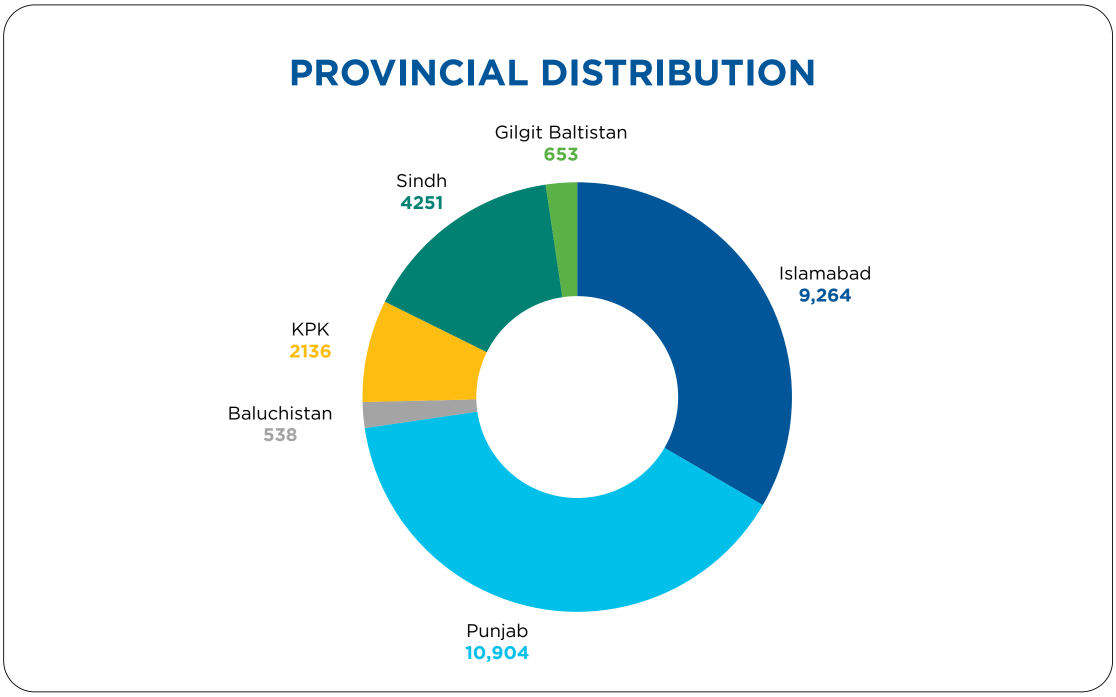


Table 5: No of Foreign Companies

Country of Origin	No. of Companies
China	8
UAE	3
UK	3
Azerbaijan	2
Hong Kong	2
Italy	2
Korea South	2
Singapore	2
Bahrain	1
Germany	1

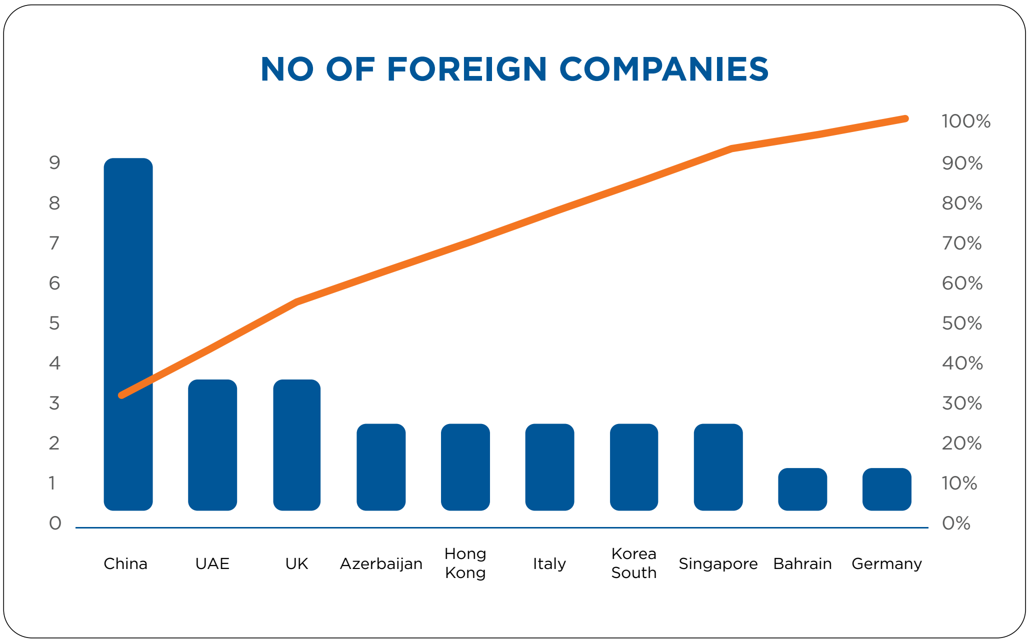
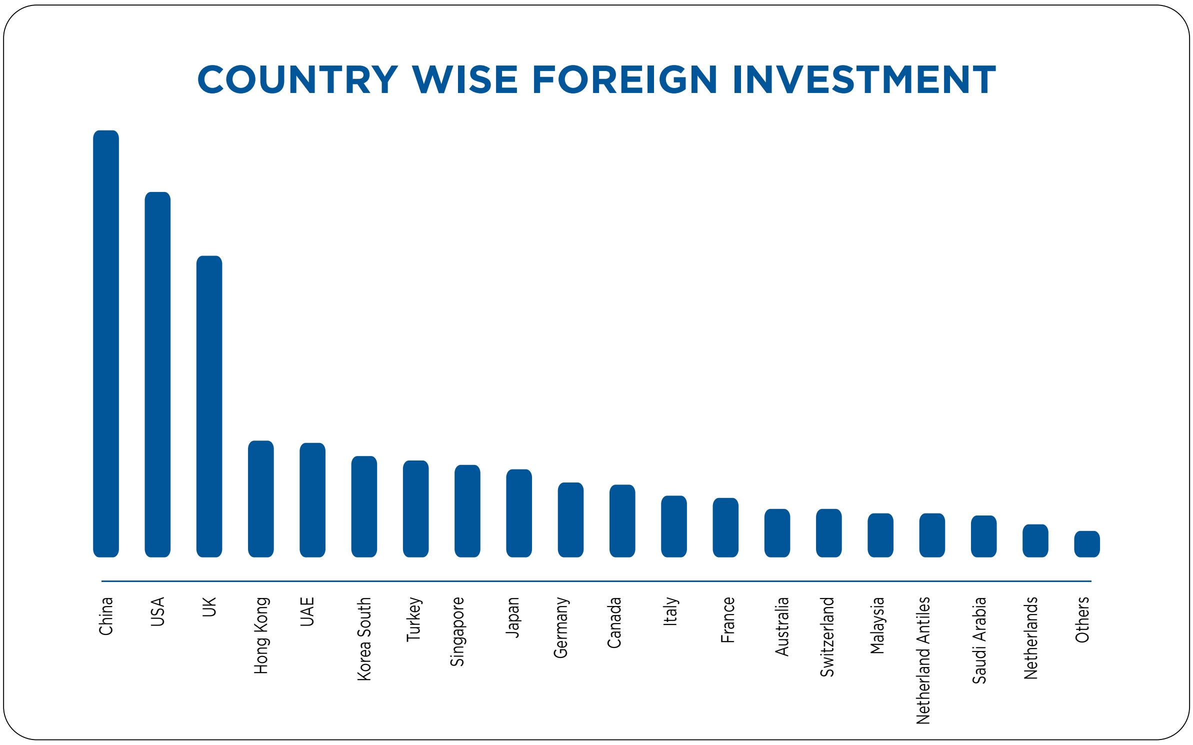


Table 6: Foreign Companies



Financials

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.

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

Hussain Chaudhury & Co.

Crowe Hussain Chaudhury & Co.
Chartered Accountants

Date: 31 OCT 2023
Place: Islamabad
UDIN: AR202310328WUICqwEmx

Crowe Hussain Chaudhury & Co. ★ Islamabad ★ Chartered Accountants

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023	2022 Restated	2021 Restated
		(Rupees in thousand)		
NON-CURRENT ASSETS				
Property and equipment	5	761,856	525,783	596,413
Right to use of assets	6	196,057	334,977	531,864
Intangible assets	7	127,757	114,494	134,277
Intangible assets- under develop software	8	-	105	18,724
Long term investments	9	3,408,113	1,048,046	1,037,058
Loans and advances	10	245,200	359,473	349,040
		4,738,983	2,382,878	2,667,376
CURRENT ASSETS				
Advances, deposits, prepayments and other receivables	11	1,343,369	242,327	237,092
Short term investments	12	1,256,389	2,327,525	2,121,474
Accrued profit on long term investment		111,813	26,668	26,668
Cash and bank balances	13	744,775	271,558	293,330
		3,456,346	2,868,078	2,678,564
CURRENT LIABILITIES				
Current maturity of lease liabilities	14	(167,604)	(195,056)	(180,056)
Accrued and other liabilities	15	(1,516,828)	(1,085,816)	(1,205,255)
Payable to Federal Consolidated Fund	16	(1,439)	(1,402)	(2,222)
		(1,685,871)	(1,282,274)	(1,387,533)
NET CURRENT ASSETS		1,770,475	1,585,804	1,291,031
NON-CURRENT LIABILITIES				
Provision for compensated absences	17	(197,229)	(167,488)	(206,535)
Provision for post retirement medical benefit	18	(156,253)	-	-
Deferred grant	19	(248,944)	-	-
Liability against assets subject to finance lease	20	(31,369)	(170,527)	(352,008)
		(633,795)	(338,015)	(558,543)
NET ASSETS		**5,875,663**	**3,630,667**	**3,399,864**
REPRESENTED BY:				
SECP Funds		**5,875,663**	**3,630,667**	**3,399,864**
CONTINGENCIES AND COMMITMENTS	21			

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, 2023

	Note	2023	2022 Restated
		(Rupees in thousand)	
INCOME			
Fees and other recoveries	22	4,665,651	3,192,040
Other income	23	858,769	427,249
		5,524,420	3,619,289
EXPENDITURE			
Salaries, allowances and other benefits	24	2,885,481	2,509,793
Operating expenses	25	751,321	571,102
Depreciation on tangible fixed assets	5	171,804	124,505
Depreciation on right to use of assets	6	170,644	213,593
Amortization of intangible assets	7	71,105	60,139
		4,050,355	3,479,132
EXCESS OF INCOME OVER EXPENDITURE BEFORE TAX		1,474,065	140,157
TAXATION	26	-	-
EXCESS OF INCOME OVER EXPENDITURE AFTER TAX FOR THE YEAR		1,474,065	140,157
OTHER COMPREHENSIVE INCOME			
Items which will not be subsequently reclassified to income and expenditure			
Actuarial gains on staff retirement funds		(134,415)	90,647
Related tax effect		-	-
Total other comprehensive income - net of tax		(134,415)	90,647
TOTAL COMPREHENSIVE INCOME		1,339,650	230,804

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, 2023

	Assets acquisition reserve	Reserve for loan to employees	Accumulated comprehensive surplus of income over expenditure	Total
	(Rupees in thousand)			
Balance as at July 01, 2021 as previously reported	2,679,864	720,000	-	3,399,864
Effect of restatement	-	-	-	-
Balance as at July 01, 2021 -restated	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 -restated	2,910,667	720,000	-	3,630,667
Balance as at July 01, 2022	2,910,667	720,000	-	3,630,667
Effect of restatement	-	-	-	-
Balance as at July 01, 2022 -restated	2,910,667	720,000	-	3,630,667
Comprehensive income:				
Excess of income over expenditure	-	-	1,474,065	1,474,065
Income Tax Refundable			905,346	905,346
Other comprehensive income	-	-	(134,415)	(134,415)
	-	-	2,244,996	2,244,996
Total comprehensive income	-	-	2,244,996	2,244,996
Transferred to asset acquisition reserve	1,544,996	-	(1,544,996)	-
Transferred to reserve for loan to employees	-	700,000	(700,000)	-
Balance as at June 30, 2023	4,455,663	1,420,000	-	5,875,663

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, 2023

	Note	2023	2022 Restated
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus of income over expenditure before tax		1,474,065	140,157
Adjustments for:			
- Depreciation on tangible assets		171,804	124,505
- Depreciation on right to use of asset		170,644	213,593
- Amortization		71,105	60,139
- Amortization of long term investment		(17,199)	(10,988)
- Provision for pension		41,606	125,681
- Provision for gratuity		108,897	97,624
- Provision for compensated absences		43,721	(26,499)
- Discounting / (unwinding of) discount on long term loans to employees - net		110,495	151,184
-Provision for employees post-retirement medical		157,041	-
- Interest income on short term investments		(307,392)	(181,481)
- Interest income on long term investments		(209,540)	(94,500)
- Discounting on operating lease liabilities		30,238	47,696
- Gain on sale of property and equipment		(11,802)	(9,257)
- Amortization of grant		(45,116)	-
		314,502	497,697
Operating income before working capital changes		1,788,567	637,854
Decrease/(increase) in advances, deposits, prepayments and other receivables		(1,099,701)	(2,578)
Increase in accrued and other liabilities		278,541	(151,684)
Increase in loans and advances		3,778	(161,616)
(Decrease)/increase in payable to Federal Consolidated Fund		37	(820)
Contribution to pension fund		(48,864)	-
Contribution to gratuity fund		(83,576)	(98,117)
Compensated absences encashed		(13,980)	(12,548)
Post retirement medical benefits encashed during the year		(788)	-
Interest paid on leased liabilities		(30,239)	(47,696)
Interest received on short term investments		306,946	198,670
Interest received on long term investments		124,392	94,500
Tax Refundable		905,346	
Taxes paid		(1,341)	(4,954)
		1,157,896	129,856
Net cash generated from operating activities		2,129,118	451,011
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment-net		(603,484)	(149,407)
Proceeds from sale of property and equipment		19,083	22,125
Transfers from capital work-in-progress		405,364	82,665
Transfer from intangible assets- under develop software-net		105	-
Right to use of assets-additions		(31,724)	(16,706)
Purchase of intangible assets - net		(7,347)	(21,737)
Short term investments - net		1,071,580	(223,241)
Long term investments		(2,342,868)	-
Net cash used in investing activities		(1,489,291)	(306,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance leased liabilities-net		(166,610)	(166,482)
Net cash generated from financing activities		(166,610)	(166,482)
Net increase in cash and cash equivalents		473,217	(21,772)
Cash and cash equivalents at beginning of the year		271,558	293,330
Cash and cash equivalents at end of the year	13	744,775	271,558

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

CHAIRMAN **COMMISSIONER**

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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

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, compensated absences and Employee Post Retirement Medical Benefit 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

3.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

Certain standards, amendments and interpretations to IFRS are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Commission's operations or are not expected to have significant impact on the Commission's financial statements other than certain additional disclosures;

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 37: Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IAS 16: Property, Plant and Equipment (Amendments)	January 1, 2022
Annual Improvement to IFRS Standards 2018-2020	January 1, 2022

3.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Commission's operations or are not expected to have significant impact on the Commission's financial statements other than

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 1: Presentation of Financial Statements (Amendments)	January 1, 2023
IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2023
IAS 12: Income Taxes (Amendments)	January 1, 2023
IAS 12: Deferred tax related to assets and liabilities arising from a single transaction (Amendments)	January 1, 2023
IFRS 16: Lease Liability in a Sale and Leaseback (Amendments)	January 1, 2024
IAS 1: Classification of liabilities as current or non-current (Amendments)	January 1, 2024
IAS 7: 'Statements of Cash Flows' and 'IFRS 7 'Financial Instruments disclosures' - Supplier Finance Arrangements (Amendments)	January 1, 2024

The Commission is in process to asses the impact of these amendments.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property and equipment

All items of property, plant and equipment are initially recorded at cost.

The cost of an item of property and equipment shall be recognized as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity; and

(b) the cost of an item can be measured reliably

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. Intangible assets are recognized if, and only if it is probable that future economic benefits attributable to the asset will flow to the entity, and its cost could be measured reliably.

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.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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 15.1 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, 2023.

(ii) Employee Post Retirement Medical Benefit

The Commission recognizes provision for Employee Post Retirement Medical Benefit payable to employees at the time of retirement/ termination of service.

The provision for Employee Post Retirement Medical Benefit Plan is determined on the basis of actuarial recommendations using "Projected Unit Credit Method". The most recent actuarial valuation was conducted on June 30, 2023.

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 the property and equipment are included in non current liabilities as deffered grant and are credited statement of comprehensive income on straight line basis over the expected lives of the 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 15.3 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

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:

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

- 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

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5 PROPERTY, PLANT AND EQUIPMENT - OWNED

Description	Leasehold Land	Buildings	Leasehold Improvements	Office Equipments	Other Equipments	Computers	Furniture & Fixture	Vehicles	SubTotal	CWIP	Total
					(Rupees in thousand)						
Year ended June 30, 2023											
Net carrying value basis											
Opening net book value	200,455	3,124	8,166	20,757	-	92,414	16,576	182,480	523,972	1,810	525,783
Additions (at cost)	-	-	9,014	25,694	-	245,484	9,748	115,424	405,364	415,159	820,523
Disposals /Transfer											
Cost	-	-	(2)	(3,750)	-	(13,927)	(1,234)	(80,352)	(99,265)	(405,366)	(504,631)
Accumulated Depreciation	-	-	2	3,750	-	12,965	1,191	74,077	91,985	-	91,985
Net book value	-	-	-	-	-	(962)	(43)	(6,275)	(7,280)	(405,366)	(412,646)
Depreciation charge	(2,140)	(319)	(4,593)	(15,236)	-	(71,438)	(7,598)	(70,480)	(171,804)	-	(171,804)
Closing net book value	198,315	2,805	12,587	31,215	-	265,498	18,683	221,149	750,252	11,603	761,856
Gross carrying value basis											
Cost	211,790	39,577	149,543	145,483	16,886	498,616	76,206	401,856	1,539,957	11,603	1,551,561
Accumulated depreciation	(13,475)	(36,772)	(136,956)	(114,268)	(16,886)	(233,118)	(57,523)	(180,707)	(789,705)	-	(789,705)
Net book value	198,315	2,805	12,587	31,215	-	265,498	18,683	221,149	750,252	11,603	761,856
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)	(49)	(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	200,455	3,124	8,166	20,757	-	92,414	16,576	182,480	523,972	1,810	525,783
Gross carrying value basis											
Reclassified Cost	211,790	39,577	140,190	123,548	16,886	268,992	67,707	366,782	1,235,472	1,810	1,237,281
Accumulated depreciation	(11,334)	(36,453)	(132,023)	(102,791)	(16,886)	(176,577)	(51,131)	(184,302)	(711,499)	-	(711,499)
Net book value	200,455	3,124	8,166	20,757	-	92,414	16,576	182,480	523,972	1,810	525,783
	99 years	5%	20%	30%	20%	20%/ 25%/33%	10%	20%			

		2023	2022
5.1	Depreciation on assets received from Karandaaz	33,299	-
	Depreciation on other assets	138,505	124,505
	Depreciation for the year	171,804	124,505

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	2023	2022
6 RIGHT TO USE OF ASSETS	**(Rupees in thousand)**	
Opening balance- Leasehold Building	580,406	624,074
Additions during the year	78,724	16,706
Disposals during the year	(6,031)	(60,374)
Adjustment	(47,000)	-
Closing balance	606,099	580,406
Opening balance- Accumulated amortization	245,429	92,210
Amortization for the year	170,644	213,593
Disposals during the year	(6,031)	(60,374)
Closing balance	410,042	245,429
Net book value as at year end	196,057	334,977
Rate of Amortization	Over lease term	Over lease term

	2023	2022
7 INTANGIBLES ASSETS	**(Rupees in thousand)**	
Opening balance- Softwares	326,992	286,636
Additions during the year	77,021	21,737
Transfer	7,347	7,990
Reclassification	-	10,629
Closing balance	411,360	326,992
Opening balance- Accumulated amortization	212,498	152,359
Amortization for the software received for Leap project	11,817	-
Amortization for the year on other intangible assets	59,288	60,139
Closing balance	283,603	212,498
Net book value as at year end	127,757	114,494
Amortization rate (%) per annum	25% / 20%	25%

	2023	2022
8 INTANGIBLE ASSETS- UNDER DEVELOP SOFTWARE	**(Rupees in thousand)**	
Opening balance	105	18,724
Additions during the year	7,347	-
Transfer	(7,452)	(7,990)
Reclassification	-	(10,629)
Closing balance	-	105

		2023	2022
9 LONG TERM INVESTMENTS		**(Rupees in thousand)**	
Long term investment	9.1	3,408,113	1,048,046
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)
		3,408,113	1,048,046

9.1 This represents the investment in Pakistan Investment Bonds (PIB's) both fixed and floating rate. The rate of mark up for fixed rate Pakistan Investment Bonds (PIB's) is 10% per annum with maturity in 2025 and the rate of markup for floating rate Pakistan Investment Bonds (PIB's) varies quarterly and semi annually with maturity from 2024 to 2028. The investment has been accounted at amortised cost.

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

This represents 73.68% (2022: 73.68%) investment in issued, subscribed and paid-up capital of Institute of Financial Markets of Pakistan (the Institute) representing 5,600 (2022: 5,600) ordinary shares of Rs 5,000 (2022: 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 (2022: 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, 2023, 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%**	**73.68%**
		Un Audited	**Audited**
Non current assets		4,790	26,362
Current assets (including cash and cash equivalents)		27,018	13,517
Total assets		31,808	39,878
Non-current liabilities		4,699	5,934
Current liabilities		4,285	5,547
Total liabilities		8,984	11,481
Net assets at fair value (100%)		22,824	28,397
Commissions share of net assets (73.68%)		16,817	20,923
Impairment loss on investment		(28,000)	(28,000)
Share in loss and assets not recognized		11,183	7,077
Carrying amount of interest in associate	9.3	-	-
Revenue		26,285	27,575
(Loss) from continuing operations (100%)		(6,387)	(3,526)
Other comprehensive income (100%)		814	(1,091)
Total comprehensive (loss) (100%)		(5,573)	(4,617)
Commissions share of total comprehensive (loss)		(4,106)	(3,402)

The information presented above for current year is based on unaudited financial statements of the Institute for the year ended June 30, 2023.

9.3 The carrying amount of interest in associate in the Commission's financial statements is Nil (2022: 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.

		2023	**2022**
10 LOANS AND ADVANCES		**(Rupees in thousand)**	
Loans and advances - considered good			
Interest Bearing		20,112	28,784
Non-Interest Bearing	10.1	761,031	714,423
		781,143	743,207
Less: Current portion of loans and advances			
Interest Bearing		(3,803)	(4,906)
Non-Interest Bearing		(152,882)	(110,065)
	11	(156,685)	(114,971)
Non-Current portion of loans and advances		624,458	628,236
Less: Provision for imputed interest on loans and advances		(379,258)	(268,763)
Non-Current portion of loans and advances-net		245,200	359,473

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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 2035 . 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.

11	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		2023	2022
			(Rupees in thousand)	
	Current portion of loans and advances - considered good	10	156,685	114,971
	Short term loans to employees - secured, considered good	11.1	8,168	5,764
	Advances		78,010	20,002
	Deposits		3,967	3,976
	Prepayments		73,035	24,892
	Advance tax - net	11.2	9,464	8,122
	Fee receivable - considered good		61,762	17,625
	Advances receivable	11.3	27,223	27,223
	Other receivables - considered good		19,709	19,751
	Tax refund receivable	11.4	905,346	-
			1,343,369	242,327

11.1 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.

11.2	Advance income tax / income tax payable - net	2023	2022
		(Rupees in thousand)	
	Opening balance	8,122	3,169
	Tax charge for the year:		
	Income and expenditure account	-	-
	Other comprehensive income	-	-
		-	-
	Tax paid during the year	1,341	4,954
	Closing balance	9,464	8,122

11.3 This includes an amount of Rs. 19,425,000 (2022: 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. Moreover Sindh Board of Revenue has refunded Rs 7,798,000/- dated August 29, 2023.

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11.4 The Commission 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 "AdCIT"] 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 Supreme Court of Pakistan has also decided the matter in favour of the Commission by upholding the orders of the IHC. Commission has filed application for refund.

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.

			2023	2022
12	**SHORT TERM INVESTMENTS**		**(Rupees in thousand)**	
	Government Treasury Bills (T-Bills)	12.1	1,256,389	2,327,525

12.1 This includes T-bills having maturity of one year and carry rate of mark-up ranging from 15.69% to 22% (2022:7.20 % to 13.64%) per annum.

			2023	2022
13	**CASH AND BANK BALANCES**		**(Rupees in thousand)**	
	Cash in hand		727	601
	Cash at bank - interest bearing accounts	13.1	744,048	270,956
			744,775	271,558

13.1 These carry mark-up ranging from 11.92% to 15.63% (2022: 5.5% to 12.3%) per annum.

		2023	2022
14	**CURRENT MATURITY OF LEASE LIABILITIESS**	**(Rupees in thousand)**	
	Current Maturity Of Lease Liabilities	167,604	195,056

			2023	2022
15	**ACCRUED AND OTHER LIABILITIES**		**(Rupees in thousand)**	
	Accrued Expenses		65,935	49,469
	Performance based incentives payables		394,374	429,714
	Accounts payable		14,642	17,461
	Withholding tax payable		77	729
	Payable to staff retirement funds	15.1	267,447	114,969
	Unearned income	15.3	408,230	78,515
	Levies payable to Competition Commission of Pakistan		350,307	381,427
	Other liabilities		15,816	13,532
			1,516,828	1,085,816

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			2023	2022
15.1	**Payable to staff retirement funds**		(Rupees in thousand)	
	Gratuity fund	15.1.1	64,536	66,105
	Pension fund	15.2.1	202,911	48,864
			267,447	114,969

			2023	2022
15.1.1	**Changes in net liability - gratuity fund**		(Rupees in thousand)	
	Opening balance		66,105	82,724
	Charge during the year	15.1.2	108,897	97,624
	Other comprehensive income / (loss)	15.1.3	(26,890)	(16,126)
	Payments made during the year		(66,104)	(98,117)
	Benefit paid on behalf of fund		(17,472)	-
	Closing balance	15.1.4	64,536	66,105

		2023	2022
15.1.2	**Amount charged to Statement of Income and Expenditure and Other Comprehensive Income**	(Rupees in thousand)	
	Current service Cost	104,517	94,173
	Interest cost on defined benefit obligation	166,789	115,430
	Interest income on plan assets	(162,409)	(111,979)
		108,897	97,624

		2023	2022
15.1.3	**Amount charged to Other Comprehensive Income**	(Rupees in thousand)	
	Premeasurement (loss) - Experience adjustment	(28,676)	(12,256)
	Gain on plan assets, excluding interest income	1,786	28,382
		(26,890)	16,126

			2023	2022
15.1.4	**Reconciliation of amounts recognized in the balance sheet**		(Rupees in thousand)	
	Present value of defined obligations	15.1.5	1,458,115	1,304,074
	Fair value of plan assets	15.1.6	(1,393,579)	(1,237,969)
			64,536	66,105

		2023	2022
15.1.5	**Movement in Present value of defined obligation**	(Rupees in thousand)	
	Present value of defined obligations at beginning of the year	1,304,074	1,170,073
	Current service cost	104,517	94,173
	Interest cost	166,789	115,430
	Benefit paid	(88,589)	(87,858)
	Experience adjustment	(28,676)	12,256
	Obligation at end of the year	1,458,115	1,304,074

Principle actuarial assumptions

	2023	2022
Assumption used to determine Defined Benefit Obligation		
a: Discount Rate	16.25%	13.50%
b: Salary increase rate (Long term)	14.25%	11.50%
Assumption used to determine Defined Benefit Cost		
a: Discount Rate	13.25%	12.50%
b: Salary increase rate (Long term)	11.25%	10.50%

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:

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	Increase	Increase
Discount rate (1% movement)	1,340,808	1,200,886
Future salary growth (1% movement)	1,595,476	1,430,327

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	24,459	57,270
Year 2	136,975	134,633
Year 3	129,407	102,089
Year 4	67,359	55,557
Year 5	337,890	224,446
Year 6 to Year 10	1,427,838	798,986

15.1.6 Movement in Fair value of plan assets		2023	2022
		(Rupees in thousand)	
Fair value plan assets at beginning of the year		1,237,969	1,087,349
Interest income on plan assets		162,409	111,979
Contributions		83,576	98,117
Benefit paid		(88,589)	(87,858)
Return on plan assets, excluding interest income		(1,786)	28,382
Fair value of plan assets at end of the year	15.1.7	1,393,579	1,237,969

15.1.7 Break-up of plan assets	2023	2022
	(Rupees in thousand)	
Treasury Bills	1,322,693	174,051
Pakistan Investment Bonds - PIB's	-	1,003,905
Bank accounts	70,886	60,013
	1,393,579	1,237,969

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.

15.2.1 Changes in net liability - pension fund		2023	2022
		(Rupees in thousand)	
Opening balance		48,864	(2,296)
Charge during the year	15.2.2	41,606	125,681
Other comprehensive income / (loss)	15.2.3	161,305	(74,521)
Payments made during the year		(48,864)	-
Closing balance	15.2.4	202,911	48,864

15.2.2 Amount charged to Statement of Income and Expenditure and Other Comprehensive Income	2023	2022
	(Rupees in thousand)	
Past service cost	-	88,861
Current service Cost	35,853	35,109
Interest cost on defined benefit obligation	254,097	179,421
Interest income on plan assets	(248,344)	(177,710)
	41,606	125,681

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15.2.3 Amount charged to Other Comprehensive Income	2023 (Rupees in thousand)	2022 (Rupees in thousand)
Premeasurement gain / - Experience adjustment	(41,208)	30,804
Gain on plan assets, excluding interest income	202,513	43,717
	161,305	74,521

15.2.4 Reconciliation of amounts recognized in the balance sheet		2023 (Rupees in thousand)	2022 (Rupees in thousand)
Present value of defined obligations	15.2.5	2,106,086	1,978,079
Fair value of plan assets	15.2.6	(1,884,189)	(1,910,229)
Present value of transfer amount		(18,986)	(18,986)
		202,911	48,864

15.2.5 Movement in Present value of defined obligation	2023 (Rupees in thousand)	2022 (Rupees in thousand)
Present value of defined obligations at beginning of the year	1,978,079	1,776,420
Present value of transfer amount at beginning of the year	-	18,986
Current service cost	35,853	35,109
Interest cost	254,097	179,421
Past service cost	-	88,861
Benefit paid	(120,735)	(89,914)
(Gain) on obligation	(41,208)	(30,804)
Obligation at end of the year	2,106,086	1,978,079

Principle actuarial assumptions

Assumption used to determine Defined Benefit Obligation		
a: Discount Rate	16.25%	13.50%
b: Salary increase rate (Long term)	14.25%	11.50%
c: Pension Indexation Rate	11.25%	8.50%
Assumption used to determine Defined Benefit Cost		
a: Discount Rate	13.25%	12.50%
b: Salary increase rate (Long term)	11.25%	10.50%
c: Pension Indexation Rate	8.25%	7.50%

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)	1,921,644	1,868,526
Future salary growth (1% movement)	2,166,947	2,044,079
Pension rate (1% movement)	2,272,252	2,042,165

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	83,365	150,051
Year 2	172,843	178,253
Year 3	136,519	130,499
Year 4	238,718	226,008
Year 5	224,807	199,463
Year 6 to Year 10	1,705,969	1,251,371

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		2023	2022
15.2.6 Movement in Fair value of plan assets		**(Rupees in thousand)**	
Fair value plan assets at beginning of the year		1,910,229	1,778,716
Interest income on plan assets		248,344	177,710
Contributions		48,864	-
Benefit paid		(120,735)	(89,914)
Return on plan assets, excluding interest income		(202,513)	43,717
Fair value of plan assets at end of the year	15.2.7	1,884,189	1,910,229

	2023	2022
15.2.7 Break-up of plan assets	**(Rupees in thousand)**	
Pakistan Investment Bonds - PIB's	-	1,449,291
Treasury Bills	1,851,272	391,614
Bank accounts	32,917	69,323
	1,884,189	1,910,229

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.

15.3 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.

		2023	2022
16 PAYABLE TO FEDERAL CONSOLIDATED FUND		**(Rupees in thousand)**	
Balance at the beginning of the year		1,402	2,222
Penalties collected during the year	16.1	30,316	32,641
Penalties deposited to the Fund during the year		(30,279)	(33,461)
Balance at the end of the year		1,439	1,402
16.1 Penalties collected during the year			
Company Law Division		22,753	16,488
Insurance Division		2,538	2,698
Securities Market Division		3,600	1,545
Specialized Companies Division		1,425	11,910
		30,316	32,641

16.2 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:

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16.3	Accumulated surplus transferred to the Fund	2,244,996	230,804
	Less: Transfer to reserve for loan to employees	(700,000)	-
	Less: Amount retained against actual and budgeted capital expenditures	(1,544,996)	(230,804)
	Payable to the Fund	-	-

The Commission has transferred Rs 700,000 thousand and Rs. 1,544,996 thousand from the accumulated surplus to reserve for loan to employees and asset acquisition reserve respectively (2022: Rs. 230,804 thousand and Nil respectively). The Commission believes that loan to employees are eligible deduction under the Act.

			2023	2022
17	**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		167,488	206,535
Income for the year	17.1	43,721	(26,499)
Encashed during the year		(13,980)	(12,548)
Obligation at end of the year	17.2	197,229	167,488

		2023	2022
17.1	**Amount charged to Statement of Income and Expenditure**	**(Rupees in thousand)**	
	Past service cost	-	(43,593)
	Current service Cost	1,020	1,520
	Interest cost on defined benefit obligation	21,266	20,527
	Interest income on plan assets	21,435	(4,953)
		43,721	(26,499)

			2023	2022
17.2	**Reconciliation of amounts recognized in the balance sheet**		**(Rupees in thousand)**	
	Present value of defined obligations	17.3	197,229	167,488
	Fair value of plan assets		-	-
			197,229	167,488

		2023	2022
17.3	**Movement in Present value of defined obligation**	**(Rupees in thousand)**	
	Present value of defined obligations at beginning of the year	167,488	206,535
	Current service cost	1,020	1520
	Interest cost	21,266	20,527
	Past service cost	-	(43,593)
	Benefit paid	(13,980)	(12,548)
	Loss or (Gain)on obligation	21,435	(4,953)
	Obligation at end of the year	197,229	167,488

Principle actuarial assumptions

Latest actuarial valuation was carried out as at 30 June 2023 using Projected Unit Credit Method.

Assumption used to determine Defined Benefit Obligation		
a: Discount Rate	16.25%	13.50%
b: Salary increase rate (Long term)	14.25%	11.25%
Assumption used to determine Defined Benefit Cost		
a: Discount Rate	13.25%	12.50%
b: Salary increase rate (Long term)	11.25%	11.25%

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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)	181,615	155,136
Future salary growth (1% movement)	215,301	182,481

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.

The plan exposes the Commission to various actuarial risks: salary risk and longevity risk from the compensated absences plan.

			2023	2022
18	**PROVISION FOR POST RETIREMENT MEDICAL BENEFIT**		Rupees	

This represents the Commission's liability towards employees' post retirement medical benefit which is reimbursement of hospitalization charges as per policy approved by Commission to eligible employees after retirement.

		2023	2022
Obligation at beginning of the year		-	-
Expense for the year	18.1	157,041	-
Encashed during the year		(788)	-
Obligation at end of the year	18.3	156,253	-

		2023	2022
18.1	**Amount charged to Statement of Income and Expenditure**	**(Rupees in thousand)**	
	Current service Cost	8,788	-
	Interest cost on defined benefit obligation	148,253	-
		157,041	-

			2023	2022
18.2	**Reconciliation of amounts recognized in the balance sheet**		**(Rupees in thousand)**	
	Present value of defined obligations	18.3	156,253	-
	Fair value of plan assets		-	-
			156,253	-

		2023	2022
18.3	**Movement in Present value of defined obligation**	**(Rupees in thousand)**	
	Present value of defined obligations at beginning of the year	-	-
	Current service cost	8,788	-
	Past service cost	148,252	-
	Benefit paid	(787)	-
	Obligation at end of the year	156,253	-

Principle actuarial assumptions

Latest actuarial valuation was carried out as at 30 June 2023 using Projected Unit Credit Method.

	2023	2022
Assumption used to determine Defined Benefit Obligation		
a: Discount Rate	16.25%	-
b: Rate of medical increase	16.25%	-
Assumption used to determine Defined Benefit Cost		
a: Discount Rate	13.25%	-
b: Rate of medical increase	13.25%	-

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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)	142,633	-
Future medical increase rate (1% movement)	173,346	-

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.

The plan exposes the Commission to various actuarial risks: medical risk and longevity risk from the post retirement medical plan.

19 DEFERRED GRANT		2023	2022 Restated
		(Rupees in thousand)	
Opening balance		-	-
Grants in kind received during the year	19.1	294,060	-
Amortization of grant		(45,116)	-
Closing balance		248,944	-

19.1 SECP is in the process of implementing its project titled 'Leading efficiency through Automation Prowess' (LEAP) to transform the Commission as role-model regulator through end-to-end automation, digitization, transparency and fairness, while delivering a world class experience to its stakeholders. On November 15, 2019, SECP with approval of State Bank of Pakistan's (SBP) Financial Inclusion Program (FIP) Technical Committee entered into a Framework agreement with Karandaaz for implementation of the LEAP project that will use funds provided by FIP, that is a grant program funded by UK's DFID for implementation of LEAP project. Pursuant to Clause 10.2 of the framework agreement Karandaaz Pakistan shall complete the scope of work and shall be responsible for all expenses under the agreement to the extent of funds transferred to Karandaaz from SBP, being FIP Secretariat, for the project under the tripartite MOU. The project is expected to be completed by December 2024 at total amount of Rs. 1,440,000 thousand out of which Rs. 708,743 thousand has been received at reporting date in the form of assets and service and consultancy cost of Leap project.

20 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE	2023	2022
	(Rupees in thousand)	
The minimum lease payments under finance leases fall due as follows:		
within one year	183,123	223,727
later then one year but within five years	33,749	178,704
	216,872	402,432
Less: Financial charges allocated to the future periods	(17,899)	(36,849)
Net lease obligation	198,973	365,583
Less: Current Portion shown under current liabilities	(167,604)	(195,056)
	31,369	170,527

20.1 The weighted-average incremental rate applied to lease liabilities recognized during ranging from 15.47% to 18.42% per annum

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

(i) Certain companies / individuals filed suits against the Commission in respect of claims aggregating to Rs. 8,913 million (2022: 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.

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(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.

21.2 **Commitments**

Aggregate off balance sheet commitments in respect of capital expenditures aggregating to Rs. 84,572,781 (2022: Nil) and revenue expenditures aggregating to Rs. 19,969,930 (2022: Nil).

			2023	2022
22	**FEES AND OTHER RECOVERIES**		(Rupees in thousand)	
	Fees and other recoveries	22.1	4,809,949	3,290,766
	less: Competition Commission of Pakistan levy		(144,298)	(98,726)
			4,665,651	3,192,040
22.1	Company Law Division		3,648,592	2,244,910
	Insurance Division		438,318	400,151
	Securities Market Division		332,959	305,507
	Specialized Companies Division		390,080	340,199
			4,809,949	3,290,766

			2023	2022 Restated
23	**OTHER INCOME**		(Rupees in thousand)	
	Income from financial assets			
	Income on bank deposits		63,905	54,270
	Income on investments		499,733	275,979
	Amortization income of Pakistan Investment Bonds (PIBs)		17,199	10,988
			580,837	341,237
	Income from non financial assets			
	Gain on sale of property and equipment		11,802	9,257
	Miscellaneous income		3,068	1,943
	Amortization of grant		45,116	-
	Grant income	23.1	217,946	74,812
			858,769	427,249

23.1 Service and Consultancy Costs related to current year have been recognised as expense and corresponding grant income for the year.

		2023	2022
24	**SALARIES, ALLOWANCES AND OTHER BENEFITS**	(Rupees in thousand)	
	Salaries	876,352	776,116
	House rent allowance	521,832	454,271
	Medical allowance	177,729	140,660
	Conveyance allowance	25,329	23,144
	Utility allowance	86,967	75,712
	Other allowance	770,982	776,434
	Provision for pension	41,606	125,681
	Provident fund contribution	75,025	66,650
	Provision for gratuity	108,897	97,624
	Provision for compensated absences	43,721	(26,499)
	Provision for employees post-retirement medical	157,041	-
		2,885,481	2,509,793

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			2023	2022
				Restated
25	OPERATING EXPENSES		(Rupees in thousand)	
	Repair and maintenance		110,143	118,103
	Support Staff cost	x	150,270	127,091
	Travelling and conveyance		34,076	38,532
	Telephone, postage and courier		32,451	29,194
	Utilities		43,217	30,492
	Rent and rates		9,910	6,278
	Discounting on operating lease liabilities		30,238	47,696
	Printing and stationery		23,491	27,513
	Legal and professional charges		8,642	7,396
	Fees and subscription		29,392	8,160
	Human resource development		14,562	23,933
	Insurance		20,384	10,306
	Advertisement		4,381	5,514
	Entertainment		6,062	5,044
	Audit fee	25.1	521	521
	Others		15,635	10,517
	Service and consultancy costs of leap project		217,946	74,812
			751,321	571,102

		2023	2022
25.1	Audit fee		
	Annual audit fee	417	417
	Audit fee for employee benefits fund trusts	104	104
		521	521

26 TAX STATUS

(i) The assessment of the Commission for the Tax Years 2008 through 2022 has been finalized under the self-assessment scheme envisaged in the Ordinance.

(ii) 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.

(iii) 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.

(iv) 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.

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(v) 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.

(vi) 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.

(vii) 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(A0 against the amended assessment order for the Tax, Year 2016, which is subjudice as of to-date. Further, the managment of SECP is in process of filing of appeal for the Tax Year 2019.

(viii) The tax authority has issued Show-Cause Notice to amend the assessment of the Commission, for the Tax Year 2020, thereby, disallowing adjustment of tax refundable for prior years against the tax liability for the Tax Year 2020. The Commission has filed a detailed reply with the tax authority, however, no order has been passed, so far.
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 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.

		2023	2022
27	**FINANCIAL INSTRUMENTS BY CATEGORY**	**(Rupees in thousand)**	
	Financial Assets at amortized cost		
	Maturity up to one year		
	Advances, deposits and prepayments	1,335,993	209,312
	Short term investments	1,256,389	2,327,525
	Accrued profit on long term investment	111,813	26,668
	Cash and bank balances	744,775	271,558
		3,448,970	2,835,063
		2023	**2022**
		(Rupees in thousand)	
	Maturity after one year		
	Long term investments	3,408,113	1,048,046
	Loans and advances	245,200	359,473
		3,653,313	1,407,519
		7,102,283	4,242,582
	Financial liabilities at amortized cost		
	Maturity up to one year		
	Accrued and other liabilities	1,108,378	1,007,301
	Current maturity of lease liabilities	167,604	195,056
	Payable to Federal Consolidated Fund	1,439	1,402
		1,277,421	1,203,759
	Maturity after one year		
	Liability against assets subject to finance lease	31,369	170,527

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.

		2023	2022
		(Rupees in thousand)	
Advances, deposits and prepayments			
Counterparties without external credit rating:	A-1+	1,335,993	209,312
Short term investments			
Counterparties without external credit rating:	A-1+	1,256,389	2,327,525
Accrued profit on long term investments			
Counterparties without external credit rating:	A-1+	111,813	26,668
Cash and bank balances			
Counterparties without external credit rating:	A-1+	744,775	271,558

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 analyse 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.

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:

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	2023	2022
	(Rupees in thousand)	
Loans and advances	245,200	359,473
Advances, deposits and other receivables	1,335,993	209,312
Short term investments	1,256,389	2,327,525
Accrued profit on long term investments	111,813	26,668
Cash at banks	744,048	270,956
	3,693,443	3,193,934

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 4,583,174 thousand (2022: Rs 3,270,973 thousand) (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:

	2023	2022
	(Rupees in thousand)	
Financial liabilities		
Maturity up to one year		
Accrued and other liabilities	1,108,378	1,007,301
Current maturity of lease liabilities	167,604	195,056
Payable to Federal Consolidated Fund	1,439	1,402
	1,277,421	1,203,759
Maturity after one year		
Liability against assets subject to finance lease	31,369	170,527

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:

	2023	2022
	(Rupees in thousand)	
a) Fixed rate instruments		
Cash at bank	744,048	270,956
Short term investment	1,256,389	2,327,525
	2,000,437	2,598,481

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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.

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 in its entirety.

	June 30, 2023		June 30, 2022	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets not measured at fair value				
Loans and advances	624,458	624,458	628,236	628,236
Advances, deposits and other receivables	1,335,993	1,335,993	209,312	209,312
Short-term investments	1,256,389	1,256,389	2,327,525	2,327,525
Accrued profit on long term investments	111,813	111,813	26,668	26,668
Cash and bank balances	744,048	744,048	270,956	270,956
	4,072,701	4,072,701	3,462,696	3,462,696

	June 30, 2023		June 30, 2022	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial liabilities not measured at fair value				
Accrued and other liabilities	1,108,378	1,108,378	1,007,301	1,007,301
Current maturity of lease liabilities	167,604	167,604	195,056	195,056
Payable to Federal Consolidated Fund	1,439	1,439	1,402	1,402
Liability against assets subject to finance lease	31,369	31,369	170,527	170,527
	1,308,790	1,308,790	1,374,286	1,374,286

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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	2023	2022
			(Rupees in thousand)	
Commissioners	Key management	Loan disbursed	6,759	8,855
		Loan repaid	(4,380)	(2,772)
		Outstanding balance	2,379	6,084
Pakistan Institute of Corporate Governance	State controlled entity results in associate	Contribution made	150	158

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Name of the related party	Relationship and shareholding	Transactions during the year	2023	2022
			(Rupees in thousand)	
Competition Commission of Pakistan	State controlled entity results in associate	Opening balance	381,427	458,691
		Levy for the year	144,078	98,726
		Levy paid during the year	(175,419)	(175,990)
		Closing balance	350,086	381,427
The 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%)	22,824	28,397
		Commissions share of net assets (73.68%)	16,816	20,923
		Impairment loss on investment	(28,000)	(28,000)
		Share in loss and assets not recognized	11,184	1,919
		Carrying amount of interest in associate	-	-
Federal Consolidated Fund	Federal Government of Pakistan	Outstanding balance at year end	1,439	1,402
National Savings-T Bills/TDRs	State controlled entity results in associate	Opening balance	2,327,524	2,121,474
		Encashed during the year	(3,481,556)	(4,150,000)
		Investment made during the year	2,410,421	4,356,051
		Closing balance	1,256,389	2,327,525
National Bank of Pakistan-PIBs	State controlled entity results in associate	Opening balance	1,074,714	1,063,725
		Encashed during the year	(1,210,883)	(94,500)
		Investment made during the year	3,656,095	105,489
		Closing balance	3,519,926	1,074,714
Securities and Exchange commission of Pakistan-Provident fund trust	Other related party	Provident fund-employer contribution	66,656	66,656
		Provident fund-employee contribution	66,656	66,656

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Name of the related party	Relationship and shareholding	Transactions during the year	2023	2022
			(Rupees in thousand)	
Securities and Exchange commission of Pakistan-Pension fund trust	Other related party	Pension fund-(receivable)/payable	202,911	48,864
Securities and Exchange commission of Pakistan-Gratuity fund trust	Other related party	Gratuity fund - payable	64,536	66,105
Securities and Exchange commission of Pakistan-Volunteer Pension scheme	Other related party	Volunteer Pension scheme-Employer contribution	81,784	71,634
		Volunteer Pension scheme-Employee contribution	81,784	71,634

	2023	2022

32 RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

The following restatements have been made on account of prior period errors in financial statements which has been accounted for retrospectively in accordance with the requirement of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Error's and comparative figures have been restated.

IMPACT ON STATEMENT OF COMPREHENSIVE INCOME

June 30, 2021	Note	As previously reported	Adjustment	Restated
Other income	32.1	303,379	40,178	343,557
Operating expenses	32.1	421,082	40,178	343,557

As at June 30, 2022	Note	As previously reported	Adjustment	Restated
Other income	32.1	352,437	74,812	427,249
Operating expenses	32.1	496,290	74,812	571,102

IMPACT ON STATEMENT OF FINANCIAL POSITION

There is no material impact of restatement on statement of financial position.

32.1 During the year SECP has recognised grants, related assets, expenses and corresponding income under its LEAP program from Karandaaz.

Adjustments related to costs incurred in prior years as service and consultancy costs of LEAP program and corresponding grant income have now been recorded by restating comparative year statement of comprehensive income; resulting in nil effect on opening balance of funds. Adjustment related to cost incurred in year ended June 2020 amounting to Rs 81,746 thousands.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

33 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 31 OCT 2023 by the Commission.

34 GENERAL

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

CHAIRMAN

COMMISSIONER

Abbreviations

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
AOB	Audit Oversight Board
ASBA	Applications Supported by Blocked Accounts
AMCs	Asset Management Companies
AML	Anti-Money Laundering
APRC	Asia Pacific Regional Committee
ASO	Authorized Surveying Officers
AUM	Assets under Management
BO	Beneficial Owners
BOI	Board of Investment
BPR	Business Process Re-Engineering
BLASRS	Brokers Liquidity and Assets Segregation Review System
CIS	Collective Investment Scheme
CDS	Central Depository System
CDNS	Central Directorate of National Savings
CGP	Centralized Gateway Portal
CKO	Centralized KYC Organization
CMC	Collateral Management Company
CMDP	Capital Market Development Program
CRA	Corporate Rehabilitation Act
CRO	Company Registration Office
CSA	Controlled Sub-account
DFM	Deliverable Futures Market
DFC	Deliverable Futures Contract
ETFs	Exchange Trading Funds
EWR	Electric Warehouse Receipt
ESG	Environmental, Social and Governance
FATF	Financial Action Task Force
FIA	Financial Impact Assessment
GEM	Growth Enterprise Markets

IACD	Internal Audit and Compliance Department
ICM	Islamic Capital Market
IFA	IPO Facilitation Account
IFD	Islamic Finance Department
IFSB	Islamic Financial Services Board
IOSCO	International Organization of Securities Commissions
IPO	Intellectual Property Organization
MEMARTS	Memorandum and Articles of Association
MMOU	Multilateral Memorandum of Understanding
MoU	Memorandum of Understanding
MTS	Margin Trading System
MZNPI	Meezan Pakistan Index
NCCPL	National Clearing Company of Pakistan Limited
NCSS	National Clearing and Settlement System
NFIS	National Financial Inclusion Strategy
NIC	National Incubation Centre
NSCS	National Savings Certificate
OCM	Operational Continuity Management
PMN	Pakistan Microfinance Network
PFMCs	Private Fund Management Companies
LOR	Letter of Right
RBC	Risk Based Capital
REITS	Real estate investment trusts
RT	Review Team
SAC	Shariah Advisory Committee
SBP	State Bank of Pakistan
SDMS	Service Desk Management System
STZA	Special Technology Zones Authority
UBL	United Bank Limited
UIN	Unique Identification Number
XBRL	Extensible Business Reporting Language

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, 2023.

Mr. Akif Saeed, Chairman			
S No.	Name of Company	Nature of interest	Number As on June 30, 2023
1.	JS Growth Fund	Units	98
2.	Sui Southern Gas Co. Limited	Shares	312
3.	Chenab Limited	Shares	500
4.	Dewan Farooque Spinning Mills	Shares	500

Mr. Aamir Khan, Commissioner			
Sr. No	Name of Fund	Nature of Interest	Number of units As on 30th June, 2023
1	UBL Fund	URSF - EQUITY SUB FUND(URSF-ESF)	22,787
2	UBL Fund	UBL STOCK ADVANTAGE FUND(USF)	28,029
3	Atlas Pension Fund	APF EQUITY SUB FUND	7,952
4	Al-Meezan	MTPF EQUITY SUB FUND	18,454
5	Al-Meezan	MTPF DEBIT SUB FUND	3,358

Mr. Abdul Rehman Warraich, Commissioner			
Sr. No	**Title of Isnvestment**	**Nature of Interest**	Number of units As on 30th June, 2023
1	Mutual Fund Account No. 14949, NBP Fund Management Ltd.	NBP Money Market Fund	22,969.8322
2	Mutual Fund Account No. 71669, NBP Fund Management Ltd.	NBP Stock Fund	134,421.7027
3	Same as above	NBP Money Market Fund	80.6679
4	Same as above	NBP Islamic Stock Fund	124.1527
5	Same as above	NBP Islamic Money Market Fund	0.1229
6	Voluntary Pension System Account No. 38055, NBP Fund Management Ltd.	NAFA Islamic Pension Fund, Equity Sub-Fund	12,016.8763
7	Same as above	NAFA Islamic Pension Fund, Money Market Sub-Fund	18,522.0155

Mr. Abdul Rehman Warraich, Commissioner			
Sr. No	**Title of Isnvestment**	**Nature of Interest**	Number of units As on 30th June, 2023
8	Voluntary Pension System Account No. 126135, NBP Fund Management Ltd.	NAFA Pension Fund, Money Market Sub-Fund	7,015.1177
9	Mutual Fund Account No. 29695-1, UBL Fund Managers Ltd.	UBL Stock Advantage Fund	35.52
10	Same as above	Al-Ameen Shariah Stock Fund	4.85
11	Same as above	UBL Asset Allocation Fund	9.85
12	Equity Investment Account No. IM 1047 (CDC Participant ID: 12732, CDC Account No. 8621), Optimus Capital Management (Pvt.) Ltd.	Bank Alfalah Limited	15,000
13	Same as above	ENGRO Fertilizers Limited	8,100
14	Same as above	Fauji Fertilizer Company Limited	2,500
15	Same as above	The Hub Power Company Limited	1,000
16	Same as above	Lucky Cement Limited	260
17	Same as above	Meezan Bank Limited	10,000
18	Same as above	Systems Limited	900
19	Same as above	United Bank Limited	15,050
20	Equity investment	Marigold Consulting (Private) Limited	13,333

SECP Commissioner Mr. Mujtaba Ahmad Lodhi declared Nil investments as on June 30, 2023.

How to contact us

The SECP has placed instructions on filing of a complaint on its website. The information and forms have also been made available at the CROs and the Pakistan Stock Exchange. A service desk provides the very contact window to the general public, investors and regulatees for filing complaints, asking pertinent questions and requesting important information.

For investor education please click on the following link: www.jamapunji.pk

For enquiries dial our toll-free number: 0800 88008

or

Lodge your complaint through our Service Desk Management System at http://sdms.secp.gov.pk

or

Write to us at queries@secp.gov.pk

Complaints: complaints@secp.gov.pk

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