SECP

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

ANNUAL REPORT 2024

www.secp.gov.pk

INDEX

Mission Statement

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

Our Values

F

FOCUS ON OUTCOMES

Committed to ensure good governance practices and consistent application of law in a fair manner using apt skills and knowledge while pursuing innovation and continuous development to achieve impactful results.

A

ACCOUNTABILITY

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

I

INCLUSIVENESS AND DIVERSITY

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

R

REGULATORY FACILITATION

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

Chairman's Message

I am pleased to present the Securities and Exchange Commission of Pakistan's annual report for financial year 2023-2024.

As a progressive regulator overlooking a vast mandate, which includes the corporate registry, capital markets, non-banking finance companies, and the insurance sector; our focus has remained on building a robust, inclusive and sustainable ecosystem designed to enhance the efficiency, competitiveness, and accessibility of the corporate and financial sector. During the year, the Commission honed in on achieving our core objectives of improving transparency and promoting good governance, enhancing user experience, stimulating market development and promoting digitalization in order to drive the growth of our regulated sectors. It gives me immense pride to report that we have not only made significant progress in each of our priority areas, we have also devised a strategic long-term approach for the Commission going forward.

To begin with, the outgoing year saw the influx of 27,542 new companies, taking the total number of registered companies in Pakistan to 222,697. Despite consistent growth over the last few years, this number remains quite small for an economy the size of Pakistan's. However, I believe that over the next 3-5 years, we will see a marked increase in the company incorporation rate with the backdrop of digitalisation of payment systems, in particular the adoption of Raast and higher tax rates for businesses operating under AOP structure. This year also marks the enactment of two critical initiatives in this regard; namely the launch of new company registry and the introduction of Companies Regulations 2024. The new corporate registry, named "eZfile" is a state-of-the-art, advanced, and user-friendly online portal for company registration and post - incorporation filings. To compliment this new system, the SECP has also considerably simplified the regulatory framework by merging various regulations into one under the banner of Companies Regulations, 2024, reducing the number of statutory forms from 75 to 28, thereby eliminating duplication, and improving user-experience.

Going forward, SECP will continue to implement the remaining two phases of the SECP's digitalization project titled LEAP, pertaining to licensing, supervision and workflow automation. On the company incorporation side, the following measures will be implemented:

- Use of Artificial Intelligence based model for company name reservation to make the incorporation a straight through process,
- Digital verification for change in directorship,
- Dematerialisation of shares of all companies in two phases, starting with new incorporation and later on followed by all existing companies,
- Implementation of new merger and restructuring rules for approval of all schemes of arrangements by the Commission,
- Same day bank account opening for newly incorporated companies,
- Review of insolvency framework,
- Review of Companies Act from technology, transparency and disclosure, and ease of doing business standpoint.

With regard to the capital market, SECP has remained committed to three key areas, namely, fair and efficient markets, capital formation and investor awareness, on-boarding and protection. It is very encouraging to note that SECP's efforts have already started to yield positive results. With IPO timelines reduced to a mere 14 working days, the IPO segment recorded an upsurge in activity compared to the last year. During the year, 6 new companies raised capital through PSX, raising approximately PKR 7.05 billion, out of which 5 were listed on the Mainboard of PSX, whereas 1 company was listed on the GEM Board. I am also pleased to report that given the widespread outreach efforts by the SECP, the REIT segment witnessed significant growth, with 6 new schemes registered during the year, taking the total number of REIT Schemes to 19.

In case of debt market, on the recommendations of SECP, the Federal Cabinet approved certain amendments paving the way for the Government to conduct debt securities auctions through the capital market. Beginning in December 2023, the Government has conducted 10 auctions so far, raising a total of Rs. 643.73 billion. This system has made the whole process transparent, efficient, and introduced confidentiality.

On the Islamic finance front, the Commission is committed to ensure compliance with the judgment of Federal Shariat Court for abolishing riba by promoting a robust and transparent Islamic financial ecosystem, providing investors with a wider range of Shariah-compliant investment opportunities. During the year, a new breed of Islamic financial institutions, covering four NBFCs and a brokerage house, obtained the status of first Shariah compliant financial institution in their respective categories.

Furthermore, for the commodity sector, a new category of futures brokers called the Agri-only category, with lower entry barriers, focused solely on trading of Agri-commodities has been introduced. This new category will help onboard the untapped investor base residing in rural areas by giving them access to the regulated commodity markets and contribute to the documentation of agricultural sector through the Electronic Warehouse Receipt (EWR) regime. In addition, work is underway for upscaling the EWR ecosystem and enabling trading of domestic agricultural commodities futures at PMEX.

On the development front, the highly anticipated Centralized Gateway Portal was launched, providing market intermediaries with a digital account opening solution enabling cross-entity KYC information sharing among SECP regulated intermediaries, for the first time in Pakistan. In the upcoming year, work in the following areas of the capital market will be pursued:

- Recommendations of the committee on shareholder rights and protection would be implemented
- Measures would be taken to enhance secondary market trading of government debt securities
- Steps would be taken to make process of issuance of short-term Sukuk efficient so that issuer be indifferent whether to go for listed or unlisted Sukuk
- Public Offering framework would be revamped to make it efficient and strengthen the disclosures
- REIT framework would be revamped for clarity and a new chapter would be introduced in PSX Rule book

In line with the encouraging trend from previous years, the asset size of the NBFC sector posted a promising growth of 37.41% and it's aggregate size stood at Rs 3.93 trillion as of June 30, 2024. This growth was primarily driven by the mutual fund segment, which witnessed growth of 62%. In another welcome development, amendments in the regulatory framework have enabled the launch of pension fund schemes for KPK Government employees under Voluntary Pension System (VPS). As a result, 12 AMCs launched 22 pension fund schemes for the KPK employees with assets of around Rs. 1 Billion. The overall VPS sector also experienced strong growth exhibiting 49 % increase in assets during the year. Given the success of Government of KPK in launching contributory pension schemes under the VPS, the Federal Government and Government of Punjab have also expressed willingness to explore this segment in a bid to reduce pension expenditures. On the lending side, SECP has taken into account rising issues being faced by customers of digital lending apps, and has hence undertaken various steps to improve their data safety and cybersecurity. Going forward, keeping in view the critical importance of this sector, SECP is working towards the introduction of a dedicated NBFC law to meet the peculiar demands of the rapidly expanding NBFC segment.

This year, the SECP has also made significant progress on the insurance front, by launching a comprehensive 5-year strategic plan after detailed deliberations with all key stakeholders. The plan, which was unveiled at an international insurance conference organized by the SECP in Karachi, focuses on strengthening the key pillars of the insurance sector to ensure its robust and sustainable growth. The plan, while setting operational and strategic outcomes, identifies key priorities and formulates comprehensive operational approaches against each key priority area. The sector also continued its positive growth trajectory, witnessing 22% growth and reaching Rs. 3,198 billion.

On the enforcement side, subsequent to the creation of dedicated Adjudication and Supervision Divisions, the entire process has been streamlined, greatly aiding the effectiveness of the SECP by making fair and consistent decisions, embracing technological transformation, and minimizing risk of arbitrariness in the discharge of quasi-judicial functions. During the year, 4,582 orders were passed encompassing both listed and unlisted companies, levying penalties in excess of PKR 6.6 billion.

To support its enforcement function, the Commission has also re-invigorated its commitment to financial empowerment by relaunching its investor education program “JamaPunji” in 2023. This program aims to equip all segments of society with the knowledge and skills necessary to make informed financial decisions and manage their investments wisely. In continuation, the Commission was able to expand its outreach by partnering with corporate entities to arrange seminars, participating in the World Investor Week 2023-24 organized by IOSCO, hosting educator bootcamp for 1,500 teachers in collaboration with Federal Directorate of Education and arranging financial literacy sessions at various educational institutions.

In recent times, SECP has placed a strong emphasis on advancing gender equality within the regulated sectors by introducing several important gender-inclusive measures. As a key implementing agency under the PM Empowerment Package 2024, SECP issued instructions to listed companies for disclosure of gender pay gap analysis in their annual accounts and as well as on their websites. Additionally, SECP, in collaboration with various stakeholders, has implemented a multi-stakeholder strategy to incentivize private companies to adopt family-friendly policies under the PM's Women Empowerment Package 2024.

In a similar vein, sustainability has remained a key focus area during the year. In addition to persistent advocacy and capacity building sessions, SECP has issued ESG Disclosure Guidelines to encourage transparency based on international best practices. Simultaneously, a consultation process with key stakeholders was initiated to devise an appropriate plan for the phase-wise adoption of sustainability standards issued by International Sustainability Standards Board. Another significant milestone initiated under the ESG Regulatory roadmap was the development of ESG Sustain, an innovative online platform for sustainability disclosures, climate data and gender-disaggregated information. The platform is being designed with the technical support of UN Women and shall be launched during the upcoming year. ESG Sustain will facilitate sustainability-linked investments, advance gender-inclusive finance and enhance Pakistan's position in global sustainability reforms.

Looking to the future, the Commission is committed to promoting gender equality and inclusivity at all levels within the organization. As part of our gender mainstreaming efforts, SECP has implemented reforms ensuring female representation across all management and executive committees. Going forward we aim to reach 40% female representation by 2023.

Further, to promote enhanced transparency and governance, numerous refinements have been introduced to improve the provision of timely, accurate, and clear information about companies, and to improve the overall corporate governance culture in Pakistan. This includes amendments in PSX Regulations mandating directors, CEO, substantial shareholders, and executives of a listed company to disclose their cumulative shareholding in the public notice and amendments in Futures Exchanges (Licensing and Operations) Regulations, 2017 to improve transparency in handling margins and deposits of futures brokers and customers by PMEX.

Internally, SECP's digitalisation project LEAP; which envisages end-to-end automation, is being rolled out. After the successful launch of "eZfile", the digitalization of various internal workflows and processes is under way, which covers licensing, adjudication, and litigation functions. Moreover, high priority has been placed on upskilling of our workforce through targeted and specialised trainings.

Furthermore, the SECP consistently strives to improve the legislative framework for its regulated sectors in line with evolving market dynamics, stakeholder feedback and international best practices. That being said, amendments are being made to the Insurance Ordinance, Modaraba Ordinance, SECP Act, Motor (Third Party) Vehicles Act and Companies Act, whereas the Securities Act and Futures Market Act are being amalgamated into a single concise law to remove redundancies. A standalone statute for the NBFC sector and pensions rules are also underway. Once finalized, we will continue to rely on the Federal Government's support in bringing these to a fruitful completion which will inevitably benefit Pakistan's economy.

Last but not least, it is also a matter of immense pride that SECP has initiated work on its head office building, the ground-breaking of which was held on the 1st of August, 2024. The new building is intended to give SECP employees a comfortable work environment and equip them with the best possible tools to carry out their duties and better serve our regulated sectors.

In conclusion, I would like to express my profound gratitude to the Federal Government, honourable members of the Policy Board and my fellow Commissioners for their invaluable guidance and support. I would also like to reaffirm our commitment to fulfil our institutional duties and virtuously serve the people of Pakistan.

Akif Saeed
Chairman

Key Achievements

Launch of "eZfile", a New Corporate Registry
Replaced SECP's existing online filing system, 'eServices', providing ease to users during incorporation and filing statutory returns.

Issuance of Companies Regulations, 2024
Merged/omitted multiple forms, reducing the number of forms from 75 to 28.

Launch of a 5-year Strategic Plan for the Insurance Sector
Aimed at strengthening policyholders, insurance providers and intermediaries.

LEAP: Leading Efficiency through Automation Prowess
SECP is actively advancing to complete Phase 2A of LEAP, which will encompass a significant portion of licensed regulatory approvals.

Launch of Centralized Gateway Portal
Provides market intermediaries a digital account opening solution and enables cross-entity Know Your Client (KYC) information sharing among SECP regulated intermediaries (brokers, mutual funds, insurance companies).

Issuance of Government Debt Securities through Capital Market
The Federal Cabinet approved amendments, paving the way for issuance of Government Debt Securities (GDS) through the Pakistan Stock Exchange (PSX).

Adoption of Revised Initial Public Offering Approval Timelines
Timeline for processing regulatory approvals in relation to listing, reduced to 14 working days. PSX timelines post approval of prospectus have also been reduced to 15 working days, reducing the overall time to 29 working days.

Reforms in Governance of Capital Market Infrastructure Institutions
Tenure limits for key positions of chief executives and independent directors have been specified.

Revision of Digital Lending Framework
Revised requirements cover additional standards for cyber security, data protection and enabling the new product line i.e. B2B financing and Embedded Lending. Moreover, borrower protection and over-indebtedness measures have been introduced.

Amendments to the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003
Includes perpetual licensing, reduced documentation, removal of multiple approvals, and allowing group companies to undertake different business activities under one license.

Amendments to the Corporate Restructuring Companies Rules, 2019
Aimed at providing an effective mechanism for NPL resolution. Fit and proper criteria for an individual forming and managing Corporate Restructuring Companies (CRCs) have been aligned with that specified for NBFCs via Circular.

Introduction of New Breed of Islamic Financial Institutions
Two Asset Management Companies (AMCs), a Non-Banking Finance Company (NBFC), a Non-Banking Microfinance Company (NBMFC), and an Islamic brokerage house have obtained the status of the first Shariah-compliant financial institution in their respective segments.

Integration & Collaboration
SECP, under Pakistan Regulatory Modernization Initiative (PRMI) has integrated its system across multiple government entities, including Pakistan Software Export Board (PSEB) and Provincial Revenue Boards.

AML Financial Intelligence Reporting System
The system streamlines the management of Financial Intelligence reporting and processing, ensuring that each report is handled with precision and accountability.

Introduction of New Agri-Only Category of Futures Broker
Agri-only category, with lower entry barriers, having sole focus on trading of Agri-commodities for developing the Electronic Warehouse Receipt (EWR) based futures market has been introduced.

Segregation of the Clearing & Settlement Function from the Futures Exchange
SECP advised Pakistan Mercantile Exchange (PMEX) and National Clearing Company of Pakistan Limited (NCCPL) to devise an action plan for separating PMEX's clearing and settlement function to be handled by a separate entity, to improve risk management practices.

Enhancement of Circuit Breakers

Amendments in Pakistan Stock Exchange Regulations (PSX Regulations) have been introduced to gradually enhance security-wise circuit breakers by 0.5% on a fortnightly basis till they reach the 10% level.

Launch of ESG Disclosure Guidelines for Listed Companies

Guidelines offering a voluntary framework for enhancing transparency in sustainability efforts and aligning with international best practices.

Adjudication Proceedings in Cases of Illegal Deposit Taking

20 orders were issued under section 84 and Rs. 4,735,347,000/- penalty imposed. Directors of such Companies were also disqualified from holding office of directors in any company for a period of five years.

Promoting Financial Literacy

A "Bootcamp on Financial Literacy for Educators", and "All Pakistan Inter-University Content Creation Competition," were arranged during the year. Efforts were also extended to Islamic scholars by conducting financial literacy programs in Karachi and Islamabad.

Construction of SECP Head Office Building

Commission granted approval to initiate process related to construction of head office building.

Graduate Trainee Program

The 3rd batch of the program has been hired in FY 24. It includes a total of 40 trainees i.e. 21 males and 19 females.

Proposed Amendments to Insurance Ordinance, 2000

Licensing requirements for new categories of insurance companies and intermediaries, as well as enabling foreign insurers and reinsurers to operate in Pakistan through branch offices were introduced.

Proposed Amendments to SECP Act, 1997

Aims to enhance transparency in appointment of SECP's Chairman, Commissioners and Members of Policy Board, establishment of Financial Services Market Tribunal; and strengthening of Audit Oversight Board.

Draft Amendments to Securities Act, 2015

The Futures Market Act, 2016 and Securities Act, 2015 will be combined to arrive at a single, concise law to remove overlaps and inconsistencies.

Securities and Exchange Policy Board

The Securities & Exchange Commission of Pakistan Act 1997 (SECP Act, 1997), provides for the establishment of a Securities and Exchange Policy Board (Policy Board), consisting of eleven members appointed by the Federal Government (Government). Five of these members belong to the public sector and six belong to the private sector. Ex-officio members include the Federal Secretaries for finance, law, and commerce, Chairman SECP, and Deputy Governor of the State Bank of Pakistan (SBP) who is nominated by the Governor of SBP.

The Policy Board provides guidance to and formulates policies in consultation with the Commission. It is also responsible for advising the Government on matters falling under the purview of the SECP Act, 1997 and other corporate laws. Further, it provides opinions on policy matters referred to it by the Government or the Commission.

Mr. Mehmood Mandviwalla
Chairman, SECP Policy Board

Mr. Imdad Ullah Bosal
Secretary,
Finance Division

Mr. Jawad Paul
Secretary,
Commerce Division

Mr. Raja Naeem Akbar
Secretary,
Law & Justice Division

Mr. Akif Saeed
Chairman, SECP

Dr. Inayat Hussain
Deputy Governor
State Bank of Pakistan

Ms. Sima Kamil
Member,
SECP Policy Board*

Ms. Maheen Rahman
Member,
SECP Policy Board*

Mr. Ardeshir K. Marker
Member,
SECP Policy Board*

Ms. Ammara Masood
Member,
SECP Policy Board*

Ms. Shagufta Shamsuddin
Member,
SECP Policy Board*

*Appointed on the 8th of August, 2024.

The details of the meetings and attendance of Policy Board members are as follows:

Sr. No.	Name of member	Number of meetings held	Number of meetings attended
1.	Mr. Mehmood Mandviwalla	3	3
2.	Mr. Akif Saeed	3	3
3.	Mr. Imdad Ullah Bosal	3	3
4.	Mr. Raja Naeem Akbar	3	3
5.	Mr. Jawad Paul	3	3
6.	Dr. Inayat Hussain	3	3

The Commission

AKIF SAEED, CHAIRMAN

Chairman & Commission Secretariats, Support Services Division, Prosecution & Legal Affairs Division and Licensing & Registration Division

Akif Saeed joined SECP in 2004 and has since served as head of various divisions. He was later appointed Commissioner from December 2014 to December 2017. He has extensive regulatory, operational, and business knowledge of various infrastructure entities in the capital markets. 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. Furthermore, he was instrumental in introducing the legal framework for Real Estate Investment Trusts (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.

He 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. He also played a vital role in achieving compliance with International Organization of Securities Commissions (IOSCO) benchmark principles for the securities market.

Akif led the team that pushed for a major overhaul of securities laws in Pakistan and drafted the new Securities Act, 2015, and Futures Act, 2016. He has also worked for various private sector entities, including the American Express Bank, and as a consultant for the Asian Development Bank (ADB). He is a Chevening alumnus, having completed his Master’s in Business Administration from the University of Edinburgh, and holds a Master’s degree in Economics from Government College Lahore.

AAMIR KHAN, COMMISSIONER

Insurance Division and Information Systems & Technology Division

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, Aamir has served at Standard Chartered Bank, Royal Bank of Canada, and American Express Bank Ltd.

Prior to his appointment, first as Commissioner and then as Chairman SECP, Aamir also served as Executive Director SECP. His tenure was marked by major reforms that led to new regulatory frameworks for the equity market, commodity market, EWHRF, digital lending, and REITs.

As former Chairman SECP, he led initiatives that encouraged the growth of entrepreneurship and innovative business concepts. Several new ideas were incubated through the RSB, i.e., asset fractionalization, crowd funding, B2B lending, digital AMCs, and digital-only insurers. During his leadership, SECP also operationalized a fully automated 24/7 'Secured Transactions Registry (STR) for registration of security interests/charges.

Aamir led a paradigm shift in SECP's regulatory framework by moving from a sector to functional-based regulatory body by establishing centralized supervision, licencing, and adjudication divisions.

He is a staunch advocate of women and youth empowerment, and strongly promotes a proactive culture of meaningful dialogue with regulated sectors.

ABDUL REHMAN WARRAICH, COMMISSIONER
Securities Market Division and Supervision Division

Abdul Rehman Warraich is a financial services professional with more than 27 years of experience, which includes 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 the Civil Service, he served the Federal Board of Revenue as Assistant Commissioner and Deputy Commissioner of Income Tax. Experienced 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. He worked on public debt management while serving the Government of Punjab as a Debt Management Specialist and the Government of Pakistan as Director General (Debt). He also worked for Oxford Policy Management, Adam Smith International, the International Finance Corporation, the World Bank Group, and the ADB in consulting and advisory roles.

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

MUJTABA AHMAD LODHI, COMMISSIONER
Adjudication Division and Specialized Companies Division

Mujtaba Ahmad 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, 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 issuance of an unprecedented number of orders and certificates. As a Member, he played an active role in CCP's enforcement actions.

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

He 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.

Commission Secretariat

The Commission Secretariat performs the duties and functions 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 meetings held and attended by Commissioners during FY24 are as follows:

Sr. No.	Name of Commissioner	Number of meetings held	Number of meetings attended
1.	Mr. Akif Saeed	44	44
2.	Mr. Aamir Khan	44	27
3.	Mr. Abdul Rehman Warraich	44	40
4.	Mr. Mujtaba Ahmad Lodhi	44	43

Conduct of business

The Secretariat convened 44 regular and 6 emergent meetings of the Commission, 1 resolution by circulation, wherein 563 working papers of departments and divisions and 4 other business items were considered and decided appropriately. The Secretariat, on behalf of the Commission, issued 71 statutory regulatory orders/notifications and facilitated issuance of 23 circulars.

Appellate Bench

The Appellate Bench is a quasi-judicial forum mandated to hear appeals against orders passed, either by a Commissioner or any authorized officer. The Bench's hearings are conducted by at least two Commissioners. The Appellate Bench Registry (the Registry) is headed by the Registrar and is entrusted to provide administrative assistance to the Appellate Bench.

In FY24, the Registry received 112 new appeals filed under section 33 of the SECP Act, 1997 of which 86 were registered after scrutiny. During the period, 209 hearings were scheduled and appellants were provided multiple opportunities of hearing. 107 appeals were heard and disposed of whereas, 102 hearings were adjourned on the respondent's requests. The significant number of disposed of appeals was achieved due to setting up of special and regular benches, constituted upon special instructions issued by Chairman, SECP.

Deliberations to introduce amendments to the Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003, are underway. Furthermore, the process of archiving the record of past Appellate Bench orders and creation of a statute wise database was initiated during FY24. Moreover, publication of Appellate Bench orders in Corporate Law Decisions has been re-initiated by the Registry for wider public access and transparency.

Senior Management

MUHAMMAD ASIF JALAL BHATTI

Executive Director /
Head of Division
Supervision Division

MUSARAT JABEEN

Executive Director
Chairman Secretariat,
AML, Systemic Risk
Department and Official
Spokesperson

ALI AZEEM IKRAM

Executive Director/
Head of Division
Adjudication Division

BILAL RASUL

Secretary to the
Commission/Policy
Board
Registrar, Appellate
Bench Registry
Head of Division,
Information Security

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

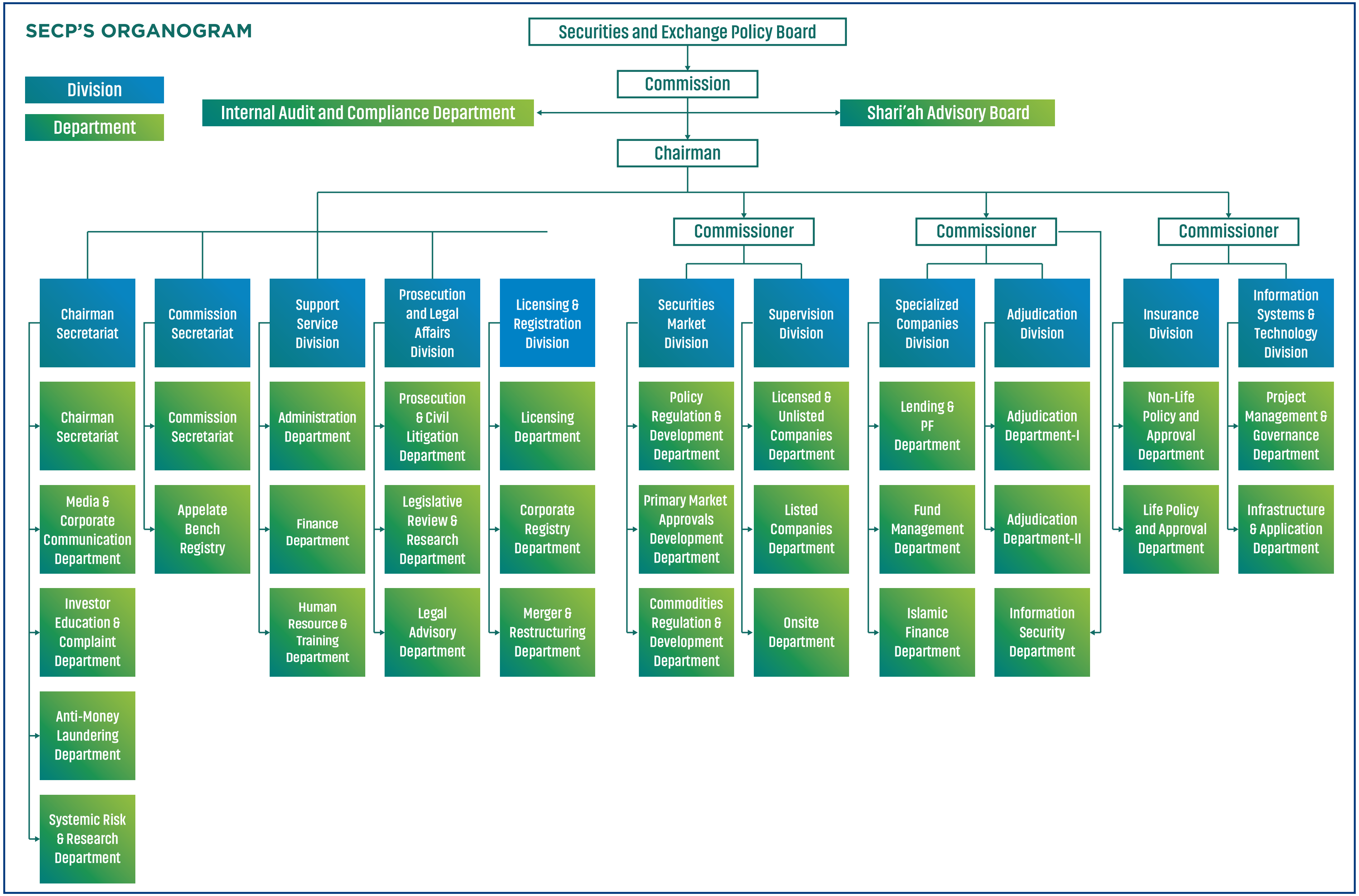
MUBASHER SAEED SADDOZAI

Executive Director/
Head of Division
Licensing & Registration
Division

WASEEM KHAN

Director/HOD
Insurance Division

Organizational Structure



JUNE 2022
Public Dissemination of ESG Roadmap

JAN 2023, MARCH 2023, JAN 2024
Increase advocacy/awareness of ESG consideration

JUNE 2024
ESG Guide and Disclosures

Last Qtr. 2024
ESG Dashboard; SECP Sustain

2025-2026
ESG Index

2027-2028
Impact Assessment

SECP ACTION PLAN

CORE AREAS OF FOCUS

Advocacy
- **Awareness session:** communication campaign. Campaign specific synergies, investor specific sessions
- **Capacity building session:** ISSB Standards. Local adoption, & impact on financial statements, e-learning modules

Access to information
- Centralised interactive dashboard 'ESG Sustain' for all sustainability related advocacy, data, guides, reports, investor focused facilitation and primarily focal point for all stakeholders. Designing, sustaining, running and cyber security are key challenges

Disclosures
- ESG disclosures for listed companies (sustainability model adoption status at governance level, diversity on boards & senior mgt level)
- ESG regulatory guide

Sustainability Based Products
- Green Bonds, Gender Bonds, Transition Bonds
- ESG index
- Exploring insurance solutions for environmental risk

Impact
- Report assessing impact of sustainable policies, regulatory interventions and availability of sustainability tools/products in regulated sectors.

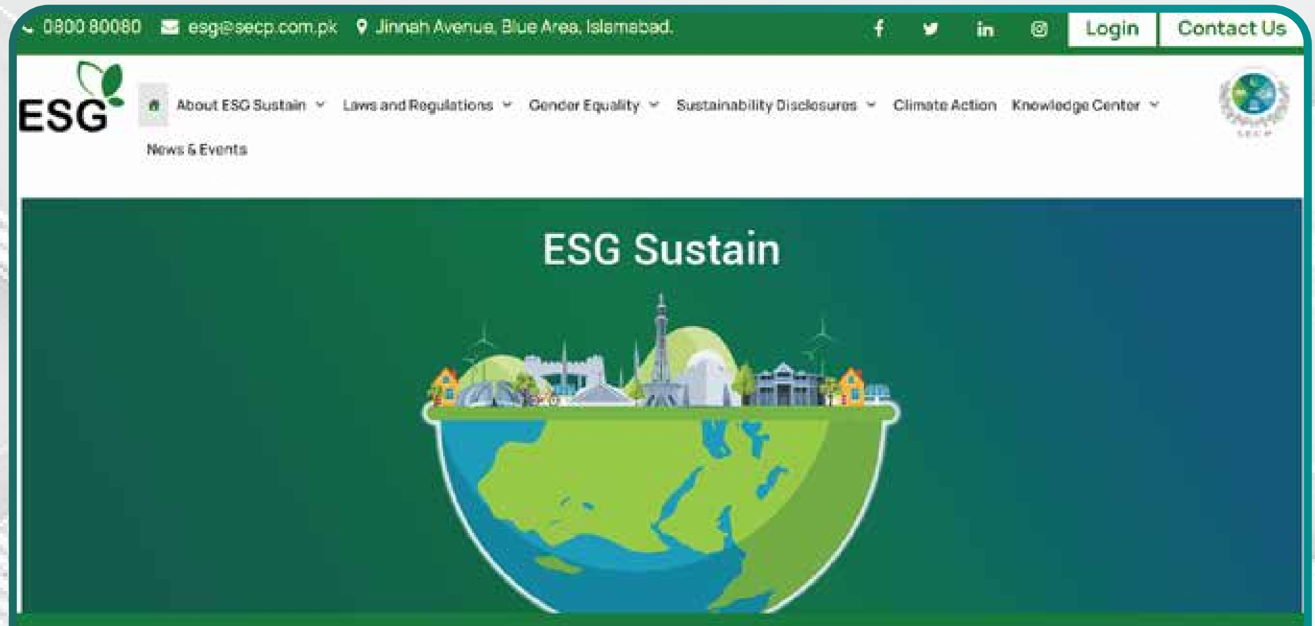
Deliberations on Sustainability roadmap were held with key stakeholders of capital market finalizing role, responsibilities and timeline for progress ahead.

ADVOCACY AND CAPACITY BUILDING

Jan 2024: SECP in partnership with UN Women Pakistan organized advocacy session on Sustainability & Climate Change.

SECP'S ESG DISCLOSURE GUIDELINES

June 2024: SECP issued ESG Disclosure Guidelines marking first step towards harmonised disclosures on voluntary basis.



SECP launched the first look of ESG Sustain- Pakistan's premier web-based sustainability portal. ESG sustain is being developed through support of UN Women Pakistan.

GENDER INCLUSIVE INITIATIVES

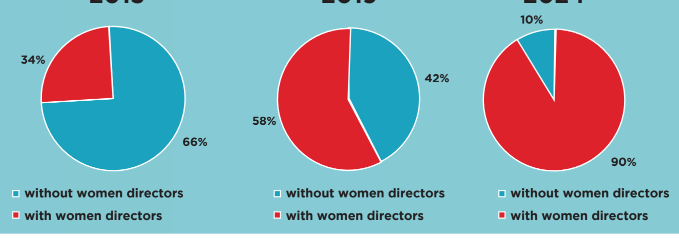
Empowering women and promoting inclusive decision-making isn't merely a moral obligation; it's a wise and strategic choice. When women thrive, communities proposer and the potential for success becomes boundless.

Prime Minister Women Empowerment Package 2024

Directive to Listed Companies to disclose gender pay gap report in annual accounts w.e.f June 30, 2024

Strategy for acknowledging private companies implementing family friendly policies

Inclusive and Diverse Boards

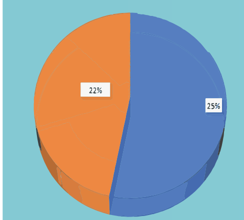


Impact of Women Inclusion in Business

5220 BUSINESSES OWNED BY WOMEN HAVE AVAILED FINANCING THROUGH STR

7573 COMPANIES HEADED BY FEMALE CEOS.

Gender diversity and inclusion has been ensured at SECP



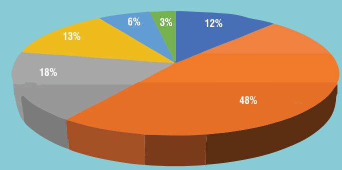
Incorporating differently abled individuals in the workplace

06 MONTH
MATERNITY LEAVES

DAYCARE CENTER, FLEXI WORKING HOURS

DEDICATED GYM TIMINGS

Geographically Diverse Workforce of SECP



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

SECP maintained its legacy of celebrating International Women's Day with full fervour

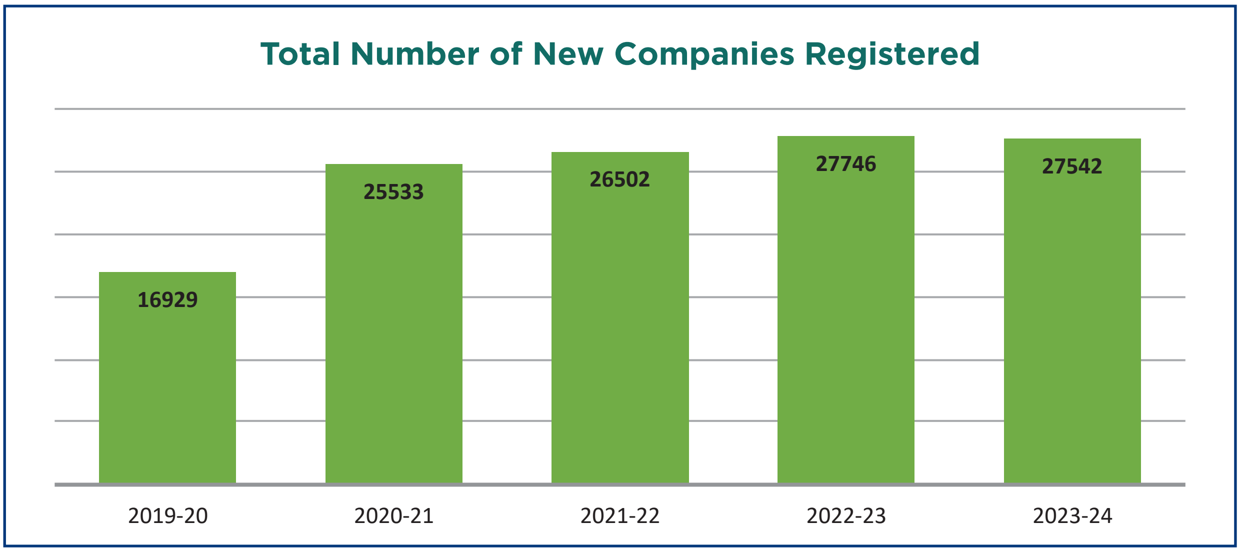
Corporatization

Overview

Despite challenging economic conditions in recent times, Pakistan's corporate sector has shown remarkable resilience and growth. SECP has played an instrumental role in maintaining this momentum through its strategically located Company Registration Offices (CROs) in nine major cities and a dedicated Business Centre located at the Head Office in Islamabad. These facilities significantly enhance ease of doing business and promote corporatization by providing greater access to the public.

As the apex regulatory body for the corporate sector, SECP is dedicated to simplifying business registration processes and encouraging non-corporate entities to enter the corporate fold. It actively promotes corporatization by leveraging its network of CROs, Business Centre, and modern information and communication technologies, including social media. These efforts aid in providing accessible registration processes and in educating entrepreneurs about the benefits of corporate integration which are vital to nurturing a vibrant entrepreneurial ecosystem.

In FY24, SECP achieved a significant milestone by registering 27,542 new companies, bringing the total number of registered companies to an impressive 222,697. Remarkably, 99.9 percent of the companies incorporated during the year were registered online. This underscores SECP's strategic use of automation and process optimization to benefit entrepreneurs by reducing the time and complexity involved in starting a business.



Of the 27, 542 companies registered during FY24, approximately 57 percent registered as private limited companies, 39 percent as single-member companies, and the remaining four percent registered as public unlisted companies, not for profit associations, trade organizations, foreign companies or limited liability partnerships (LLPs). Further, 8,626 were registered in Islamabad, 11,465 in Punjab, 4,094 in Sindh, 2,248 in KPK, 486 in Balochistan, and 623 in Gilgit-Baltistan.

A sector wise breakup of registered companies shows that the information technology sector took the lead with incorporation of 4,129 companies. This was followed by trading with 3,666 companies, services with 3,241 companies, construction, and real estate with 2,992 companies, tourism with 1,346, education with 1,177, food and beverages with 1,103, and ecommerce with 942 companies, agriculture farming with 780, and marketing and advertisement with 620 companies. The remainder registered in other sectors.

Moreover, foreign investment was reported in 688 new companies. A major part of which was received from China in 393 companies, US in 34, Afghanistan in 32, UK in 27, Germany in 20, UAE in 13, Australia, and Turkey in 10 each, Nigeria in 9, Norway in 8, Canada, and Saudi Arabia in 7 each, Egypt, Malaysia, and Singapore with 6 each, Denmark, South Korea, the Netherlands, Russia, and Spain in 5 each, and 75 companies from other countries. Moreover, 31 foreign companies were registered from China, UAE, Turkey, Australia, Canada, Bahrain, Ethiopia, France, Germany, Hong Kong, Korea South, Norway, Saudi Arabia and USA have established places of business in Pakistan during the financial year.

Reforms and Developments

"eZfile", a new corporate registry

SECP launched a new corporate registry, "eZfile," a more sophisticated, advanced, and user-friendly online portal to facilitate company registration and post-incorporation filings. The "eZfile" portal offers comprehensive ease to its users during the incorporation process, filing statutory returns through built-in checks, and pop-up guidance messages. The new portal has replaced SECP's previous online filing system, 'eServices' and introduces new processes for incorporation and filing statutory returns. Video tutorials covering eZfile basics and key processes such as user registration, incorporation, director changes, share transfers, and annual filings have been made available. Additionally, an eZfile User Manual is provided for comprehensive guidance with step-by-step instructions, ensuring efficient and accurate submissions for all users navigating the corporate registry system.

Issuance of Companies Regulations, 2024

SECP has considerably simplified the regulatory framework by reviewing existing regulations and merging/omitting multiple forms, resultantly reducing the number of statutory forms from 75 to 28 which will eliminate duplication and ensure clarity. In this regard, consolidated single set "Companies Regulations 2024" were issued vide S.R.O. 210 (I)/2024 dated 12th February, 2024, covering the regulations for company incorporation, post-incorporation compliance and reporting, issuance of license under section 42 of the Companies Act, 2017 (Companies Act), further issue of share capital, group registration, easy exit of companies, buyback of shares, registration of intermediaries, etc. The Regulations also contain standard forms and application samples for ease of compliance.

Launching of Companies Regularization Scheme

The Companies Regularization Scheme was launched for a period of three months, from June 15 2024, to September 15 2024 to facilitate defaulting companies across Pakistan. The companies taking advantage of the scheme are entitled to get their overdue annual returns, forms and annual accounts accepted on payment of normal filing fee without payment of any additional filing fee. The Scheme is applicable to all companies i.e. non-listed public companies, private companies, trade organization and associations not for profit formed under section 42 of the Companies Act.

SECP Integrations under Pakistan Regulatory Modernization Initiative

The Prime Minister's Office, through the Board of Investment, has launched PRMI with the objective of reducing the compliance burden of businesses while also improving the effectiveness of the overall regulatory regime. Under PRMI, SECP has successfully integrated with PSEB, Special Technology Zone Authority and Pakistan Engineering Council. Integrations with other Federal Regulatory Authorities are also in progress.

Introduction of Unique Document Identification Number

SECP has made it mandatory for auditors to mention the "Unique Document Identification Number" (UDIN) on all audit reports issued under the Auditors (Reporting Obligations) Regulations, 2018, in order to prevent counterfeiting of audit reports. In this connection, final notification has been issued vide S.R.O. 9 (I)/2024 dated January 02, 2024 to amend the Auditors (Reporting Obligations) Regulations, 2018.

Notification u/s 83(1)(c) of the Companies Act

Certain conditions and requirements vide S.R.O. 1331 (I)/2023, dated 18th September, 2023 under section 83(1)(c) of the Companies Act were notified, for offer of further shares to any person (by way of other than right) either for cash or for consideration other than cash in case of a private limited company.

Amendments in Associations with Charitable and Not for Profit Objects Regulations, 2018

The said Regulations were amended vide S.R.O. 1513(I)/2023 dated 26th October, 2023 to ensure that Islamic donations in any form, including but not limited to Zakat and Sadaqah, shall not be received, invested, or utilized by any section 42 company, in any way that is contrary to Shariah principles. This would promote ease of doing business for companies enabling them to raise capital from a wider range of investors.

The Unlisted Companies (Buy-Back of Shares) Regulations, 2023

SECP issued the Unlisted Companies (Buy-Back of Shares) Regulations, 2023 vide S.R.O. 1441 (I)/2023 on 12th October, 2023 under section 88 of the Companies Act. The regulations provide the procedure and mechanism to be adopted by un-listed companies to buy-back and cancel their own shares as well as submission of final report to the registrar after completion of the process of buy-back of shares. It is believed that the new mechanism will boost investor confidence and provide easy exit option to the shareholders of such companies.

Notification stipulating procedure for payment of subscription money

S.R.O. 464 (I)/2024 dated March 15, 2024 under section 17(2) of the Companies Act was issued, specifying the time, manner, and conditions for payment of subscription money, payable by a subscriber in accordance with his undertaking in the memorandum of association against subscribed shares. The Notification states that subscription money is payable in cash through the banking channel, immediately after incorporation of the company, but not later than a period of thirty (30) days from the date of incorporation.

Circular u/s 465 read with Section 510 of the Companies Act

Circular No.09 of 2024 dated March 22, 2024 was issued to clarify provisions of section 465(4) read with section 510 of the Companies Act, that a company other than listed company, may also file Form-3 with the registrar about any change of twenty five percent or less in its shareholding or membership or voting rights. The circular addresses practical difficulties being faced in reporting transfer of shareholding and helps keep an updated record of company shareholding.

Circular on Commission's power to call meetings u/s 147 of Companies Act

SECP issued Circular No. 07 of 2024 dated March 07, 2024 clarifying that an aggrieved member or director, in his individual capacity, may file an application to SECP under section 147 of the Companies Act, which should be substantiated with proper justification along with documentary evidence. Applications filed by or on behalf of companies under section 147, shall not be considered by SECP since a company cannot seek direction against itself. It is further clarified that if the defaulting company has convened its overdue meeting in compliance with applicable legal provisions, it will be deemed valid even if section 147 has not been invoked.

Circular u/s 166 of Companies Act

Circular No. 05 of 2024 dated February 19, 2024 under section 166(2)(g) of the Companies Act was issued to clarify that no director shall be considered as independent if they have served on the board for more than three consecutive terms from the date of their first appointment, however, such person may be deemed independent after a lapse of one term. In order to remove any further ambiguity regarding the duration of the word "term", it is clarified that a director filling a casual vacancy for the remainder of term, shall be considered as appointed for a complete term.

Awareness sessions held by SECP

In a dedicated effort to strengthen compliance practices and encourage capacity building, SECP has held numerous awareness sessions across Pakistan. During FY24, 131 sessions were held with companies' representatives, chambers, lawyers, consultants and other stakeholders to encourage corporatization, promote statutory compliance and create awareness for reforms initiated to facilitate corporate stakeholders. Topics covered included "eZfile" and the Companies Regulations, 2024.

Approval of schemes of arrangements

Mergers and acquisitions are governed by section 279 to 284 of the Companies Act which stipulate SECP's exclusive legal remit over approval of schemes of mergers, compromises, arrangements and reconstruction of companies, their creditors and/or members. Section 285(8) of the aforementioned Act, empowers the Minister-in-Charge of the Federal Government to notify the powers to be exercised by the Court. Consequently, by virtue of S.R.O 1351 (I)/2023 dated 22nd September 2023, mergers of small sized companies and public sector companies to the extent of the Federal Government are being handled by SECP, whereas cases involving medium size and large size companies are being sanctioned by the Courts. During the year under review, SECP processed 44 cases for schemes of arrangement including cases requiring approval of the courts or SECP.

Moreover, SECP also approved the scheme of arrangement between Pakistan International Airlines Corporation Limited and PIA Holding Company Limited, pursuant to the approval of the legal segregation plan of PIA by the Government.

Formation of Mergers & Restructuring Department

SECP approved the establishment of a Mergers & Restructuring Department within its Licensing & Registration Division. This department will be responsible for handling schemes of arrangements, corporate restructuring/rehabilitation, winding up and further issuance of capital (other than right) of companies and on discount.

Draft Companies (Compromises and Arrangement) Rules, 2024

SECP has also approved the draft Companies (Compromises and Arrangement) Rules, 2024 which have been submitted to the line Ministry for approval and publishing in the Official Gazette. The draft Rules prescribe the procedure with predefined timelines for receiving applications, mode of service of notices, and deciding the objections etc. before sanctioning any scheme of arrangement. This will not only help in expeditiously deciding upon applications but will also contribute towards ease of doing business by promoting corporate solvency and growth.

Impact of SECP's Intervention

- On September 20, 2021, SECP introduced the issuance of digital mortgage certificates. Subsequently, a total of 10,150 digital certificates were issued in FY24. Similarly, the number of digital acknowledgments of annual and other returns, which began on September 25, 2021, was 117,736 in the same period.

- Issuance of digital certified true copies (CTCs) of company statutory returns and company profiles was launched on September 8, 2021. During FY24, 160,339 digital CTCs were issued. This digitization of manual processes significantly reduced turnaround times and provided cost savings, such as on paper and printing, enhancing the overall user experience.

- On March 30, 2022, online portal for applications under the Companies Easy Exit Regulations was introduced. Previously a manual process, this portal received 238 easy exit applications online during FY24, which were all processed efficiently.

- The online facility for filing Declaration of Ultimate Beneficial Ownership Compliance, under section 123A (2) and regulation 19A (5), was launched in April 2021. In FY24, companies filed a total of 21,691 forms using this facility.

- SECP in coordination with SBP, launched a digital portal for banks in March 2021, providing real-time access to company statutory records. Since its launch, 50 financial institutions have joined the portal, and a total of 79,784 searches have been conducted during FY24. This portal has replaced the time-consuming practice of obtaining physical certified copies of statutory documents, thus expediting corporate bank account opening.

- During the year, 32,013 financing statements were filed in the Secured Transaction Registry, and 29,456 public searches were conducted, enhancing access to finance for small and medium-sized enterprises.

Way forward

SECP remains committed to promoting corporatization and regulatory improvement with the aim of cultivating a modern and efficient corporate sector. The following key initiatives will be prioritized for the upcoming year:

- Collaboration with federal and provincial departments to integrate SECP's system with other departments. This will reduce the time, cost, and number of procedures required to start a business.

- Continuing to align company law with global standards, SECP will further review the Companies Act, incorporating stakeholder feedback and recommending amendments to ensure a robust legal framework.

- Enhancing digitization efforts to streamline regulatory compliance and improve corporatization, thereby supporting the growth and efficiency of the corporate sector.

- Specification of mechanism for conversion of physical shares into book entry (DEMAT) form under section 72 of the Companies Act.

- Strengthening regulatory framework related to reporting of appointment, resignation, removal, election and all other aspects of change of directors and CEO to curtail management disputes emanating from fraudulent filing through amendments in the Companies Regulations, 2024.

- Augmenting awareness efforts at mass level with company representatives, chambers, lawyers, consultants and other stakeholders to encourage corporatization, promote statutory compliance and create awareness for reforms initiated to facilitate corporate stakeholders. Utilize information communication technologies including webinars, podcasts, online guide books, web-based chatbot, videoclips etc. for different regulatory processes.

- Developing strategy for non-compliant companies including initiation of adjudication proceedings and striking off such companies under relevant provisions of the Companies Act, including automation of adjudication initiation function.

- Utilizing Artificial Intelligence in company name reservation and incorporation processes to minimize human intervention and further streamline approval process.

- End-to-end digitization efforts through Phase 2a of the LEAP project, comprising regulatory approvals, licensing, mortgages and foreign companies, to improve accessibility, efficiency, ease of doing business, and transparency.

- Launch of 'Electronic Mortgage Register' to facilitate banks in verifying the credit history and existing status of any company along with the additional facility to view and download instruments and statutory returns.

- Reviewing Limited Liability Partnership Act, 2017 to assess its effectiveness and issuance of comprehensive rules encompassing Foreign LLPs, winding up process and other related matters.

- Enabling online inspection of records to facilitate general public to inspect the records from their own places without visiting CROs.

- Launching Mobile App (Android and IOS compatible) for name reservation, company registration and post incorporation processes.

- Operationalization of Mergers & Restructuring Department by centralizing the functions of merger & acquisition approvals, winding up, corporate restructuring/rehabilitation, and further issuance of capital (other than right) of companies.

Capital Markets

Overview

Stock Market

In FY24, KSE-100 index depicted an upward trend over all. The index began the year at 43,899 points and closed at 78,444.96 points on June 28, 2024, recording an increase of 78.69 percent. The market recorded its highest level of 78,810.49 on June 21, 2024 and touched its lowest, 43,552.83 on July 05, 2023. Furthermore, the index witnessed its highest single-day gain of 3,410.73 points on June 13, 2024.

The average daily turnover was 460.89 million shares and 155.26 million shares in ready and futures market, respectively. A total of 524 companies with accumulated paid up capital of Rs. 1,706.20 billion were listed on PSX while the total market capitalization was Rs. 10,374.80 billion, as on June 28, 2024. Foreign investment in the stock market exhibited a net inflow of $140.77 million during the year, which is 8,923.72 percent higher than the net inflow of $1.56 million observed in FY23.

Commodity Market

In FY24, PMEX saw a significant rise in trading activity across various commodity futures contracts, such as gold, copper, other metals, crude oil, Brent, currency cots, and US equity indices. The traded value of these commodity futures contracts increased by an impressive 23.06%, reaching Rs 5.71 trillion, up from Rs 4.64 trillion the previous year. Furthermore, the number of traded lots increased from 3.83 million to 4.59 million this year.

Primary Market

The primary capital markets serve as a cornerstone for business growth and development by facilitating capital acquisition through both equity and debt offerings. SECP is actively pursuing regulatory reforms that incentivize companies to list on the stock exchange while recognizing the vast potential for IPO and alternative listing avenues like the GEM Board to address the financing needs of small and medium enterprises (SMEs) in Pakistan's emerging market.

Public Offerings

The IPO segment has witnessed an upsurge in activity compared to the previous year, attributable to a more favourable macroeconomic environment, reforms introduced by SECP and positive performance of the equity market. During the period under review, 6 new companies raised capital through PSX, raising approximately PKR 7.05 billion. Out of these 6 companies, 5 were listed on the Mainboard, whereas 1 company was listed on the GEM Board.

Equity Public Offerings

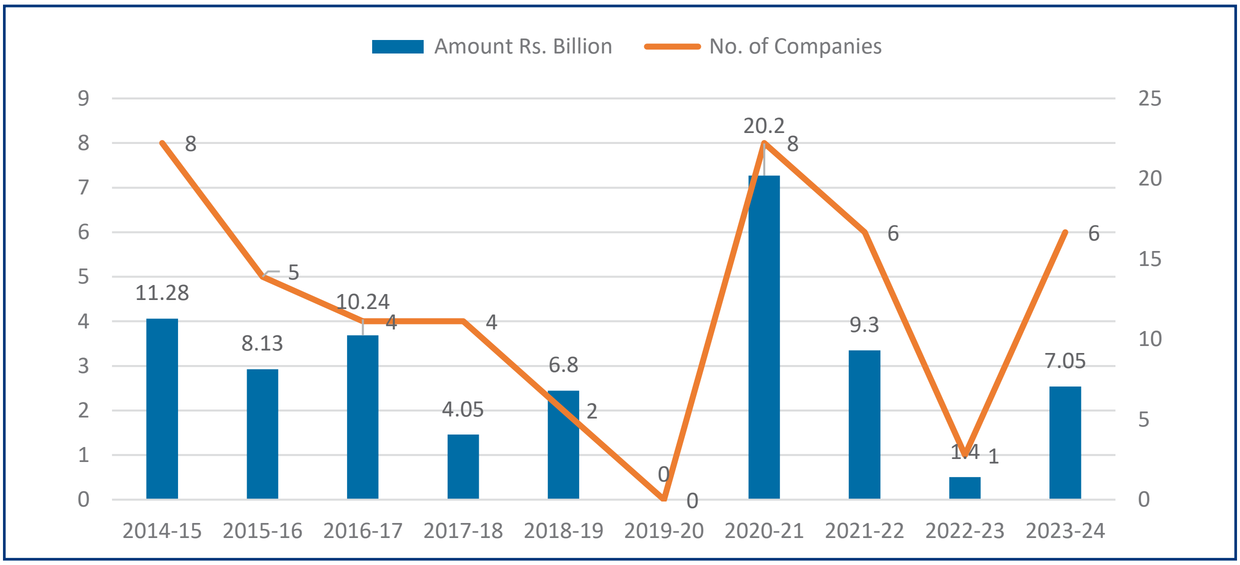
Main Board

Sr. No.	Name of Company	Type of Instrument	Fund Raised (Rs. Millions)	Date of listing
1.	Symmetry Group Limited	Equity	435.332	01-Sep-2023
2.	Secure Logistics Group Limited	Equity	600	22-Apr-2024
3.	TPL REIT Fund I	REIT	797.26	20-May-2024
4.	International Packaging Films Limited	Equity	1,766.66	3-Jun-2024
5.	Fast Cables Limited	Equity	3,129.60	10-Jun-2024
	Total		**6,729**	

GEM Board

Sr. No.	Name of Company	Type of Instrument	Fund Raised (Rs. Millions)	Date of listing
1.	Mughal Energy Limited	Equity	324.94	13-Jun-2024
	Total		**6,729**	

Equity IPOs Over Last Decade



Debt Market

Issuance of GDS through capital market

The Federal Cabinet, in line with SECP's recommendations, approved certain amendments to the Government of Pakistan Market Treasury Bills 1998 and Government of Pakistan IJARA Sukuk Rules, 2008, to develop a sustainable and efficient system for GDS in Pakistan. The said amendments enhanced efficiency and flexibility of issuing, registering, trading, and transferring GDS and enabled GDS auctions through the capital market eco system comprising of PSX, NCCPL and Central Depository Company (CDC).

SECP actively led collaborative efforts for finalizing clear and consistent protocols for enabling GDS transactions and played a central role in navigating the complexities of regulatory amendments to accommodate GDS on PSX. The technological infrastructure of the capital market was significantly enhanced to handle demands of this new segment including electronic bidding platforms, data management systems, and robust clearing and settlement mechanisms, laying the foundation for more efficient and secure GDS market operations.

The inaugural auction featured a Shariah-compliant GDS i.e. a one-year Ijara Sukuk operating on a lease-based concept, where investors finance the acquisition of an underlying asset and receive rental payments at the end of the tenure. The auction marked a tremendous achievement in which the sovereign sukuk issue seeking to raise Rs. 30 billion was oversubscribed 16 times, and enabled the Government to raise Rs. 30.191 billion at an extremely competitive cut-off yield of 19.5199%.

Given the success of the first auction and the efficiency and convenience offered through the capital market, the Government conducted 10 auctions raising a total of Rs. 643.73 billion. Different types of sovereign sukuk instruments including discounted, fixed rate and variable rate sukuks of different maturities have been issued and are available for trading at PSX.

Corporate debt

Further, one company issued corporate debt instrument (sukuk) through PSX for which details are given as under:

Sr. No.	Name of Company	Type of Instrument	Fund Raised (Rs. Millions)	Date of listing
1.	BankIslami Pakistan Limited – Ehad Sukuk II	Sukuk	1,000	08-March-2024

Further Issue of Capital – Listed Companies

During the period under review, listed companies raised capital worth Rs. 14.85 billion through right issuance and Rs 3.47 billion through other than right.

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

Sr. No.	Type of Issue	Number of Issues	Fund Raised (Rs. Millions)
1.	Right Issues	9	14.85
2.	Other Than Right Issues	4	3.47
	Total	**13**	**18.32**

Real Estate Investment Trusts

As a result of SECP's widespread outreach efforts, coupled with the roll-out of revamped Real Estate Investment Trust Regulations, 2022 (REIT Regulations) and prioritization of the sector by the Government, capital market and banking regulators, the total number of REIT Schemes registered with SECP rose to nineteen (19). Of these REIT schemes, six (6) were registered during the period under review, of which five were (5) Developmental REIT Schemes and one was a (1) Rental REIT Scheme. The launch of three (3) new REIT Schemes is in the pipeline and NOCs have been issued for registration of trust deeds for twelve (12) REIT Schemes as specialized trusts with the appropriate authorities under the relevant trust laws.

As of June 30, 2024, the aggregate fund size of these REIT Schemes was approximately Rs. 161.21 billion. Stakeholders continue to express interest in REIT Schemes as a viable option for investing in real estate projects, as evidenced from the number of companies licensed to undertake REIT management services increasing to twenty-eight (28).

Reforms and Developments

Primary Market Reforms

Amendments in Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017

SECP notified amendments to the Regulations, thereby streamlining calculation of the offer price for target company shares mandatory cash alternative; improving quality of collateral to be furnished by the acquirer to the Manager to the Offer; and revising the mode of payment to include a mandatory cash option to protect minority shareholders. The amendments are expected to bring further clarity and conduciveness by safeguarding the interest of minority shareholders as well as removing practical difficulties faced by potential acquirers while considering takeover of companies.

Amendments in The Companies (Further Issue of Shares) Regulation, 2020

The amendments introduced more customized disclosure requirements, making the regulations more efficient, dynamic and flexible. Major changes include standardization of disclosure-based regime that envisages preparation of an offering document containing enhanced disclosures for right issues and streamlined procedures for further issue other than right, including a regime for further issue based on contingent event, and reduced lock in period for persons other than sponsors. The amendments also aim to better balance the roles and responsibilities of issuers in a manner that facilitates capital formation while simultaneously promoting protection of the rights of minority shareholders.

Adoption of revised IPO approval timelines

SECP notified a fourteen (14), working day timeline for processing all regulatory approvals in relation to listing application and issuance of prospectus by a company. PSX timelines for procedural formalities to be completed by the Issuer post approval of prospectus have also been reduced to 15 working days. As a result, a company can complete the entire process of raising funds from the general public through an IPO within a period of 29 working days from the date of submission of the listing application to PSX. The timelines have been successfully implemented for five (05) IPO transactions resulting in capital formation of PKR 7.52 billion.

Improvements in Real Estate Investment Trust Regulations, 2022

SECP published a consultation paper to invite public feedback on potential areas for improvement in the REIT Regulations. Potential areas for improvement mainly pertain to the procedure for registration of trust deed and REIT Scheme; timelines for transfer of real estate/shares of SPV in the name of REIT scheme; and measures for early listing of REIT Schemes to make REITs a vibrant capital market asset class. Suggestions are also being invited for strengthening the roles and responsibilities of REIT Management Company and trustee, and to mitigate any regulatory arbitrage between different REIT structures. Measures for enhanced adherence to Shariah governance framework are also being mulled upon.

Proposal for listing of licensed companies

A consultation paper on proposal for listing of companies licensed by SECP was published to seek feedback from public. The paper states that public disclosure of financial results and performance of licensed entities can help improve accountability to the public. Such disclosures can also enable the general public and investors to better analyse the performance of these entities prior to investing in them. Listing these companies can enable their sponsors and employees, as well as the general public, to benefit from price discovery, liquidity and investability of these entities

Secondary Market Reforms

Launch of Centralized Gateway Portal

CDC in collaboration with SECP, PSX, NCCPL, Mutual Fund Association of Pakistan (MUFAP), Insurance Association of Pakistan (IAP) and Pakistan Stock Brokers Association (PSBA), has successfully launched the Portal. It provides market intermediaries a digital account opening solution with the white labelling option. It enables cross-entity KYC information sharing between SECP's regulated intermediaries (brokers, mutual funds, insurance companies) which makes the customer onboarding process more efficient by eliminating duplication in submission of documents. Additionally, KYC information requirements among different market segments have been standardized and simplified. An indicative list of documents has also been introduced to simplify the documentary requirements for onboarding.

Introduction of Shariah-compliant brokerage services

With the objective of creating various avenues for new and existing brokers to provide brokerage services under Shariah principles, necessary amendments have been made in the Securities Brokers (Licensing and Operations) Regulations, 2016, to pave the way for these specialized brokerage services in the capital market.

Rationalization of cost of investment and regulatory charges

CDC acting upon SECP's instructions, eliminated the annual maintenance fee for Sub-Account Holders, along with waiving the fixed Central Depository System (CDS) connection fee and minimum fees for Securities Brokers. Furthermore, in order to make the transaction fee equitable, an intra-account movement transaction fee has been introduced. The revised tariffs reflect SECP's commitment to enhancing market accessibility and cost reduction for all capital market stakeholders.

Facilitation in account opening process

Reforms have been introduced in the Centralized Know Your Customer Organization (CKO) Regulations and NCCPL Regulations to further streamline the account opening process. Customers will be facilitated in opening and maintaining multi-profiling accounts through provision of distinct information i.e., mobile numbers, emails, bank accounts, etc. for each account. Further, NCCPL is in the process of issuing Unique KYC Number (UKN), multi account opening process.

Prior permission for license of trading only securities broker

The onboarding process for Trading Only securities brokers, including Online Only brokers has been simplified by abolishing the requirement of obtaining permission from SECP before submitting a formal application for getting a license.

National custodial services for customers availing portfolio management services from NBFCs

To secure custody and efficient clearing and settlement function, NCCPL provides National Custodial Services (NCS) wherein a separate clearing, settlement, and custodial facility is provided to the capital market investors. The scope of NCS has been extended to NBFCs providing Portfolio Management Services. It is expected to improve competition and reduce costs for investors availing portfolio management services from NBFCs through increased competition.

Adoption of Apostille under the Hague Convention

In tandem with Government of Pakistan's adoption of the Hague Convention, SECP has facilitated adoption of the same for onboarding of foreign investors in the capital market. The corresponding regulatory amendments aim to allow non-residents/foreigners of member countries who have acceded to the Convention, to submit foreign public documents using Apostille.

Reforms in risk management

The following risk management reforms have been introduced to further strengthen the risk management regime of the capital market:

a) Reforms in derivative products:

i) Cash settled futures and stock index futures contract

SECP and PSX reviewed the product features, along with risk management framework of Cash Settled Futures and Stock Index Futures Contracts to attract investors towards derivative products. After a comprehensive review, various reforms relating to risk management have been introduced through regulatory developments including rationalized margin requirements, reduced deposits, enhanced position limits and close-out mechanism.

ii) Deliverable future contracts

Deliverable future contracts (DFC), in order to strengthen the risk management framework, acceptable collateral requirements have been strengthened which will allow for better default management.

b) Change in lot size to one share: All Regular market symbols which were traded in lot sizes of 20, 50, 100 and 500 shares, are converted into lot size of one share and these symbols have been discontinued in the Odd Lot market. This will facilitate and empower small retail investors to participate more actively in the capital market and also remove the disparity between the prices of shares traded in market lots and odd lots.

c) Reforms in pre-settlement delivery mechanism in DFCs: Reforms were made to ensure that position limits in DFC market are adjusted properly and that trading capacity of market participants is not restricted in the case of pre-settlement delivery.

d) Reduction of security deposit for trading only securities brokers: The risk management framework has been reviewed in order to promote ease of doing business of Trading Only Securities Brokers. After detailed consultation with NCCPL, CDC and Professional Clearing Member, the amount of security deposit has also been reduced.

Amendments in Pakistan Stock Exchange Regulations

Various amendments have been introduced in the PSX Regulations aimed at providing maximum facilitation to capital market investors and promoting ease of doing business for market intermediaries as detailed below:

a) Revamping of the Defaulter Segment: The PSX Regulations have introduced an enhanced framework for the Defaulter Segment whereby listed companies quoted on the Defaulter Segment have been bifurcated into Non-compliant and Winding-up segments. Various events and non-compliances leading to the placement of listed companies on these segments have been revised for specifying appropriate consequential disciplinary action by PSX.

b) **Enhancement of circuit breakers:** Amendments in PSX Regulations have been introduced to gradually enhance the security-wise circuit breakers at PSX by 0.5% on a fortnightly basis till they reach the 10% level. The enhancement of circuit breakers is applicable to Regular, Futures, and Stock Index Futures Contracts Market Symbols.

c) **Amendments in the framework for cash settled futures product**: Certain changes have been introduced in the framework for CSFs after consultations with stakeholders with the objective of facilitating the revival of the product and making it more efficient in line with global practices. The changes pertain to determining the final settlement price, adjustment methodology in the event of a corporate action, and ensuring greater flexibility for PSX to introduce CSF contracts of varying maturity periods.

d) **Procedure for winding-up resolution by members of a securities broker:** A new regulation has been introduced which specifies the detailed procedure to be followed upon passing of a members' resolution for the voluntary winding-up of a securities broker. If the prescribed procedure is not followed, appropriate enforcement action will be taken by PSX, including suspension of trading terminals.

e) **Protection of client-titled bank accounts maintained by securities brokers:** In order to strengthen investor protection, enhanced checks and balances have been introduced with respect to client-titled bank accounts maintained by securities brokers. These include informing PSX of opening a new bank account or closing an existing one within five working days; prohibition of cash withdrawals from these bank accounts; and the requirement to make all payments to customers through banking channels only.

f) **Revision in closing price methodology for corporate debt securities:** The methodology for determining the closing price of corporate debt securities has been revised in light of international best practices and made part of PSX Regulations.

g) **Regulatory compliance burden for trading only brokers:** Clarity has been provided in the PSX Regulations for stipulating functions performed by the Professional Clearing Member (PCM) on behalf of Trading Only brokers. This has provided necessary relief to the Trading Only brokers concerning regulatory compliance of relevant functions being handled by PCM such as transmitting confirmation of clients' orders, registration of employees of securities broker in the UIN database, submission of quarterly account statements to clients of securities broker, and payment of margins to NCCPL.

h) **Handling of appeals following disciplinary action against listed companies:** Provisions have been introduced in PSX Regulations to provide an appeal mechanism in respect of enforcement action taken by PSX against listed companies, whereby if the listed company is dissatisfied with the enforcement order, it may file an appeal with the Appellant Committee, constituted by the PSX Board.

i) **Transparency in public disclosures:** The directors, CEO, substantial shareholders, and executives of a listed company are required to disclose their cumulative shareholding in the public notice issued in respect of trading in the shares of such company in order to enhance transparency.

j) **Better enforcement:** The penalties applicable on listed companies for violation of certain clauses of PSX Regulations have been revised with the view to create deterrence against material violations and better protect the interests of the public at large.

Approval for Director Training Programs

SECP granted approval to National School of Public Policy (NSPP) and National University of Sciences and Technology (NUST) to conduct Director Training Programs as per the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2019 (CCG Regulations) which will positively impact corporate governance by ensuring that directors are well-equipped with the necessary skills to best perform their duties by promoting informed decision-making, improved compliance with regulatory standards, and enhanced overall organizational performance. Such trainings shall further promote ethical practices, accountability and effective leadership, ultimately strengthening the governance framework.

Issuance of frequently asked questions (FAQs) pertaining to CCG Regulations

FAQs have been published in relation to amendments in the CCG Regulations with respect to category-wise election of directors. This will facilitate listed companies in meeting their regulatory requirements relating to the appointment of independent and female directors to their boards and aid members contesting the election of directors in casting their votes.

Amendments in CCG Regulations

Comprehensive anti-harassment policies for listed companies, ensuring compliance with the Protection Against Harassment of Women at the Workplace Act, 2010, have been introduced. Promotion of gender equality and a more diverse workforce by fostering equal opportunities and increasing female representation across all levels of the organization has been emphasized. The Board's responsibility to integrate ESG factors into their business strategies alongside financial performance has also been highlighted.

Introduction of audit report format for auditors of securities brokers and future brokers

Amendments in the Auditors Reporting Regulations, 2018 have been made and a new format of audit report for auditors of securities broker and/or futures broker is specified to ensure reporting by the auditor on the status of compliance by the brokers in line with the requirements provided in various laws, including the Securities Act, 2015.

Notifications of accounting standards

In order to provide the necessary framework and guidance on preparation of general-purpose financial statements by non-going concern entities, accounting standard on 'Non-Going Concern Basis of Accounting' was notified on February 1, 2024 for the preparation of financial statements by companies for annual reporting periods beginning on or after January 1, 2024.

Another accounting standard on 'Financial Statements Disclosures of Zakat Received by an Entity' was notified on February 16, 2024. The standard provides the necessary framework and guidance for the disclosures in the general-purpose financial statements for companies receiving Zakat. Furthermore, users of the financial statements can evaluate the significance, nature and financial effects of zakat received and utilized during the period.

Circular on transfer between capital and revenue reserves

Circular dated February 15, 2024 was issued to provide guidance on utilization of the reserve and disclosure details were also provided in the circular. The disclosure will provide information about strategy or plan of the company while informing of the rationale of the transfer to users of the financial statements.

Commodities Market Reforms

Reforms in governance of capital market infrastructure institutions

To address the unique challenges and demands faced by Capital Market Infrastructure Institutions (CMIIs) as public interest entities and front-line regulators, reforms were introduced by amending the respective licensing regulation of securities exchanges, futures exchanges, clearing houses and central depositories. Through the amendments, tenure limits were imposed for key positions of the chief executives and independent directors of CMIIs. In case of a CEO, a maximum of three terms have been specified, and the third term may only be allowed in case of exceptional performance and subject to a rigorous competitive selection process by CMIIs. In case of an independent director, a maximum of three terms across all CMIIs are allowed, and no individual shall serve on the board of the same CMII for more than two terms. These reforms are expected to improve governance, objectivity, independent judgement, diversity and introduce fresh perspectives for CMIIs.

Introduction of new Agri-only category of futures broker

SECP notified amendments to the Futures Brokers (Licensing & Operations) Regulations 2018, which introduced a new category of futures brokers called the Agri-only category, with lower entry barriers, focused solely on trading of Agri-commodities for developing the EWR based futures market. The introduction of this category of futures broker will help onboard the untapped investor base residing in rural areas by giving them access to the regulated commodity markets and contribute to the documentation of agricultural sector through the EWR regime.

Transparency in handling margins and deposits of futures brokers and customers by PMEX

Through the amendments made to the Futures Exchanges (Licensing and Operations) Regulations, 2017, a transparent and fair treatment has been specified for handling the margins and deposits of futures brokers and their customers deposited with PMEX, investments of these funds by PMEX and distribution of return earned on such investments. They further aim to align PMEX's practices for custody of brokers' and customers' funds with those followed by other CMIIs.

Segregation of the clearing & settlement function from the futures exchange

SECP constituted a working group with representations from SECP, PMEX, NCCPL, and EClear Services Limited (EClear), for exploring independent options for segregating the clearing and settlement function of PMEX. The working group submitted a report highlighting various options for segregating the clearing and settlement function of PMEX. SECP also held consultations with respective managements and boards of directors of PMEX, NCCPL and other stakeholders. In light of these consultations, SECP advised PMEX and NCCPL to devise and submit an action plan with a defined timeline and milestones for separating PMEX's clearing and settlement function to be handled by a separate entity. Transferring the clearing and settlement risk away from the futures exchange is aimed at improving risk management practices and avoiding potential conflict of interest.

Draft medium-term strategy for development of agricultural commodities markets, storage and trading

During the year, SECP collaborated with the Ministry of National Food Security and Research (MNFS&R) to develop a strategy for upscaling and developing the EWR regime. In this context, MNFS&R through a notification dated December 28, 2023, constituted a Committee to develop a roadmap for the development of agricultural commodities markets, storage and trading in Pakistan. SECP held several consultation sessions with stakeholders including MNFS&R, Provincial Agriculture, Food and Finance Departments of Punjab and Sindh, Pakistan Agriculture Storage and Services Corporation, SBP, Bank of Punjab, National Rural Support Program, and Naymat Collateral Management Company Limited (NCMCL). Based on these consultations, a medium-term strategy was drafted outlining the existing landscape, challenges and recommendations for development of agricultural commodities markets, storage and trading. The draft strategy has been submitted to MNFS&R for review, finalization and implementation of recommendations.

Development of Electronic Warehouse Receipt Regime

SECP has actively supported the board of directors of NCMCL in developing its business plan and recapitalization through coordination with its sponsors, management, investment advisors and prospective investors. Over the past few years, NCMCL has demonstrated strong proof of concept and due to being the sole collateral management company (CMC), is key to the development of EWR system in Pakistan. The integration of the warehousing infrastructure with EWR System through accreditation of warehouses by NCMCL is a key initiative in modernizing the agricultural storage ecosystem in Pakistan.

Impact of SECP's Intervention

Performance of Electronic Warehouse Receipt Market

The EWR regime is being administered by NCMCL, since March, 2021. In FY24, NCMCL issued a total of 915 EWRs for eligible commodities, such as rice, paddy, and maize. Among these, 762 EWRs were pledged for bank financing. The aggregate value of EWRs issued during this period saw a substantial increase of 41.35%, reaching Rs. 3.76 billion compared to Rs. 2.66 billion in the previous year. The value of pledged EWRs also rose substantially from Rs. 1.86 billion to Rs. 2.78 billion over the same period. During the year, NCMCL has also successfully added wheat to the range of commodities eligible for storage in accredited warehouses.

Increase in number of UINs of PMEX

Reforms and initiatives in the commodities market led to a significant increase in UINs by 11.9%, reaching 36,744 from 32,369 during the fiscal year, despite the challenging business environment and macro-economic situation.

Licensing of first broker under Shariah-compliant model

In continuation of relevant amendments in the regulatory framework, a brokerage services license was granted to ZLK Islamic Financial Services (Private) Limited, making it the first fully Shariah-compliant brokerage house in the industry.

Centralized Gateway Portal

A centralized platform is used, which enables and facilitates investors in onboarding for diverse investment avenues (such as stocks, mutual funds, insurance products, etc.). Currently, 80 Securities Brokers, 4 AMCs and 20 Insurance Companies are connected with the Portal.

Way forward

- **Issuance of short-term sovereign sukuks.** There is enormous untapped demand for short term sovereign sukuks amongst investors, including financial institutions and retail investors. Accordingly, SECP is exploring the possibility of issuing short- term sovereign sukuks having maturity ranging from 3 to 9 months and intends to publish a concept paper focused on obtaining feedback on possible transaction structures enabling issuance of short term sukuks.

- **Development of listed short term corporate sukuk market.** Pakistan's corporate sector is placing increased reliance on issuance of unlisted short term sukuks for its financing requirements. Therefore, SECP is working towards streamlining regulatory requirements for making it convenient for issuers to avail such financing through listed sukuk instruments. Additionally, SECP plans to publish a concept paper on possible reforms for developing a vibrant listed short term corporate sukuk market. Consultation sessions with key stakeholders shall also be arranged in order to finalize possible regulatory interventions.

- **Transition of settlement cycle from T+2 to T+1.** In line with its efforts to make Pakistan's capital market more competitive, SECP has initiated a planned transition to shorten the settlement cycle of the capital market from T+2 to T+1. This will increase the overall efficiency of capital market operations, while decreasing counterparty risk. An Implementation Committee has been formed for this purpose, comprising of representatives from CMIIs, Securities Brokers, PSBA, MUFAP, Custodian Clearing Members, and SECP. Various meetings have been convened to discuss operational modalities, resolving issues, bottlenecks, and building consensus. The SBP has also been engaged to facilitate the capital market in terms of extending timing of RTGS and Forex Booking for the CCMs.

- **Launch of Capital Market Development Fund.** The Fund is an initiative for promoting financial literacy, fostering innovation, and enhancing the overall market infrastructure to increase breadth of the capital market, is also in progress. It aims to enhance general awareness among investors by educating them on the merits of financial instruments as a form of investment. An important feature of the fund will be its utility in educating and inviting potential market intermediaries (e.g. advisors, brokers, etc.) to seek respective licenses and play their role in market intermediation for reaching a larger and demographically untapped market.

- The following developments with regard to products and markets at PSX are planned:

  a) Establishment of a new index at PSX focused on ESG factors and strong corporate governance practices.

  b) Relaunch of the cash settled futures product with revised specifications to facilitate their revival at PSX.

  c) Development of a mechanism to support Shariah-compliant trading at PSX.

- **Functionality for dissemination of accounts of unlisted companies at PSX.** With the aim to enhance transparency and improve financial reporting practices, a mechanism will be developed in coordination with PSX, to provide for unlisted companies to submit their annual accounts to PSX. The accounts will be maintained in the form of a dedicated database on the PSX website and made accessible to the general public.

- **Registration and trading of public unlisted companies at PSX.** SECP is exploring the possibility of introducing a platform at PSX for registration and trading of public unlisted companies. This will improve visibility of Pakistan's corporate sector and promote transparency and accountability. Public unlisted companies meeting a certain criterion would be required to register with PSX. Registered public unlisted companies would be required to share financial information with PSX for public dissemination. No fund raising would be permitted, however shareholders of the public unlisted companies would be able to trade shares among themselves or with accredited investors for generating liquidity.

- **Dematerialization of securities for companies having share capital.** SECP plans to implement section 72(1) of the Companies Act in the near future, which states that every company having share capital is required to have shares in book entry form.

- **Revision of Securities Act, 2015.** The said Act is in the process of being revised and merged with the Futures Market Act, 2016 for the purpose of removing overlaps in both statutes and arriving at a single concise law. The revised Act shall further provide enabling provisions for innovative concepts in the capital market and facilitate ease of doing business.

- **Regulatory framework for securities managers**. A new regulatory framework has been issued for public consultation for the licensing and operations of securities managers. The framework will be finalized after considering public comments and feedback. Under the new framework, securities brokers who meet the prescribed requirements will be able to perform the functions of securities managers, thus allowing them to provide portfolio management services to stock market investors, in accordance with international best practices.

- **Regulatory framework for algorithmic trading.** A regulatory framework for algorithmic trading is planned to be introduced in view of rising trends towards automation in stock market trading. The framework is intended to uphold market integrity and ensure transparency by stipulating relevant disclosures by securities brokers engaged in algorithmic trading.

- **Guidelines for stock splits.** A stock split is a corporate action where a company divides its existing shares into multiple shares to boost the liquidity of the shares. While the number of shares increases, the overall value of the company's shares remains the same. SECP aims to coordinate with PSX to evaluate suitability of stock splits for Pakistan's market dynamics in light of international best practices and develop comprehensive guidelines for promoting the concept of stock splits among issuers and market participants.

- **Amendments to REIT Regulations.** SECP published a consultation paper to solicit feedback from the public on possible improvements in the REIT regulatory framework. The subsequent regulatory amendments shall be finalized after concluding the public consultation exercise.

- **Improvements in public offering regime and GEM Regulations.** SECP is carrying out a holistic review of the public offering regime in order to bring greater transparency, efficiency and vibrancy to the primary market, with the objective of making PSX the preferred capital formation platform in the country. This exercise entails evaluation of the fund-raising avenues available at PSX including listing on the Main Board and the GEM Board. A detailed consultation paper on potential areas of improvements shall be published for seeking stakeholder feedback. The regulatory amendments will be finalized after the public consultation exercise is concluded.

- **Revisions in Research Analyst Regulations, 2015.** The Research Analyst Regulations, 2015 will be revised to better manage conflicts of interest by requiring enhanced disclosures from research analysts. This will ensure accurate dissemination of information about listed securities for aiding capital market investors in their decision making.

- **Reforms in the manner of conduct of shareholder meetings.** SECP formed a committee to promote enhanced transparency, efficiency, and shareholder-friendliness during shareholder meetings. The committee proposed several recommendations in consultation with various stakeholders for the said purpose. SECP is deliberating on the recommendations of the committee and necessary regulatory changes will follow especially in the area of election of directors, postal ballot, proxy utilization and issuance of guidelines.

- **Conduct of corporate briefing sessions.** PSX Regulation 5.7.3 prescribes every listed company to hold at least one Corporate Briefing Session (CBS) during the financial year to provide an opportunity for investors and analysts to gain reliable access to extensive information about its business operations, past financial performance, and future outlook. A robust regulatory regime is planned to be put in place to regulate the conduct of CBS for ensuring that it presents a true and fair picture of the listed companies.

- **Notification of ISSB Standards.** In June 2023, International Sustainability Standards Board (ISSB) issued two standards (i.e. IFRS S1 and IFRS S2) for sustainability reporting, aimed at streamlining sustainability reporting. In Pakistan, adoption of these standards is being considered whereby large listed and unlisted companies will be required to comply with the said standards in a phased manner.

- **ESG awareness and capacity building.** Workshops and sessions are planned for representatives of listed companies to create awareness regarding the recently introduced voluntary framework for ESG related disclosures. The companies shall be apprised about the benefits of adhering to the ESG framework and promoting transparency in sustainability efforts.

- **Development of EWR regime and Agri-Warehousing.** SECP has engaged multilateral institutions including ADB, for carrying out a study and providing recommendations on scaling up the EWR regime and agri-warehousing in Pakistan. The insights and recommendations derived from this study will be instrumental in the development of EWR Ecosystem in Pakistan.

- **Medium-Term Strategy for development of agricultural commodities markets, storage and trading.** SECP plans to coordinate with PMEX, MNFSR and other relevant stakeholders for the finalization and implementation of recommendations under the medium-term strategy for development of agricultural commodities markets, storage and trading.

- **Segregation of clearing & settlement function from the futures exchange.** SECP will facilitate PMEX in segregating its clearing and settlement functions from the trading function to a separate entity, which would assist in improving risk management practices and help avoid potential conflict of interest.

Systemic Risk and Research

Overview

SECP closely monitors market fundamentals, speculation, liquidity, settlement, concentration, leverage, foreign portfolio investment flows, delay payment notices, top positions, brokers with the highest exposure, and macroeconomic vulnerabilities on a daily basis.

In FY24, the stock market experienced unprecedented growth, with the index rising from 43,899 to 78,445, marking a 78.7% increase. This surge was accompanied by high liquidity and an inflow of foreign investment. A 150-basis point drop in interest rates encouraged investors to shift from the debt market to equities, further boosting the stock index. In the future, expansionary monetary policy and political stability are expected to positively impact the stock market.

Reforms and Developments

Market Risk Analysis

The table below displays the highest and lowest net settlement positions and leveraged positions recorded during FY24:

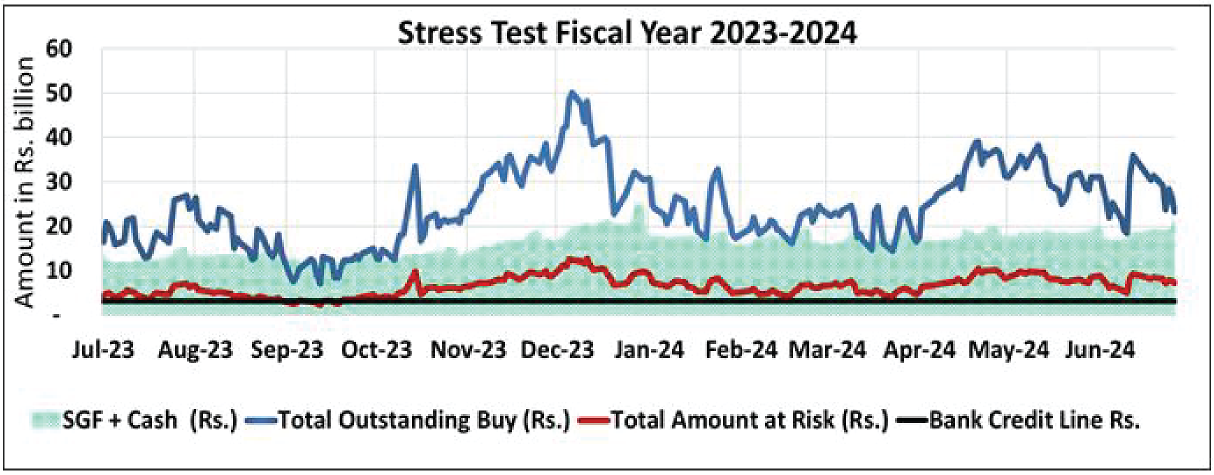
FY24	Net Settlement (Rs. Bn)	Leverage (Rs. Bn)
Low	0.64	17.60
High	8.82	43.04
Average	2.97	29.93

Data Source: PSX, NCCPL & SRRD's Calculation

A significant index movement during H1FY24 prompted an assessment of historical leverage in relation to the stock index, DFC exposure to Liquid Capital Balance (LCB), liquidity of margin-eligible securities, and sharp fluctuations in stock prices. Red flags were raised to closely monitor select stocks due to significant price variance and high concentration in leverage exposure. It was highlighted that the opacity of in-house badla financing by brokers required regulatory scrutiny, and an evaluation of investors trading in low-cap (illiquid) stocks was advised. Additionally, the financial health of brokers nearing the DFC's maximum exposure to LCB limit was assessed. An exposure limit analysis identified brokers with excessive positions during market volatility period, revealing that the top brokers collectively held 71% of the total exposure. However, the utilization of exposure limits against liquid capital remained well within the acceptable range.

Further, during H2FY24, an analysis of the relationship between leverage and market capitalization revealed that leverage grew at a slower rate than market capitalization and even declined. Although equity prices increased, leverage open positions did not rise proportionately. Compared to the historical levels of 2021 (Rs. 62.17 billion), the leverage open position at that time was relatively low. Similarly, the current level of total open positions, Rs. 32.77 billion, was moderately lower than the 6-month moving average of Rs. 34.18 billion.

Furthermore, daily forward-looking stress tests and reverse stress tests were reviewed to assess the stability of the clearing house's margins and other resources. The results indicated that sufficient margins were maintained.



Source: NCCPL

However, stress tests on Margin Eligible Securities, simulating the largest drops in prices and volumes over the past five years, revealed that NCCPL could only liquidate 38.04% of its MES portfolio value within a 5-day period.

Engagement with External Stakeholders

The National Financial Stability Council's (NFSC) inaugural meeting was held on February 10, 2024, presided over by the Minister for Finance, Secretary Finance, Governor SBP, and Chairman SECP. The NFSC discussed the status of financial stability, concerns, and systemic vulnerabilities that could necessitate a coordinated response. It was decided to evaluate the need for strengthening institutional mechanisms and to reassess the role of DFIs and MFIs, as well as the impact of banks' exposure to the public sector.

Following this, a comprehensive review of international best practices for measuring and monitoring financial stability parameters was conducted. Key areas were identified to enhance capacity and develop analytical tools for monitoring, assessing, and mitigating systemic risks within the non-bank financial and insurance sectors.

Some of the key areas identified as requiring policy direction included the deployment of tools to assess the interconnectedness of market segments, the development of systemic risk modelling frameworks, conducting risk surveys and liquidity stress testing methodologies, and the introduction of stress testing tools tailored for insurance companies and mutual funds. Additionally, the risks associated with virtual assets and cryptocurrencies, as well as the ownership structure of the banking and insurance sectors in Pakistan, were also identified as critical areas for policy focus.

Research and Analysis

A study was conducted to assess the listing status of licensed companies, recommending that entities such as licensed companies, strategic entities, state-owned enterprises (SOEs), public interest companies (PICs), and corporations with substantial capital should undergo thorough scrutiny to ensure improved governance and enhanced disclosures.

The research also evaluated the current free float requirements for PSX-listed companies against international benchmarks, which range from 25% to 35%. The study recommended setting a minimum free float requirement and introducing a two-tiered board system to motivate companies to comply with this standard.

Furthermore, a data collation exercise was performed to gather information from data exchanges with regulated entities, research houses, and the SBP. The study proposed creating a data portal to facilitate consolidated supervision of interconnected risks and performing time series analysis using statistical and econometric tools.

Way forward

In the future, SECP plans to implement a comprehensive strategy to advance systemic risk management, which will include:

- Developing a systemic risk modelling framework that blends quantitative and qualitative techniques. This will entail partnering with risk management teams from various universities to ensure robust data acquisition, calibration, and interpretation.

- Additionally, risks associated with virtual assets, including cryptocurrencies, and traditional financial risks will also be addressed. SECP's approach involves sharing insights, formulating mitigation strategies, and advocating for strong regulations through collaboration with key institutions such as SBP, NCCPL, and PSX.

- Lastly, SECP plans to reengineer the existing systemic risk framework to integrate new methodologies and address gaps in coordination with Ministry of Finance (MoF) and SBP under the NFSC.

Non-Banking Finance Sector

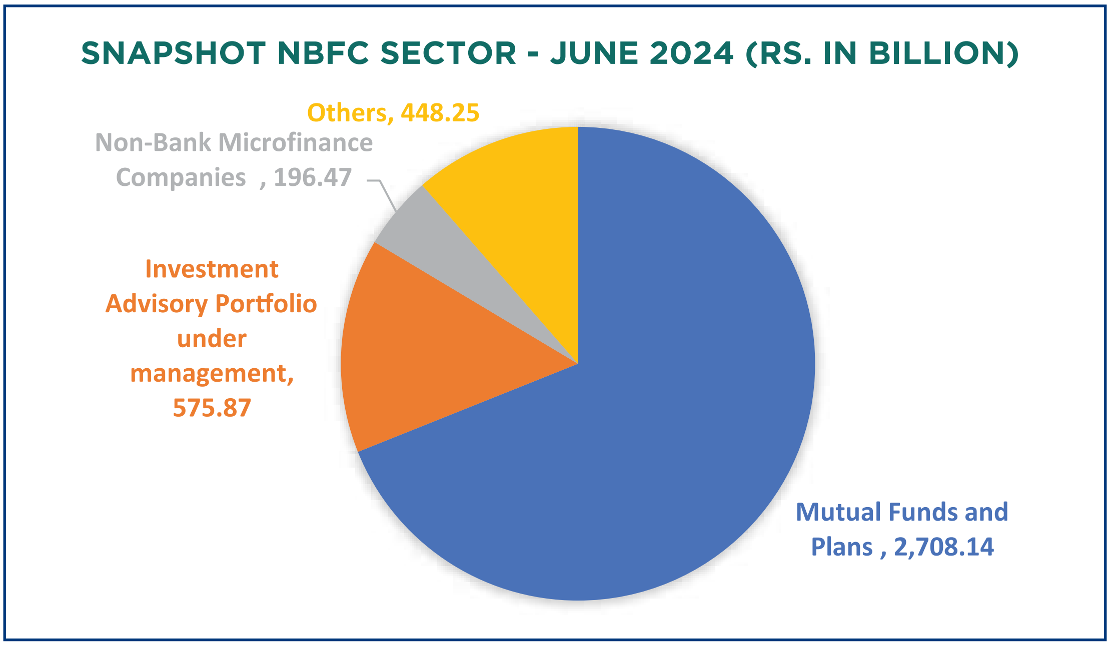
Overview

The non-banking finance sector offers a complete and comprehensive financial product suite. This includes lending, deposit taking, mobilizing savings through mutual funds, offering retirement savings and income solutions, transaction advisory and structured financing, supplementing baseline socioeconomic growth through microloans for SMEs, and offering bespoke wealth management solutions to high-net-worth individuals (HNWI). Additionally, it includes corporate segments through investment advisory across all asset classes available in the stock, fixed income, and commodity markets. The industry also offers product bundling by incorporating an agile concept of cross-selling, especially in the insurance and banking sectors, either directly or through product features. It also comprises fund management NBFCs, private funds and lending NBFCs and Islamic finance, including Modarabas.

Lending NBFCs include investment banks, non-bank microfinance companies, leasing companies, housing finance companies, discounting companies, and CRCs. The Islamic financial services industry includes Islamic institutions, Shariah-compliant companies, and advisors, as well as Islamic instruments like Shariah-compliant securities. The sector has been exploring its growth potential through innovative product ideas and has been leading a transformative effort towards a 100% Shariah-compliant financial sector.

The overall contribution of NBFC sector supports mobilization of individual and institutional savings and channels them towards optimal use for industry through several financial products and services, supplementing SECP's efforts to promote greater financial inclusion.

The aggregate asset size of NBFC sector was Rs 3.93 trillion as of June 30, 2024 (including REITs and excluding Modaraba), posting a promising growth of 37.41%, compared with Rs 2.86 trillion as of June 30, 2023. The breakup of the total assets of the NBFC sector is provided below:

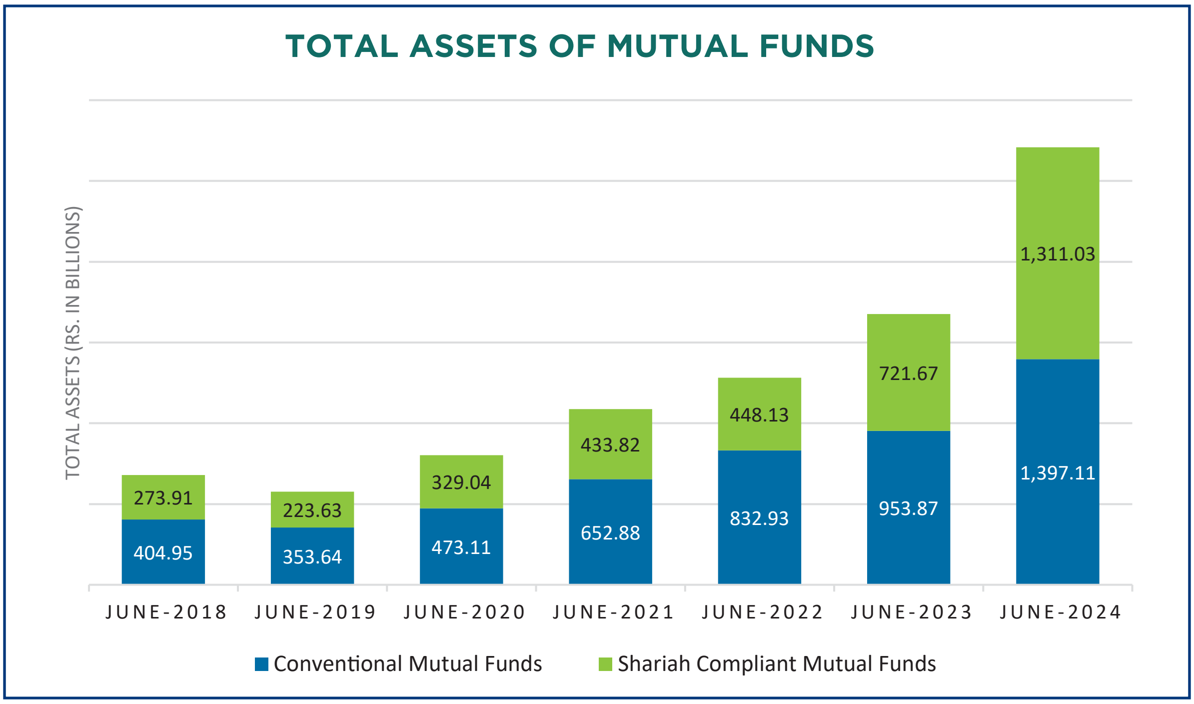


1) Mutual fund sector

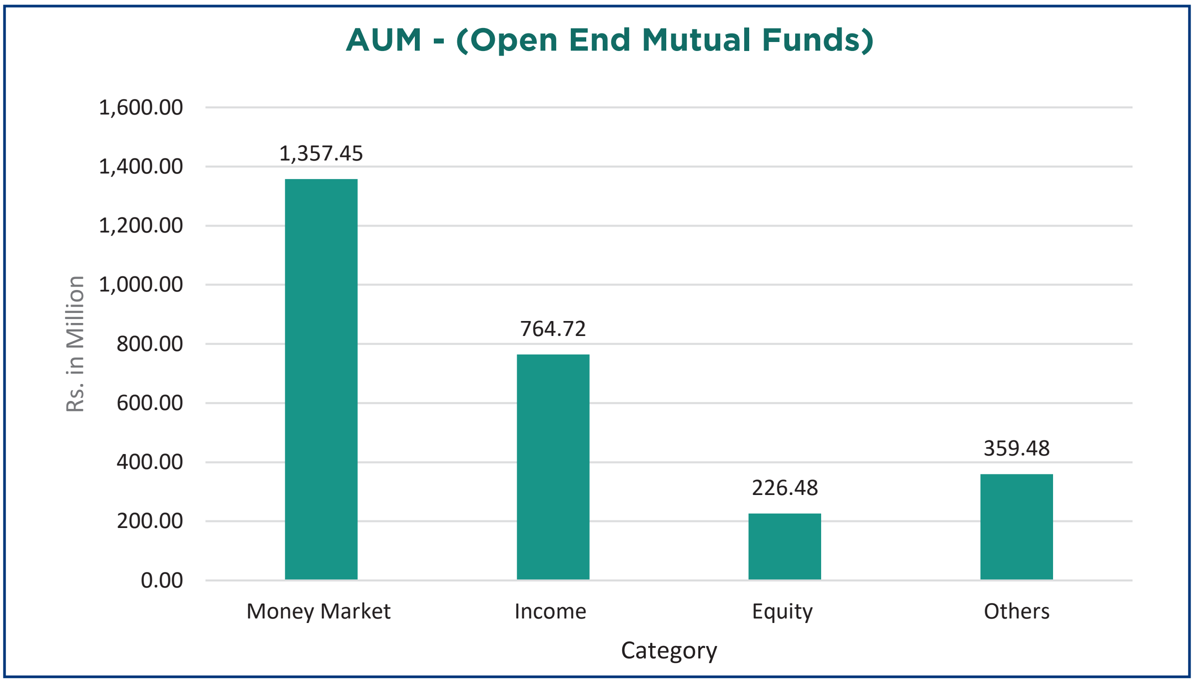
Other than the banking sector, mutual funds are the leading solution for efficient savings for all types of investor segments, especially retail. The mutual fund industry being the largest segment within the NBFC sector, continued to grow in FY24, with total Assets Under Management (AUM) surpassing Rs. 2.7 trillion, the highest in history. Compared with Rs 1.675 trillion in FY23, this depicted a year on year growth of 62%. The total number of AMCs stood at 22, which launched a total of 371 Collective Investment Schemes (CIS) and plans for investors as of June 30, 2024.

This growth was supplemented by high interest rates, which offered a 'low risk, high return' opportunity across income and money market segments. Additionally, an innovative step taken by SECP in collaboration with the Federal Government, whereby the concept of listed GDS was introduced, also boosted the sector's growth. This initiative created opportunities for AMCs to enhance the product suite of Shariah-compliant debt CIS, including fixed rate/return schemes, money market schemes, and income schemes offering attractive returns.

It is important to note that the overall analysis of industry AUM growth strongly suggests that the mutual fund sector has proven to be the most agile of the investment classes, evidenced by its quick adoption of Shariah-compliant products and capture of largest market share during the last 3 years, especially FY24.



The break-up of industry asset mix reveals that money market funds dominated with the largest share of 50.13%, followed by Income Funds having share of 28.24% and Equity 8.36%.



2) Investment advisory sector

28 companies have been licensed to provide investment advisory services (IAS) by SECP. Of these 28, 20 companies hold both AMC and IAS licenses.

The assets under the investment advisory portfolio management showed 21% growth on a year on year basis and amounted to Rs. 576 billion as of June 30, 2024 (consisting of Rs. 276 billion in discretionary portfolios and Rs. 300 billion in non-discretionary portfolios) as compared to the previous year (Rs. 476 billion as of June 30, 2023). The investment advisory industry has strong potential to offer end-to-end wealth management services to clients on a bespoke basis while also taking advantage of cross-selling investment opportunities in the stock market, insurance, and banking sectors. Mainly focused on corporate clients, HNWI are advantageously placed to offer the best diversification and investor profile-oriented solutions to the customer.

3) Pension fund sector

At present, 16 companies have been licensed to act as pension fund managers (PFM). These PFM are managing 45 pension funds, including 21 KPK pension funds (both conventional and Islamic). The total asset size of pension funds stood at Rs. 76.11 billion as of June 30, 2024, witnessing a significant growth of 51.43% during the year under review.

Pakistan is facing stiff challenges in terms of maintaining its pension liabilities. The public sector, is cognisant of the lack of sustainability of a P-A-Y-G-based, exchequer-funded, defined-benefit pension system, that also offers legacy benefits to immediate family members. Therefore, it is now shifting towards DC pensions based upon a highly agile Voluntary Pension System (VPS) framework.

SECP has amended the regulatory framework for VPS, in order to further broaden its scope and provide a comprehensive post-retirement income solution to employees in both the public and private sectors. The amended framework enables both public and private sector employers to offer fully funded, defined contribution pensions in a fail-safe environment to their employees. To affect this change, necessary amendments in the Voluntary Pension System Rules, 2005 (VPS Rules, 2005), along with corresponding amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC&NE Regulations), have been notified during the year. The amendments introduce employer pension funds, which enable group companies, holding companies, federal governments, and provincial governments to set up and manage pension funds for their employees. The amendments aim to create a well thought out and futuristic pension landscape in Pakistan, allowing the public to manage post-retirement savings professionally and grow their investments according to individual risk profiles and income needs.

The Punjab government is also considering introducing VPS to replace the existing pension setup to reduce the financial burden on the provincial budget. At the federal level, the Economic Coordination Committee has approved major changes to the federal government's pension system aiming to reduce pension liabilities. The introduction of VPS aims to alleviate the burden of huge government pensions and streamline the pension system.

Reforms and Developments

1) Amendments to Voluntary Pension System Rules, 2005 and Non-Banking Finance Companies Regulations 2008: Introducing Employer Pension Funds – A new milestone

Efforts to establish the Employer Pension Funds (EPF) framework have been in progress since last year. This year, SECP has successfully notified amendments in the VPS Rules, 2005 and made corresponding changes in the NBFC&NE Regulations, introducing a new framework for EPF. This development is anticipated to transform the pension landscape, prompting both provincial and federal governments to make necessary adjustments to lessen the exchequer's burden and ensure that future pension liabilities are fully funded through regular contributions.

Additionally, private sector employers can also offer fully funded defined contribution pensions. EPF shall be managed by entities licensed by SECP, with a minimum rating of 'AM2'. This strategic initiative aims to elevate Pakistan's pension solutions to global standards while maintaining the fundamental principles of the VPS framework.

Synopsis of key elements of the amendments

- Non-Resident Pakistanis with Pakistan Origin Cards can now make long-term retirement savings in Pakistan.
- Enabling provisions for the introduction of employer pension funds have been notified to enable employers, including group companies, holding companies, federal governments, and provincial governments, to set up and manage pension funds for their employees and negotiate the total expense ratio.
- Introduction of a minimum asset manager rating criterion of 'AM2' for eligible entities, such as AMCs, life insurance companies, and investment advisors who wish to offer employer pension funds under VPS. This would strengthen their risk management and ensure the quality of their services.
- In addition to the annuity products offered by life insurance companies, the pension fund managers are allowed to offer post-retirement annuity products (life contingent annuities) to the VPS pensioners on an individual or group basis by joining hands with other pension fund managers in a pool.
- In order to make VPS more beneficial for employees, charging sales and marketing expenses to participants in pension funds has been discontinued.
- There is no entry fee or front-end load allowed to be charged for employer pension funds, and employers have the flexibility to negotiate the management fee with pension fund managers.

2) Launch of KPK Govt. Employees based VPS

An enabling framework was provided for the launch of pension fund schemes for KPK Government employees. Accordingly, clearances/NOC were granted to 12 AMCs for the launch of 22 pension fund schemes for employees in KPK. These pension fund schemes hold AUM of around Rs. 1 Billion with over 11,000 KP Civil Servant Participants. The total number of expected KP Civil Servant Participants is over 44,000.

3) Market enhancing reforms:

i) **Money Market Schemes Permitted to Invest in Listed GDS with 6–12 Month Maturities:** Direction No. 17 of 2023 dated December 6, 2023, has permitted the money market schemes to invest in GDS with a maturity exceeding six months and up to one year, in order to ensure wider participation of mutual funds in one-year GDS (sukuks or government securities), to be raised and traded through PSX, SECP.

ii) **Clarifications Issued for the Fixed Rate/Return scheme:** With reference to requests from the industry and as a result of due consultation with MUFAP, SECP has issued the necessary clarification that the Fixed Rate/Return Scheme, to the extent of placement of term deposits (TDRs) with commercial banks, Islamic banks, or Islamic windows of commercial banks having a minimum rating of AA (Double A) from a rating agency registered with SECP, shall have the same exposure limits in terms of Regulation 55 of the NBFC&NE Regulations as are applied to the Capital Protected or Guaranteed Scheme.

4) Market Development – Ease of Doing Business – Product Development

i) **Enabling framework for digital AMC:** SECP, in its pursuit of fostering financial inclusion and cultivating a culture of prudent savings among potential investors has provided an enabling framework for Digital Asset Management Services (DAMS) under the NBFC&NE Regulations. In order to achieve enhanced operational coherence and address industry exigencies catering to the peculiar needs of DAMS businesses, SECP is in the process of specifying fundamental requirements for DAMS to effectively conduct their business while adhering to prescribed regulatory parameters.

ii) **MUFAP as a Self-Regulatory Organization:** SECP is supporting MUFAP's transition to a self-regulatory organization (SRO), demonstrating its commitment to enhanced regulatory compliance and governance.

iii) **Conference on KP pension reforms:** SECP, in collaboration with MUFAP has organized a conference on KP Pension Reforms, which was widely attended by stakeholders in the mutual fund industry. Other provinces have also shown their willingness to reform their pension systems in line with the KP Pension System.

iv) **Capacity building workshop for VPS:** A capacity building workshop for journalists was held at SECP's head office aimed at increasing public awareness regarding VPS.

v) **Digitalization of processes:** SECP is developing and testing process flows, concentrated on various digitalized procedures to enhance ease of doing business for regulated entities, particularly AMCs and IAS. The review process encompasses evaluation of digitalized methods for regulatory approvals, exemptions, and relaxations. The advancements are designed to streamline access to approvals and facilitate exemptions, thereby significantly improving stakeholder convenience in the fund management industry.

vi) **Deeper engagement with investment advisors:** Investment advisors play an important role in the capital market as they not only provide professional investment advice to clients and customers but also attract new investors to the market. SECP held consultation sessions with IA industry players, in order to analyse the IA business model, issues being faced by them, and development of the overall IA sector in Pakistan. IA industry participants welcomed SECP's efforts to understand the challenges and issues being faced by the industry.

vii) **Public consultation under the initiative of "Mutual Fund for Masses":** A detailed consultation was undertaken with stakeholders to review the overall Total Expense Ratio (TER) regime and distribution paradigm of mutual funds with the aim of introducing regulatory reforms for reducing financial burdens on investors, enhancing transparency, and boosting retail participation. Several international best practices have been reviewed and introduced in the consultation process to align Pakistan's mutual fund industry standards with global trends, promote mutual funds as reliable investment options, and support economic growth through increased capital mobilization.

Moreover, the public consultation initiative also looks at the current regulatory and compensation structures for distributors in the mutual fund and pension fund sectors, with a focus on addressing issues such as the reliance on in-house sales teams and the lack of transparency related to the disclosure of distributor compensation through management fee sharing and other methods. This initiative of consultation is expected to culminate in introducing relevant changes in the regulatory framework to enable further ease of investment in mutual funds, especially for the retail segment.

5) Other developments

Other developmental initiatives included reduced turnaround time, standardization of documentation and processes for reducing time to launch of regular products, continued market consultation, creating mass awareness and encouraging new product offerings across existing asset classes, and enabling the introduction of new asset classes (i.e., real assets, infrastructure).

SECP is also working towards formation of specialized statutory frameworks, which are crucial for the development of the NBFC sector. Pakistan's NBFC sector has undergone a legal and regulatory evolution to meet the peculiar demands of the rapidly expanding market and new global trends in savings, lending, and pensions. However, it lacks its own primary law, which would enable the development of a comprehensive regulatory and growth framework. Therefore, a dedicated and full-fledged primary law for the NBFC sector in Pakistan is of critical importance. Therefore, SECP has already initiated the process for proposing the same.

Way forward

- MUFAP is expected to attain the status of an SRO, to promote the establishment of SRO in the mutual fund sector.
- Periodic reporting requirements for securities and futures advisors under regulation 24 of the Securities and Futures Advisors (Licensing and Operations) Regulations, 2017 will be notified.
- A regulatory framework for investment plans will be specified to promote ease of doing business.
- Amend benchmarks for different categories of CIS, and create benchmarks for new categories.
- Enabling Framework for Consolidated Annuity Products by the PFMs under the VPS.
- Introduction of life contingent annuity products by insurance companies in the market to complete the value chain of VPS.
- Development of a technology risk management framework for the NBFC Sector.
- Formulate and issue an enabling framework for digital AMC.
- LEAP implementation: digitalizing approval, exemption, relaxation processes, and fee deposits to enhance facilitation for regulated entities.
- Organise awareness sessions, conferences, and meetups to enhance the outreach of the mutual fund industry to the masses.

Private Funds

This sector comprises of private investment vehicles in the form of private equity (PE), venture capital (VC) and alternate funds. PE and VC play a pivotal role in financing start-ups and the SME sector, thus driving economic growth through innovation and job creation. They provide essential capital at various stages of business development. VC firms typically focus on seed and early-stage funding to help start-ups launch and grow. Whereas PE firms often invest in more mature companies, supporting expansion and large-scale projects. Beyond financial investment, these firms offer strategic guidance, mentorship, and access to extensive networks, significantly enhancing the chances of business success. PE and VC firms are increasingly integrating ESG criteria into their investment strategies. By prioritizing sustainability and ethical practices, they not only foster long-term value creation but also promote responsible business conduct and making a positive environmental impact.

Although the industry is still in its early stages, it is on the brink of substantial growth. A noteworthy trend in the private fund investment landscape is the increasing inclination towards sustainability, climate change, and technology-based investments in recent applications. This movement towards sustainable investing reflects the rising importance of ESG criteria both locally and globally. As of year-end, there are thirteen (13) licensed private fund management companies (PFMCs), out of which seven (7) entities have dual licenses, i.e., asset management services, investment advisory services, or REIT management services. Fifteen (15) private funds of these PFMCs have been registered with SECP, out of which seven (7) funds have so far been successfully launched. Out of these seven (7) launched funds, five (5) are primarily focused on investment in the PE space, one fund is an alternative investment fund, and one (1) fund is specific to VC investments. The total asset size of the private funds stands at Rs 8.44 billion as of June 30, 2024 for registration of private funds, which upon registration and launch, will increase the total expected size of the industry to Rs. 46 billion.

The total asset size of the sector is tabulated below.

Asset size of Private Funds as at June 30, 2024 (Rupees in billion)		
Description	**No. of Licenses**	**Assets**
Private Fund Management Companies	13	0.26
Private Equity & Venture Capital Funds	7	8.44
Total	**20**	**8.70**

Corporate restructuring companies

CRCs carry out the business of acquisition, management, restructuring and resolution of non-performing assets of financial institutions and the restructuring, reorganization, revival and liquidation of commercially or financially distressed companies and their businesses. They play a crucial role in the financial services market by providing expertise and strategic guidance to businesses undergoing significant changes. These companies assist in reorganizing a firm's structure, operations, or finances to improve efficiency, profitability, and market competitiveness.

In times of financial distress, restructuring can support a company in managing its debt, streamline operations and enhance cash flow, ensuring its survival and long-term success. Corporate restructuring is vital during mergers and acquisitions as it enables smooth transition and integration of assets, cultures, and processes. By identifying inefficiencies, optimizing resource allocation, and implementing effective management practices, CRCs contribute to the overall stability and growth of the financial services market. Their involvement not only helps individual businesses navigate complex challenges but also fosters a healthier, more resilient economic environment.

Currently, only two CRCs are licensed by SECP.

Reforms and Developments

1) Introduction of Non-Banking Finance Companies Bill, 2021

The introduction of the Non-Banking Finance Companies Bill, 2021, as the primary law for NBFCs and collective investment vehicles aims to provide a consolidated, modern, and dynamic regulatory framework for the NBFC sector. Further, it intends to enhance growth, facilitation, innovation, and overall strengthening of the NBFC sector, coupled with stronger governance and investor protection mechanisms in line with international standards and best practices. The draft also caters to new licensed businesses, such as peer-to-peer (P2P) lending platforms, collateral management services, and flexibility for any other new or innovative services related to NBFC businesses to be included in the scope of the Act through notification by the Federal Government. The draft Act, once finalised will repeal Part VIIIA of the Companies Ordinance, 1984. After obtaining the necessary approvals, the Bill will be submitted to MoF for approval.

2) Amendments to the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003

SECP has proposed reforms to the Non-banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003), to eliminate regulatory bottlenecks by introducing the concept of perpetual licensing, reducing documentation requirements, removing multiple regulatory approvals, and allowing group companies to undertake different business activities under one license. A notification on draft amendments was published to seek public comments.

3) Amendments to the Corporate Restructuring Companies framework

a) Corporate Restructuring Companies Rules, 2019

The amendments facilitate acquisition of non-performing assets by financial institutions and help in the revival of businesses through restructuring schemes. These amendments will significantly bolster Pakistan's framework for corporate insolvency recovery. They aim to provide a more effective mechanism for Non-Performing Loan (NPL) resolution, supporting the Government's objective to revive the distressed economic assets of the country.

b) Circular on Fit & Proper Criteria for individual forming and managing corporate restructuring companies

SECP has issued a circular on the fit and proper criteria for the promoters, board of directors, and chief executive officer of CRCs. In order to promote standardization, the fit and proper criteria have been aligned with the fit and proper criteria for promoters, board of directors, and chief executive officers of NBFCs.

4) Enhanced registration efficiency

SECP has developed standard templates for constitutive documents required for the registration of private funds. These templates include trust deeds, LLP agreements, custodian agreements, and placement memoranda for trust and LLP structures. In addition, a guidebook on registration requirements for private funds. The availability of these documents on SECP's website has provided maximum visibility, guidance, and facilitation to PFMCs submitting applications for private fund registration and has reduced turnaround time.

5) Initiative of digital finance team

SECP established a cross sectoral digital finance team with the mandate to strategically analyse and propose measures to enhance its regulatory capabilities in the digital domain. The team, through knowledge sharing, shall ensure harmonious statutory and policy framework development for digital and digitized business operations in the NBFC, mutual funds, insurance and capital markets sector. It is also working on building a robust start-up ecosystem by identifying gaps in the overall regulatory framework on the supply and demand side. This initiative aims to foster a secure, inclusive, and innovative digital financial ecosystem under SECP's regulatory oversight. Additionally, the team seeks to enhance coordination and collaboration across SECP's various functions, departments, and divisions to ensure efficient service delivery.

Way forward

- Amendments in Private Fund Regulations, 2015: Amendments to facilitate exit of investors, listing of investee companies, termination mechanisms etc. will be introduced after thorough research and public consultation. Additionally, extensive stakeholder engagements to build dialogue around several crucial topics has been planned for the year ahead. These discussions will focus on garnering support for the growth of the private fund industry, increasing demand-side interest, and exploring its role in the development of the start-up ecosystem. The purpose of these initiatives is to foster a collaborative environment that drives innovation, investment, and sustainable growth within the industry.

- Enhancing the NBFC framework: The NBFC framework will be strengthened by the notification of the NBFC Bill and amendments to the NBFC Rules, 2003, aimed at providing a more robust regulatory structure for NBFCs.

Lending Non-Banking Finance Companies

This sector comprises lending NBFCs which include investment banks; NBMFCs, leasing companies, housing finance companies and discounting companies.

The total asset size of the sector is tabulated below.

Asset size of Lending NBFCs Sector as of June 30, 2024 (Rupees in billion)			
Description	**No. of Licenses**	**Assets**	**Deposits/ Investments**
Investment Banks (Investment Finance Companies)	36	116.44	5.34
Non-Bank Microfinance Companies	39	196.47	-
Leasing Companies	5	6.51	0.23
Housing Finance Companies	4	0.76	-
Discounting	1	0.06	
Total	**85**	**320.24**	**5.57**

Lending NBFCs provide specialized financial services and complement the outreach of the banking industry by mobilizing finances, especially in underserved segments. The total assets of companies licensed to undertake lending business, including investment finance companies (investment banks), leasing companies, housing finance companies, discounting companies, and NBMFCs, have increased to Rs. 320.24 billion as of June 30, 2024, as compared to Rs. 318.68.65 billion as of June 30, 2023, showing growth of 0.6%. There were thirteen (13) whitelisted digital lending platforms in the verticals of nano-lending, SME Financing, Buy Now Pay Later, Education Finance, and Earned Wage Access during the year. The total loan amount of loans disbursed through digital lending platforms is 3.6 Million as of June 30, 2024.

Reforms and Developments

Revamping the digital lending framework

Previously issued circulars related to digital lending were reviewed and updated. Consolidated Circular 12 of 2024 was issued, introducing new product verticals, streamlining the app whitelisting process, and enhancing requirements for data safety and cybersecurity. To further streamline the app whitelisting process and build the internal capacity of NBFCs, a “Self-Assessment Declaration of Regulatory Compliance” was introduced through Circular 14 of 2024, allowing NBFCs to self-assess the compliance level of their proposed digital apps. Additional major changes in the digital lending landscape include:

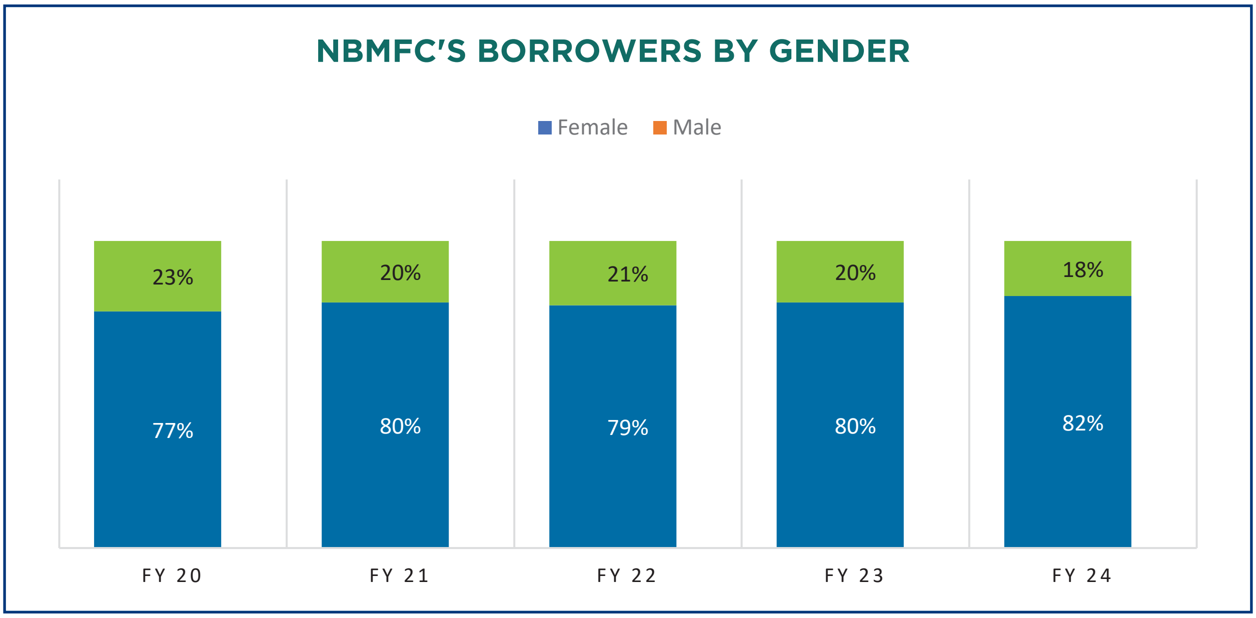
i) **Definition and classification of nano-lending:** Introducing the definition of Nano-lending as a sub-classification of digital lending, which is providing unsecured short-term cash loans up to PKR 25,000/- for a maximum tenor of 90 days. Additionally, setting aggregate exposure limits for borrowing and cybersecurity audit requirements, prohibiting the compounding of interest, providing an app-inbuilt calculator option for the users, and sending a mandatory awareness pop-out message through the app.

ii) **Borrower protection and over-indebtedness measures:** Considering borrower protection and over-indebtedness, capping APR, rollover limits, aggregate liability limits, and illustrations for APR computation were introduced for the NBFCs engaged in digital Nano-lending.

iii) **Guidelines for product advertising and call centre management:** To ensure that digital lenders adopt best practices for their product advertisements through media platforms and manage their in-house or outsourced call centres, guidelines were introduced for advertisement and call centre management.

Microfinance

A diagnostic report on women's participation in the non-bank microfinance sector was launched during a workshop in January 2024, hosted by SECP in collaboration with ADB.



The sector was comprehensively reviewed during the workshop, offering a deeper understanding of the current landscape and growth opportunities. Notably, the outreach to women is more pronounced in this sector compared to microfinance banks, as illustrated in the figure. Throughout FYs 20-24, a significantly higher percentage of borrowers are female, ranging from 77% to 82%. The trend indicates a gradual increase in female borrowers over time, highlighting a growing concentration of women among the borrower base.

The workshop aimed to foster collaboration, knowledge-sharing, and development of actionable strategies to advance women's roles in the microfinance sector. Suggestions and recommendations from experts, sector leaders, and practitioners helped shape a proposal for policy interventions to accelerate female financial inclusion. The workshop culminated in the "Women Equality in Finance Policy Framework" for the non-bank microfinance sector. The major aspects of this framework were presented to the sector at another workshop in May 2024, jointly organized by SECP and ADB. Following formal feedback from the sector, the policy will be submitted to the Commission for approval and implementation over the next five years.

Way forward

- **Women equality in finance policy framework:** After comprehensive sector feedback, the Women Equality in Finance Policy Framework for NBMFCs will be launched. This framework aims to promote gender equality and enhance financial inclusion in the sector.

- **Gender diversity training:** The microfinance sector's staff and management will be equipped with gender diversity training through Training of Trainers modules certified by the Institute of Financial Markets of Pakistan. This initiative aims to foster a more inclusive and equitable work environment.

- **Gender perspective consumer protection analysis:** A gender focused analysis of the current consumer protection mechanisms of NBMFCs will be conducted. This will include gathering female consumers' views through qualitative and/or quantitative research to understand feedback mechanisms and consumer protection concerns, with the goal of framing a robust framework to protect vulnerable customers, especially women, from harmful practices and market abuse.

- **Green financing guidelines:** A consultation paper on green financing guidelines for the NBFC sector will be published. This paper will provide guidance on the minimum requirements for categorizing finance extended by NBFCs as Green Loans or Green Lending, promoting sustainable financial practices.

- **Framework for embedded lending:** To facilitate the development of new products and ease of access for customers, a Framework for Embedded Lending will be introduced. This will include guidelines for NBFCs entering into balance sheet partnership agreements and API integrations, enhancing operational efficiency and customer convenience.

- **Code of conduct for lending associations:** To strengthen the role of associations in sector development, a code of conduct for lending associations, such as Pakistan Microfinance Network, Pakistan Fintech Network, and NBFCs and Modarabas Association of Pakistan, will be approved. This code aims to uphold high standards of practice and governance.

- **Environmental and social management framework:** Guidelines for Lending NBFCs will be established under the Environmental and Social Management Framework. These guidelines will ensure that lending practices are environmentally sustainable and socially responsible, contributing to the overall well-being of communities and the environment.

Islamic Finance

Overview

1) 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. SECP approves Shariah structure of securities under section 451 of the Companies Act and regulations made thereunder. The primary capital market has witnessed a surge in the issuance of short-term corporate sukuk during the period, in addition to the offering and listing of sovereign sukuk. During the year, SECP has certified the Shariah structure of 36 corporate sukuks with a cumulative value of Rs. 194.3 billion. As of June 30, 2024, the total value of 105 certified sukuk stands at Rs. 754.31 billion, while the cumulative value of 40 sovereign sukuks issued through PSX is Rs. 643.7 billion.

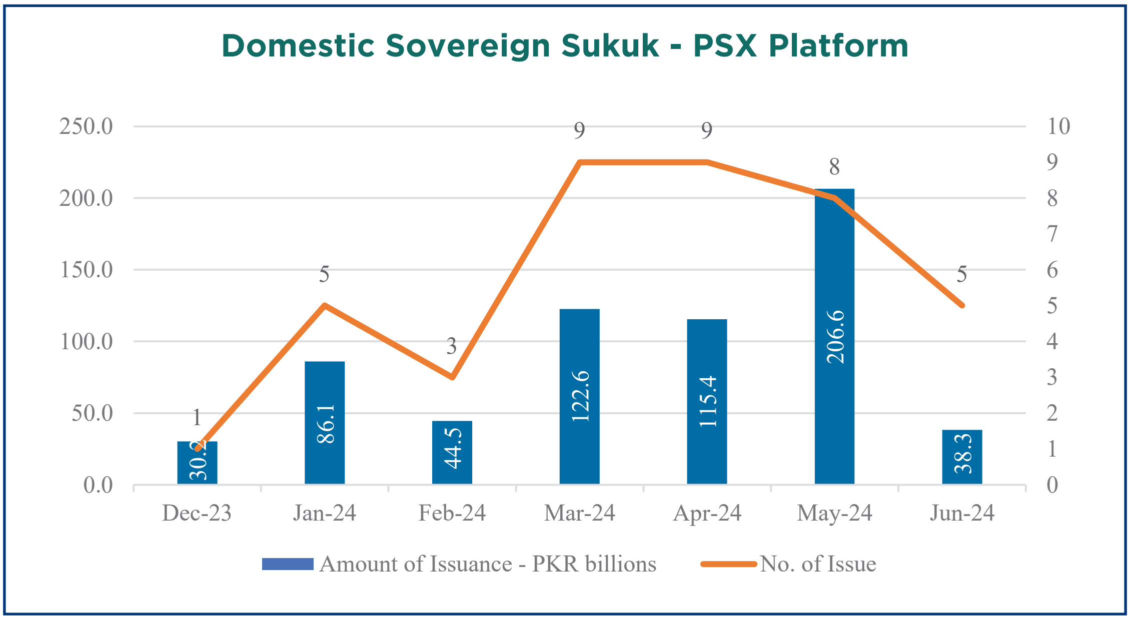
In the secondary capital market, there are currently 270 Shariah-compliant securities, constituting 51.14% of the total 528 listed securities on PSX. These Shariah-compliant securities have a combined market capitalization of Rs. 5,788 billion, representing 55.80% of the total market capitalization, which stands at Rs. 10,373 billion as of June 30, 2024. Further, PSX has four Islamic indices, namely KMI-All Shares, KMI-30, and MZNPI (Meezan Pakistan Index), and Mahaana Islamic Index (MII30) that comprise a total of 253, 30, 12 and 30 underlying Shariah-compliant securities, respectively, as of June 30, 2024.

CDC serves as the exclusive central security depository in the country, managing all categories of book-entry securities through its CDS. At present, CDC manages a portfolio of 175 Shariah-compliant book-entry securities including sukuk, Islamic commercial papers, modaraba certificates, and Islamic units offered by mutual funds declared CDS eligible. As of June 30, 2024, CDS held Shariah-compliant book-entry securities with a collective market value of Rs. 1,933.24 billion, constituting 24.1% and 13.86% of the total market value and number of securities within the system, respectively.

2) Shariah-compliant securities

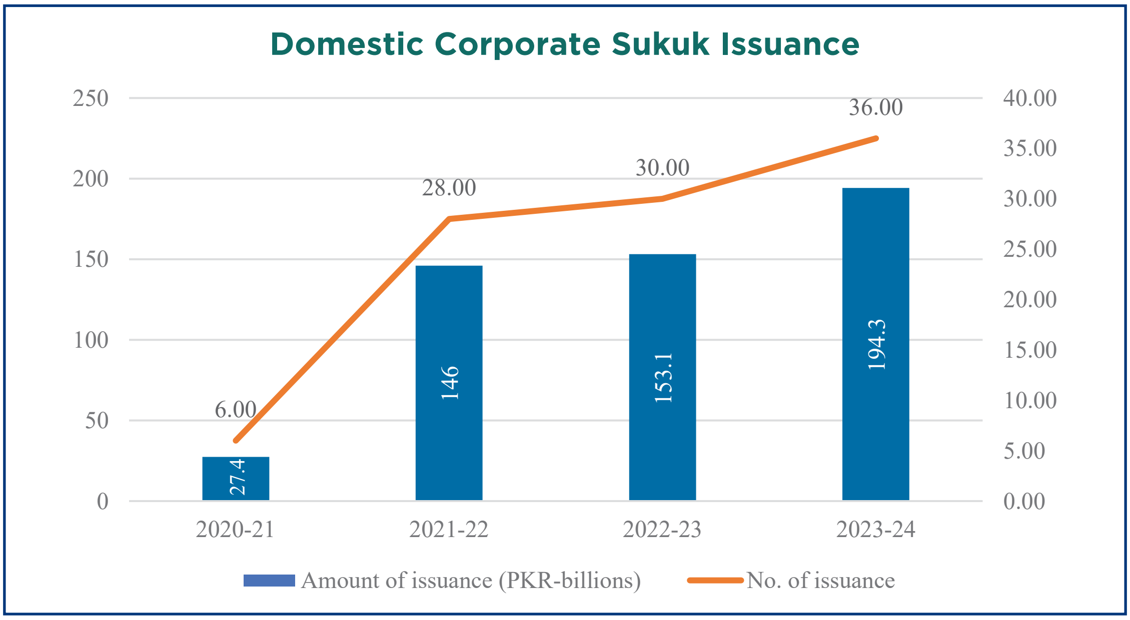
a) Domestic sovereign sukuk

During the year, SECP achieved a significant milestone in the development of the Islamic capital market as the domestic sovereign sukuk has started issuance and listing through PSX. Since December 2023, a total of 40 domestic sukuk issuances have been successfully executed at various intervals, amounting to a cumulative total of Rs. 643.7 billion with different tenure and different pricing mechanism (fixed, floated). The breakdown of these sukuk issuances is presented in the table below:



b) Domestic corporate sukuk

During the year, the domestic corporate sukuk market has made significant progress because SECP has certified the Shariah structure of 36 sukuk issuances of a cumulative value of Rs. 194.3 billion, registering a healthy growth of 27% in terms of issuance size. The concept of prior reporting of sukuk issuances was introduced during the year in case the Shariah structure of the proposed issue is the same as the earlier approved sukuk. This enabled the issuers to execute their corporate issuance programs more efficiently. Details of the last 4 years of domestic corporate sukuk issuances are provided in the chart below.



These sukuk were issued across a diverse range of corporate sectors, including power generation, telecommunications, pharmaceuticals, sugar, and others, demonstrating the growing appeal of Islamic finance in various industries. This includes Rs. 15 billion sukuk issuance by Jazz, a milestone as it was the first and largest short-term unsecured sukuk by a telecom operator in the country, which has been recognized as the best sukuk deal in Pakistan in the Euromoney Islamic Finance Awards, 2024, due to its unique structure, features, size, etc.

c) Shariah-compliant REIT schemes

SECP certified 13 Shariah-compliant REIT schemes. These schemes include development REITs, hybrid rental REITs, and rental REITs. The certification demonstrates the demand for Shariah-compliant financial products and SECP's commitment to promoting the highest Shariah standards in the sector. As of June 30, 2024, out of 15 REIT schemes with a cumulative value of Rs.161.21 billion, 13 REIT schemes of Rs.154.55 billion are Shariah-compliant, representing 86.67% of the total industry. This certification demonstrates SECP's commitment to promoting the highest Shariah standards.

d) Shariah compliant mutual funds, pension funds, and exchange traded funds

The Shariah Governance Regulations in 2023 require mutual funds offering Shariah-compliant investments to obtain a Shariah compliance certificate from SECP. Multiple AMCs have certified their funds' Shariah structures and applied for the issuance of such certificates. Since July 2024, 18 funds have been certified as Shariah-compliant securities, with a combined initial size of Rs. 6.3 billion. The funds include money market funds (8 funds), pension funds (5 funds), and other funds (4 funds). A Shariah-compliant certificate was also issued for an exchange traded fund (ETF).

An overview of the sector's size and performance as of June 30, 2024 is provided as follows:

- Shariah-compliant mutual funds increased their market share within the total assets of mutual funds, rising from 43.07% to 48.41%. This growth translated to an increase in assets from Rs. 721.67 billion to Rs. 1,311.03 billion, representing a remarkable 81.67% in term of asset-under management.

- In VPS, Islamic pension funds now comprise 25 pension funds that collectively manage assets valued at Rs. 49.18 billion. Notably, this sector witnessed a substantial growth of 92.31% in terms of number of funds and 51.84% in terms of assets under management, during the year.

- In the ETF segment, as of June 30, 2024, there are 8 exchange-traded funds with a total asset size of was Rs. 399.71 million. This include 2 Shariah-compliant exchange-traded funds with assets size of Rs. 97.35 million.

The Shariah certification of these funds demonstrates the regulator's commitment to promoting a robust and transparent Islamic financial ecosystem, providing investors with a wider range of Shariah-compliant investment opportunities.

3) Shariah-compliant companies

Section 451 of the Companies Act mandates that companies seeking Shariah compliance must obtain certification from SECP after a rigorous Shariah screening process, ensuring they adhere to strict Islamic finance standards.

As of June 30, 2024, 13 Shariah-compliant companies have been certified, with 6 this year and 3 last year. This achievement is commendable, as many are first-movers in their industries. SECP has resolved a screening issue for unlisted companies, allowing them to obtain Shariah compliance status if their income, investment, and financing fall within acceptable tolerance levels.

4) Registered shariah advisors

SECP registered 27 new Shariah advisors under the Shariah Governance Regulations, 2023, which includes three Shariah advisory companies. So far, 149 Shariah advisors have been registered with SECP, including 11 private limited companies that provide Shariah advisory services.

5) Modarabas and other Islamic NBFCs

Modarabas, pioneer Islamic financial institutions in Pakistan, offer unique collective investment vehicles for SME financial needs and collaborate with other ventures as partners. As of June 30, 2024, the registered Modaraba companies are thirty-one (31) while nineteen (19) Modarabas are currently operating and are listed at PSX. One (1) Modaraba company is planning to float a new Modaraba early next financial year. As of June 30, 2024, the equity of the Modaraba sector stood at Rs. 17.53 billion. The total assets of the Modaraba sector amounted to Rs. 49.57 billion, which comprises only 1.25% of the whole NBFI industry. Out of a total of ten (10) profit making Modarabas, eight (8) declared cash dividends for FY23.

During the year, first NBFC and NBMFC converted to Shariah-compliant companies, while an invest bank applied for conversion to offer Shariah-compliant investment finance services.

6) Takaful sector

Takaful sector of Pakistan consists of 32 active operators. This includes 20 general window takaful operators and 2 dedicated general takaful operators (non-life segment) whereas 7 window family takaful operators and 3 dedicated family takaful operators (life segment). The cumulative premium share of the takaful sector (dedicated & window) is Rs. 73.3 billion as of December 31, 2023. In terms of premium, takaful market share is 12% of total size of insurance market as at December 31, 2023 as compared to 11% on December 31, 2022.

Reforms and Developments

SECP is working to promote Shariah-compliant financial products in the financial services market. This includes improving the quality of Islamic financial services, facilitating growth, improving the regulatory framework, fostering collaboration, and enhancing capacity for Islamic finance and awareness creation. SECP has made significant strides in promoting and developing Islamic finance in all regulated sectors, transforming the Islamic finance ecosystem in Pakistan. Notable examples include two AMCs becoming pioneers of Shariah-compliant asset management, a tech-based NBFC, a stock brokerage company, a microfinance company, and a not for profit company becoming the first Shariah-compliant institutions in their respective segments. The growth of the sukuk market is also noteworthy, with the Government of Pakistan starting issuance of sukuk through PSX for the first time. Some of the key developments during FY24 are covered in the following sections:

a) **Innovation and development of Shariah-compliant financial products:** The first Shariah compliant peer-to-peer financing model has been approved, along with a Shariah-compliant financing product for licensed NBFCs in the logistic transport industry. A Shariah-compliant stock brokerage framework was also approved. A comprehensive proposal has been prepared to innovate Shariah structures of sovereign sukuk, enable asset-light and tradeable sukuk issuance, expand corporate sukuk market outreach, and enable corporate sukuk program listings.

b) **Implementation of a new strategy for the adoption of all AAOIFI standards:** A new strategy has been introduced to improve the acceptance of Islamic finance, following extensive public consultation. This involves adopting all Shariah, governance, and ethics standards under a staggered approach. A committee has been formed to address stakeholder concerns and submit recommendations to the Commission by December 31, 2024.

c) **Publication of the Islamic Finance Bulletin 2022–23:** SECP has released a 2022-23 Islamic finance bulletin, providing quarterly data and key developments in all regulated sectors, and serves as a foundation for reviewing Islamic finance progress in the non-bank financial sector.

d) **Publication of a Practical Guidebook for the Modaraba Sector:** SECP has published a Practical Guidebook for Modaraba Sector Consolidated Reporting and Approvals, aimed at improving compliance and paving the way for an improved regulatory framework. The guidebook, developed after a thorough review of reporting and approval obligations, has also been used to standardize processes under the Shariah Governance Regulations.

e) **Strategy for mandatory certification of Islamic finance professionals:** SECP has developed a mandatory certification strategy for Shariah advisors and SECP team members, enhancing their capacity through the implementation of Shariah Governance Regulations, 2023. This includes a new certification scheme and revamped course content, aiming to enhance their effectiveness and prevent non-compliance with regulations. The review also includes targeted sessions for capacity building.

f) **Standardization of documentation for Islamic financial products:** SECP has standardized Shirkat-ul-aqad sukuk documentation and obtained approval for DM sukuk from SAC. Proposals have been finalized for standardizing provisions for Islamic mutual funds and Islamic REITs offering documents and trust deeds.

g) **Strategic Action Plan 2024–27 for the Promotion of Islamic Finance:** SECP has developed a roadmap and action plan to promote Islamic finance, aiming to increase penetration in regulated sectors. The plan focuses on creating a supportive ecosystem for growth, establishing an enabling regulatory environment for non-bank financial institutions, and expanding Islamic finance across all sectors. It further aims to foster sustainable growth, create value for stakeholders, and contribute to an equitable financial system.

h) **Enhancement of institutional capacity:** SECP has successfully completed an aggressive capacity-building and awareness drive for the Islamic capital market, collaborating with IBA-CEIF and the Shariah Advisory Committee. Sessions for SECP officers were conducted and officers participated in virtual and physical sessions at NIBAF, Islamabad, and Lahore. High-powered sessions with senior management of PSX, CDC, and NCCPL helped enhance the capacity of CMIIs. SECP also conducted specialized training on regulating the Islamic capital market in collaboration with IFSB. Activities included sessions at NIBAF, Islamabad, and Lahore, and participation in conferences of prestigious academic institutions. Over 30 joint sessions were held to create awareness regarding Islamic finance in non-banking sectors.

i) **Fostered collaboration and international cooperation:** Pakistan has strengthened its position in the global Islamic finance landscape by engaging with international bodies, regulators, and organizations for the development of Islamic finance including collaborations with the Islamic Financial Services Board, Malaysia (IFSB), the Accounting and Auditing Organization for Islamic Financial Institutions, Bahrain (AAOIFI), and the Islamic Development Bank Institute, Saudi Arabia (IsDBI). SECP conducted the first international training on the Islamic Capital Market (ICM) and approved $38K for key initiatives for promoting Islamic finance in Pakistan. SECP Commissioner for Islamic Finance participated in the AAOIFI annual meeting and held side meetings with global stakeholders.

j) **Regulatory reforms:** During the period under review, key developments have been made to establish an enabling regulatory environment for the further development of Islamic finance within its regulated sectors:

- Promulgation of Shariah Governance Regulations, 2023: SECP has issued the Shariah Governance Regulations, 2023, providing legal support to Islamic financial institutions offering Islamic services. The regulations, resulting from stakeholder consultation and a review of previous regulations, address practical issues and implement international best practices, gaining significant appreciation at national and international levels.

- Amendments to the Modaraba Regulations, 2021: The second amendment to the Modaraba Regulations, 2021, has been made to remove practical difficulties and harmonize overlapping provisions and requirements.

- Amendments to the Modaraba Companies and Modaraba Rules, 1981: The said Rules have been amended to include new terms for financial statements, a new format for auditors' reports, and an updated statement of profit and loss. This will ensure consistency in the country's financial reporting, aligning with other financial sector players. The audit report preparation process is based on a template already used by other financial institutions.

Way forward

Over the past two years, SECP has implemented regulatory reforms to encourage the development of Shariah-compliant products and services, enhance the regulatory framework for Islamic financial institutions, and facilitate the transformation of conventional markets. This has led to consistent growth in the Islamic capital market, CIS, and takaful segments.

SECP is also exploring the development of short-term sovereign sukuk and retail corporate sukuk frameworks to enhance investor access to GDS and corporate sukuk with attractive returns. Listed companies have also been engaged to emphasize the importance of obtaining Shariah compliance certification. The focus is now on achieving strategic objectives to accelerate the growth of Islamic finance in regulated sectors, achieving greater standardization in the Islamic financial services industry, improving the quality of Islamic financial institutions' operations, and strengthening the legal and regulatory framework for Islamic finance.

Insurance Sector

Overview

SECP focused its efforts on developing a long-term vision with a clear strategic direction and initiated a collaborative effort with all key stakeholders to identify the main challenges faced by the sector.

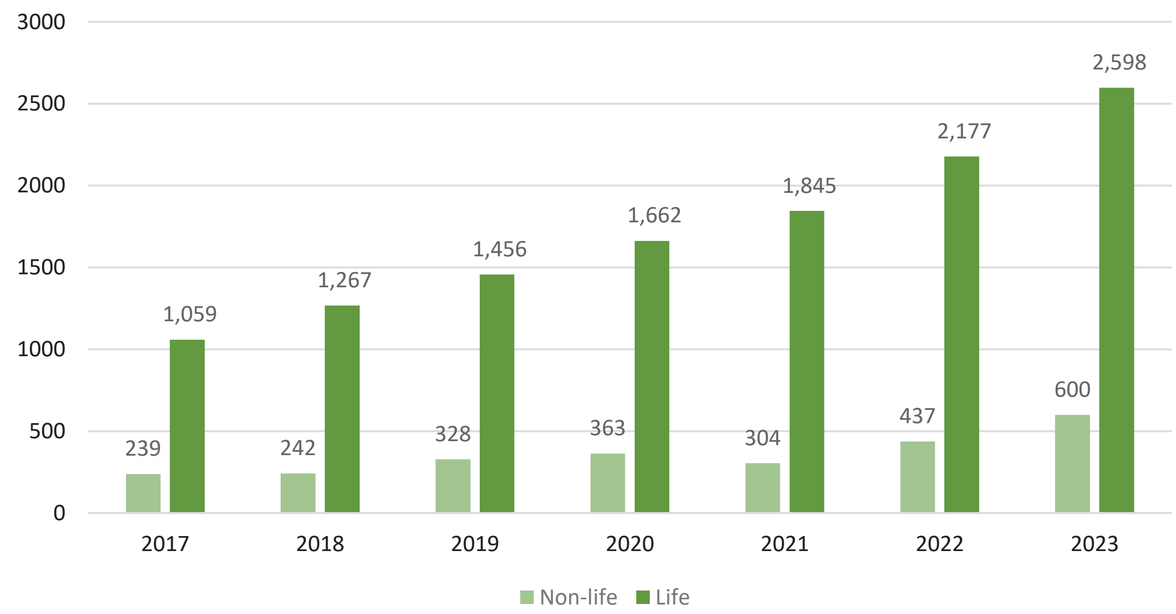
These efforts culminated in the launch of ‘Journey to an Insured Pakistan’, a 5-year strategic plan, concentrated on strengthening certain key pillars of the insurance sector, to ensure robust growth of the sector on a sustainable basis. The plan, while setting operational and strategic outcomes, identifies key priorities and suggests comprehensive operational approaches against each area for the ultimate achievement of outcomes, as discussed in the following paragraphs.

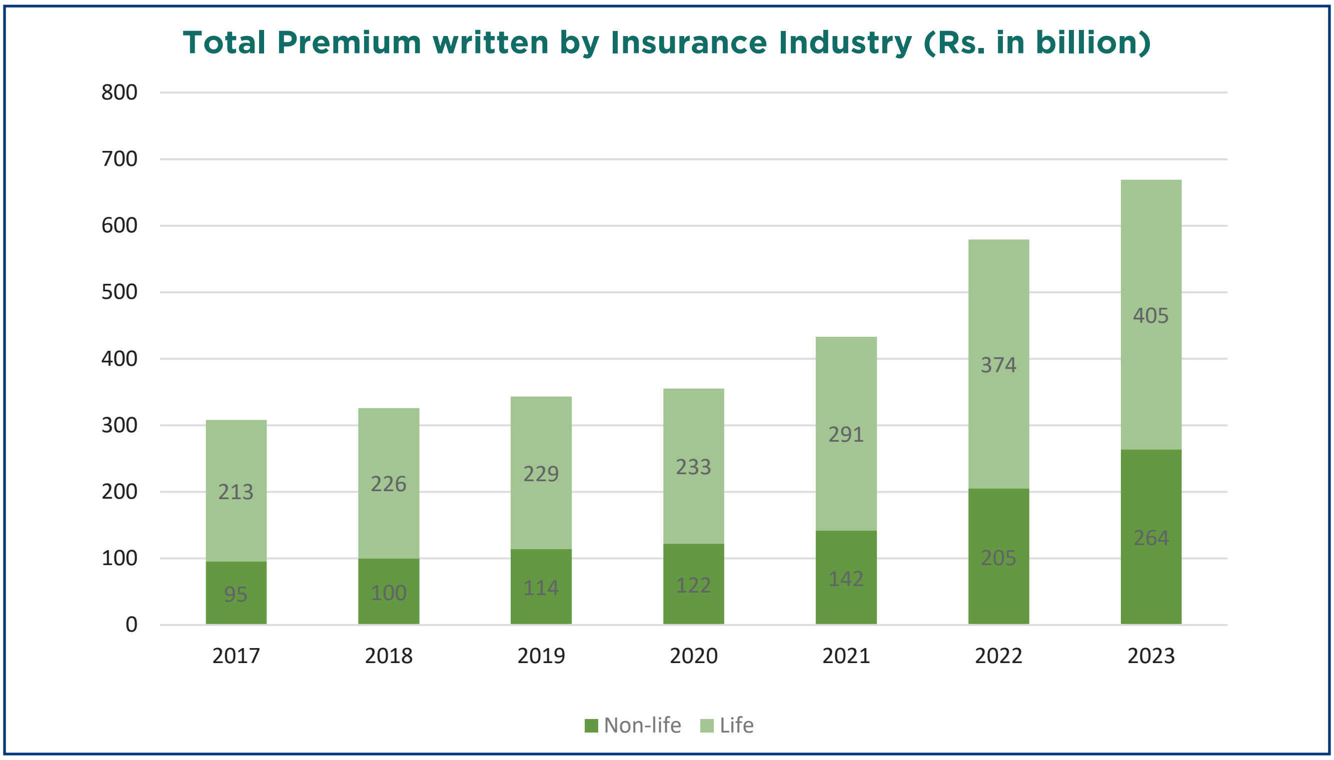
During the calendar year 2023, total assets of the insurance industry witnessed 22% growth, reaching Rs. 3,198 billion in comparison to the previous year’s figure of Rs. 2,614 billion. Concurrently, the industry experienced a substantial revenue growth of 16%, with the direct gross underwritten premium amounting to Rs. 669 billion, compared to Rs. 579 billion in 2022.

As per the sector-wise analysis, the life insurance industry’s assets amounted to Rs. 2,598 billion and the non-life insurance sector’s assets amounted to Rs. 600 billion. In terms of revenue, the life insurance sector underwrote premiums of Rs. 405 billion, whereas the non-life insurance sector recorded premiums amounting to Rs. 264 billion during 2023. This includes the premium of the sole reinsurance company in Pakistan, which is majority owned by the Government of Pakistan, amounting to Rs. 35 billion during the same period.

The intermediary side includes 20 insurance brokers, 2 reinsurance brokers, 5 third party administrators, 243 surveying companies and 389 authorized surveying officers all duly registered with SECP.

Total Assets of Insurance Industry (Rs. in billion)





Reforms and Developments

As discussed in the prelude to this section, the 5-year plan identified key priority areas which can be categorized into certain broad enablers i.e. strategic initiatives encompassing areas of legislation, operational & directional in nature, research & reports to ensure data centric policy formulation, policyholder protection, ease of doing business, market growth and alignment with international best practices; hence forming the basis of work executed during the year 2023-24, outlined below.

Strategic Initiatives

1) Outreach to industry and stakeholders

SECP embarked on an unprecedented journey of an all-inclusive consultative process in order to holistically identify and understand the issues hindering the growth of the insurance sector through the lens of experienced stakeholders. This initiative was in-line with international benchmarks which demonstrate that broad stakeholder consultation is the driving force for the growth and development of the insurance sector. To ensure that the consultation process is substance focused rather than format intensive, SECP charted a detailed engagement road map which was followed by its execution through onsite visits, offsite sessions, roundtable discussions, conferences and ministerial level interactions as elaborated below:

- Conducting onsite visits to the industry in June/July 2023 to understand practical issues of industry players;
- Holding offsite sessions in June/July 2023 with industry experts to understand their concerns and priorities;
- Convening roundtable discussions in August 2023 with industry executives and shareholders' representatives to chart the future course for the sector;
- Holding of International InsureImpact Conference 2023, in December 2023 to present draft 5-year strategic plan for broad stakeholder feedback; and
- Engagement with MoF and Ministry of Commerce (MoC) in the form of various meetings which also included a visit by the Secretary Commerce at SECP's head office to be briefed on the future plans for the sector.

2) Launch of a 5-year strategic plan for the insurance sector

SECP's 5-year strategic plan provided a comprehensive roadmap for the development of the insurance sector along with a detailed action matrix for the next 5 years, with the ultimate aim of strengthening the three pillars of the insurance ecosystem i.e. policyholders, insurance providers, and insurance intermediaries.

3) Holding of International Insure Impact Conference 2023

SECP hosted the "International InsureImpact Conference 2023", which focused on raising awareness, leveraging technology and collaboration for innovation. Moreover, it emphasised building resilience through crop and disaster risk insurance, creating insurance pools to enhance in-house insurance and reinsurance capacity, and improving governance and risk management of the insurance companies.

Policyholder Protection

1) Rationalization of corporate agent commission structure

Steps to gradually rationalize agents' remuneration to align and uphold with the policyholders' interest were introduced through the Corporate Insurance Agents Regulations, 2020. As a result, the first-year's commission was brought down to 37.5% during FY24, from that of 50%, applicable prior to July, 2021. Over time, this is anticipated to result in a higher allocation of premium to the investment account of policyholders, ultimately increasing overall product value.

2) Issuance of detailed requirements for grievance handling mechanism for the insurance sector

SECP issued requirements to improve the grievance-handling mechanism in the insurance sector to ensure effectiveness and uniformity in order to protect policyholders. The said requirements include formulating a grievance handling policy, maintaining a centralized system, defining acceptable modes of complaints and categorizing complaints by criticality. Furthermore, setting resolution timelines, communicating with policyholders, raising awareness about grievance handling mechanisms, monitoring mechanisms, and reporting complaints data. These requirements are at par with other financial sectors and international best practices, duly applicable on all insurers and takaful operators.

3) Fit and proper criteria for sponsors and placing their shares in blocked account

SECP vide S.R.O. 447(I)/2024 dated March 20, 2024, notified requirements in respect of the substantial acquisition of shares in insurance companies, fit and proper criteria for substantial shareholders and promoters of insurance companies, and placement of their shares in a blocked account. This was the first time that a fit and proper criterion for sponsors and placements of sponsor shares in blocked accounts for the insurance sector were notified.

Research & Reports

SECP recognises the value of data and research driven policy making, which includes identifying issues faced by the sector, exploring potential areas of growth and forming actionable plans. Therefore, significant efforts have been made during FY24 to foster a research-oriented culture, ensuring constructive policy development initiatives. This includes the publication of numerous concept papers and reports to lay the groundwork for policy intervention, as detailed below:

1) Publishing of insurance industry statistics 2022

Industry Statistics for the calendar year 2022 were published. These statistics offered a thorough review of the insurance industry and provided stakeholders with a comprehensive perspective. This consolidated information aided stakeholders in making informed policy decisions related to the insurance sector.

2) Report on the status of motor third party insurance in Pakistan

The report featured a diagnostic study, offering a comprehensive overview of the current landscape of motor third-party insurance in the country. Further, it aimed to provide an in-depth analysis of the applicable legal framework, current state of motor insurance, challenges in implementation and enforcement, recent initiatives by SECP and recommendations for the future. This study was intended to initiate dialogue and trigger collaborative action for implementation of motor third-party insurance among key stakeholders.

3) Concept paper on the issuance of subordinated debt securities by insurance companies and treatment for solvency purposes

A concept paper on the issuance of subordinated debt by insurance companies and its treatment for solvency purposes was published. The paper examined how this instrument can promote financial stability and enhance the risk management capabilities of insurance companies. It also explored the characteristics and regulatory framework for subordinated debt securities, aiming to enable insurance companies to efficiently utilize eligible subordinated debt in their solvency requirements, engage in alternate capital raising, enhance creditworthiness while absorbing risks during financial stress, and contribute to Pakistan's corporate debt market growth.

4) Report on micro and inclusive insurance in Pakistan

A report titled "Unlocking the Potential of Micro and Inclusive Insurance in Pakistan" was published, highlighting the vast untapped potential of inclusive insurance. The report compares Pakistan's inclusive insurance landscape to other jurisdictions, identifies gaps, and proposes future actions. Moreover, it calls for collaborative efforts to bridge regulatory gaps, enhancing awareness, and improving product accessibility through digital distribution and partnerships with Mobile Network Operators. It also recommends amending the Microinsurance Rules 2014 and leveraging technology, forming a synergy group with insurance companies, InsureTech, and the Government to ensure inclusive insurance access for underserved populations.

5) Report on crop and livestock insurance in Pakistan

A report titled "Securing Livelihoods: A Comprehensive Look at Crop and Livestock Insurance in Pakistan and the Way Forward" was released, emphasizing the critical need to enhance agricultural insurance in Pakistan and its vital role in addressing the national agendas of ensuring food security, poverty reduction, and economic development. The report thoroughly reviewed current government-led insurance schemes and identifies challenges such as the limited capacity of the insurance industry, lack of robust risk data, and low insurance uptake among farmers. It recommended improving existing schemes, creating insurance pools, launching national crop and livestock insurance schemes under public-private partnership models, integrating agricultural insurance into social protection initiatives, and incorporating it into national disaster risk and food security strategies.

Ease of Doing Business

1) Simplified submission requirements for life insurance product approval

S.R.O. 204(I)/2024 dated February 15, 2024 was issued to promote efficiency in the conduct of life insurance business, facilitate new product development and encourage use of technology. The notification revised the submission requirements for approval of life insurance products falling under the classes of ordinary life insurance business and accidental and health business having a term not exceeding one (1) year. The revised submission requirements allow life insurers to follow launch and file requirements, compared to earlier requirements of file and launch for the aforesaid categories.

2) Admissibility of related party assets for solvency purposes

SECP initiated a consultative process with the insurance industry on the admissibility of certain related-party assets for the purpose of solvency requirements. Currently, insurers desirous of seeking admissibility of related party assets are required to file applications with the Insurance Policy Division that are dealt with on a case-to-case basis. This step will create regulatory ease and make the whole process more transparent and equitable.

3) Recording of advance tax/withholding tax and management of related investment in government securities by life insurers and family takaful operators

For the purpose of standardization in recording of advance/withholding tax by life insurance companies, and to ease their burden from holding a specified percentage of government securities against the advance/withholding tax, having impact on their liquidity position, SECP vide S.R.O. 1514(I)/2023 and S.R.O. 1516(I)/2023 dated October 31, 2023 notified draft amendments to the Insurance Rules, 2017 and the Insurance Accounting Regulations, 2017, respectively for seeking public comments. The draft amendments were reviewed and finalized in light of the feedback received from the stakeholders and are placed for consideration and approval before SECP Policy Board.

4) Facilitation in renewing treaty arrangements with foreign reinsurers

The international reinsurance market has become increasingly competitive and difficult owing to increased global competition and local macroeconomic conditions. Therefore, non-life insurers and general takaful operators were encountering challenges in renewing their treaty arrangements with foreign reinsurers/re-takaful operators. In order to facilitate the industry in running operations in a smooth manner, a temporary relaxation was granted regarding compliance with existing rating requirements for foreign reinsurers as per Circular 24 of 2010.

Market growth

1) Mechanism for settlement and reconciliation of balances between PRCL and non-life insurance companies

Progress was made on the mechanism of settlement and reconciliation of premiums and claim balances between Pakistan Reinsurance Company Limited (PRCL) and non-life insurance companies. Out of a total of 27 non-life insurance companies, 15 companies reconciled their outstanding balances with the PRCL and further recoveries of more than 1 billion were received by PRCL.

2) Coinsurance accounting guidelines

One of the primary causes for balance reconciliation issues among non-life insurance companies was the differing accounting practices for recording co-insurance transactions. To address these differences, SECP engaged the IAP to standardize accounting procedures to help minimize balance discrepancies in co-insurance transactions. This was followed by holding of detailed discussions with members of the IAP, culminating in the finalization of standard accounting guidelines, which were then adopted by the IAP as of September 1, 2023.

Alignment with international best practices

1) Risk based capital regime

The second phase of the risk based capital (RBC) regime implementation was initiated in March 2024, which included data collection from insurance companies using a specialized template. The data collected will be used to study the impact of RBC by assessing the parameters in the proposed RBC regime, identifying major risk sources, and evaluating the results for companies which is expected to be completed by December 2024.

2) Implementation of IFRS 17

SECP directed the adoption of the International Financial Reporting Standard (IFRS) 17 – Insurance Contracts, issued by the International Accounting Standards Board, by companies engaged in insurance/takaful and re-insurance/re-takaful business for the period commencing 1 January 2026.

A four-phased approach was envisaged by SECP, namely (i) Gap Analysis; (ii) Financial Impact Assessment (FIA); (iii) System Design and Methodology; and (iv) Parallel Run Implementation. During the year, Phase III of the implementation process was successfully initiated, and is targeted to be complete by September 2024. Furthermore, after consulting the industry and evaluating various options, a consensus was reached to adopt IFRS 17, for takaful operations with some additional guidance.

Impact of SECP's Intervention

Whilst the impact of regulatory reforms and initiatives undertaken shall be more evident in the years to come, some positive outcomes and highlights already emerging are provided below:

- Clearly defined outcomes and timelines for development of the insurance sector were set with the formulation of the 5 years strategic plan, which includes holding multiple consultative sessions.
- Conducted multiple consultative sessions with stakeholders and officials of the MoF and MoC on the proposed amendments to the Insurance Ordinance, 2000 and Motor Vehicles Act, 1939. SECP finalized draft amendments were submitted to MoF and MoC for legislative approval.
- Enhanced the visibility of and show cased the future of the insurance sector in collaboration with international experts and organizations by hosting the International InsureImpact Conference 2023.
- Granted license to the first family takaful digital-only insurance company under the newly introduced digital-only insurer framework.
- Registered eighty-six (86) new life insurance products, including thirty (30) unit linked products, five (05) health insurance, and fifty-one (51) other products. This included products with guaranteed maturity value, universal life insurance products, small ticket products focused on protection component, and various unconventional products such as term plans with return of premium feature and family takaful plan together with short term flexible saving feature.
- 17 fresh licenses were issued on the intermediary side to new market entrants i.e. insurance brokers, insurance surveying company 15, and third-party administrator for health insurance.
- Adoption of IFRS 17 by the Insurance Industry from January 1, 2026, a step forward in alignment of reporting requirements with international best practices.
- Grant of more than 1650 facultative reinsurance permissions, for placement of risk abroad.
- Signing of a MoU between the CDC and several leading non-life insurance companies on the development of an auto insurance repository, immediately post the cut-off date of this report.

Way forward

With implementation of the 5-year strategic plan for the insurance sector already under way, SECP is planning to hold a national conference during FY25 in Karachi, to engage with different stakeholders, ensuring effective advocacy and implementation of the operational approach identified in the aforesaid plan. Other areas include:

- Introduction of the Insurance Ordinance (Amendment) Bill, which is expected to bring a paradigm shift in insurance sector regulation by creating a conducive environment for market development, alignment of the regulatory framework with international insurance supervisory standards, and strengthening SECP's supervisory powers.

- Promotion of digitalization in the insurance sector will continue to be one of the key areas of focus in the coming years. SECP in collaboration with UNDP is working on designing the digital ecosystem of the insurance sector. In this regard, a series of reports will be published covering immediate actions, and mid-term and long-term initiatives.

- Launch and availability of a Life Insurance Policy Finder portal service to facilitate beneficiaries and relatives of deceased policyholders in locating life insurance policies after their demise.

- Collaboration with life insurance companies for the development of a regulatory framework conducive to the distribution of life insurance saving products through digital modes. This regulatory reform envisages the availability of life insurance savings products on digital platforms (websites, mobile applications, etc.) by easing the regulatory compliance burden on life insurance and family takaful companies, otherwise required to distribute their savings products.

- Taking forward the end-to-end digital transformation project related to the digitalization of regulatory approvals and licensing for the insurance sector. This initiative aims to streamline processes, reduce approval times, and enhance transparency and efficiency.

- Completion of phase 2 of the implementation of the RBC regime in Pakistan by SECP (tentatively by December 2024) which will include, an impact assessment of the proposed regime by data analysis and the preparation of detailed requirements of amended liability valuations.

- Completion of Phase III – System Design and Methodology of the IFRS 17 implementation process by September 2024 and commencement of the final phase of IFRS 17 implementation, the parallel run.

- Holding of exclusive roundtable discussion sessions with top executives of the insurance sector in August 2024 to obtain feedback, catalysing the growth of the takaful sector and exploring its full potential. This will be followed by issuance of a detailed diagnostic study on takaful incorporating the stakeholders' feedback, presenting current state of the takaful in the country and charting of a target-oriented action plan for the sector growth.

- Publication of a research report on Mandatory Insurances in Pakistan to assess the current state of social security provided through compulsory insurance and draw comparisons with international jurisdictions. The report will cover existing initiatives of social protection in the form of EOBI, national health insurance programs, and other programs under labor laws.

- A thorough analysis of the health insurance market will be conducted to assess the current landscape, encompassing the roles of various stakeholders and key performance metrics such as business size and loss ratios. The study will aim to identify gaps and challenges in areas such as business conduct, service levels, infrastructure, and regulation and offer practical and actionable solutions to improve the health insurance market.

- Concluding a comprehensive review of the existing regulatory returns and identifying opportunities to simplify, consolidate, or eliminate redundant reporting obligations and align them with the requirements of IFRS 17.

- Supporting initiatives 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 products that meet underserved / unserved needs.

- Improvement in market conduct by introducing minimum service standards for the insurance industry specifically in relations to retail insurance products such as non-life personal lines and health insurance products. This will foster healthy competition in the market and shall enable standardization on service delivery aspects of insurance companies. Further, customers will have the ability to compare products and the efficiency of different insurance companies.

- Examining and deliberating upon the existing framework of surveyors and insurance brokers to strengthening the regulatory framework and policyholders' protection. This will entail scrutinizing their roles, qualifications, licensing requirements, ethical standards, and reporting requirements.

- Designing a centralized reinsurance management solution for the efficient and effective placement of coinsurance and reinsurance risks by the companies. This portal will also facilitate proper reconciliation of balance and provide an overview of risk placements by the insurance industry.

- Collaboration between Pakistan Single Window and the Insurance Industry on the automation of the Marine Insurance process for imports. This will not only reduce the time and cost of doing business for traders but will also ensure compulsory marine insurance.

Licensing

Overview

Strong licensing regimes ensure that businesses and individuals comply with specific standards and regulatory requirements, enabling them to conduct operations safely and ethically. Licensing serves several critical purposes, primarily aimed at safeguarding consumers, promoting public welfare, and ensuring smooth operation of businesses.

SECP issues a wide range of licenses, essential for regulatory compliance and public safety. This includes licenses for NBFCs that provide services such as investment, VC, asset management, REIT management and investment finance including discounting, leasing, housing finance, and microfinance services etc. Additionally, SECP provides licenses to CRCs, insurance companies and Insurance intermediaries, securities brokers and futures brokers, underwriters, share registrars and ballotters, bankers to an issue, consultants to the issue, debt securities trustees, credit rating agencies, securities advisors, futures advisors, and associations with charitable and not for profit objectives.

Sector wise analysis of licensed entities

NBFCs

As of June 30, 2024, there are a total of 196 licensed NBFCs compared to the previous financial year where the total licensed entities were 177. The breakup of total licenses issued and renewed and permission granted in FY24 is presented below:

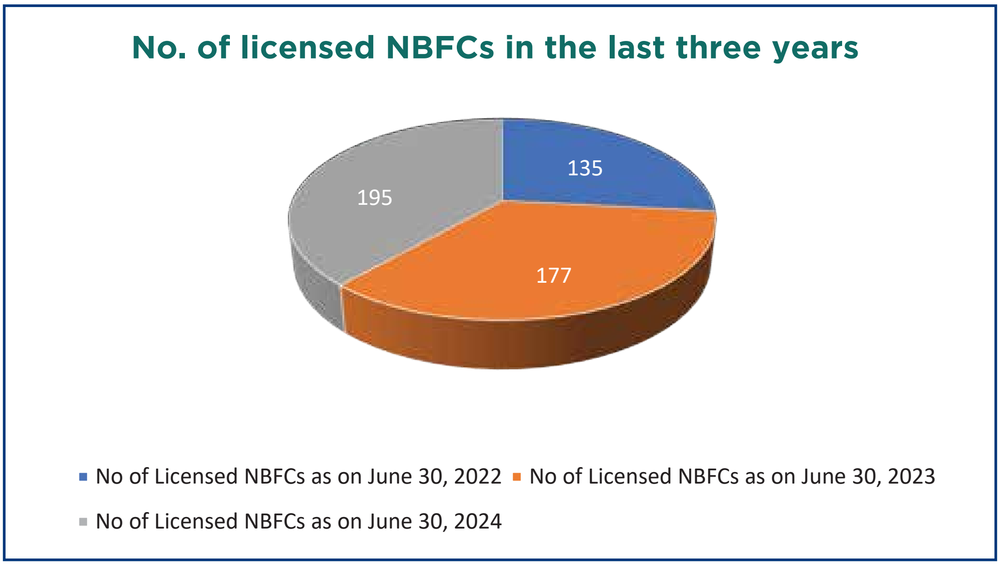
S.No.	Description	No of licensed entities as of June 30, 2024	Permission Granted to Form NBFC	Number of licenses issued	Number of licenses renewed
1	Pension Funds	17	--	02	NA
2	AMS / IAS	49		01	06
3	REIT Management Companies	28	09	06	03
4	PE&VC	13		02	02
5	Investment Finance Services	39	16	11	03
6	Non-Bank Micro Finance Companies	39	05	02	01
7	Housing Finance Companies	04			
8	Leasing	04			02
9	CRC	02		01	
10	Trustee	01			01
Total		196	30	25	18

Regulatory Applications/Approvals

SECP's receives and handles applications filed by licensed NBFCs, 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 under review is provided below:

S.No.	Type of applications	No. of applications processed
1	Approval of appointment of directors/CEO	67
2	Approval of Transfer of shares, Change of Memorandum, and extension under Regulation 4(3) of NBFC Regulations.	06
Total		73

The breakup of the total licensed NBFCs in the last three financial years is depicted in the chart below.



The breakup of the total number of licenses issued and other regulatory approvals granted in FY24 is presented in the table below.

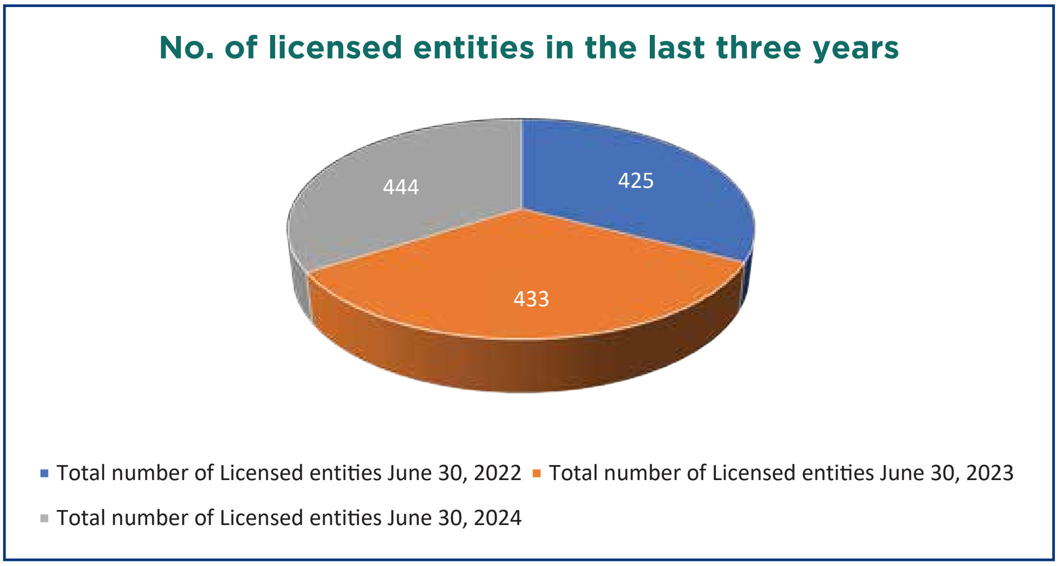
S.No.	Description	Total no. of licensed entities as of June 30, 2024	Total no. of licenses granted	Total no. of licenses renewed
1	Share Registrar and Ballotters	14	1	13
2	Banker to an Issue	15	0	15
3	Consultant to the Issue	32	6	26
4	Credit Rating Company	2	0	2
5	Debt Securities Trustees	11	0	11
6	Underwriters	34	1	33
7	Future Brokers	81	7	74
8	Securities Brokers	193	5	188
9	Securities and Future advisors	62	10	22
Total		444	30	384

The breakup of the total licensed entities pertaining to Insurance Sector in last three financial years are described from below chart.

Other Regulatory Approvals

Type of Application	No. of cases
Prior Permission cases	11
Conversion of TSC to TO and Vice Versa	09
Change of Sponsors	13
Appointment of director of CRC	2
Total	35

Total position of licensed entities in the Securities Market Sector is depicted vide chart below.

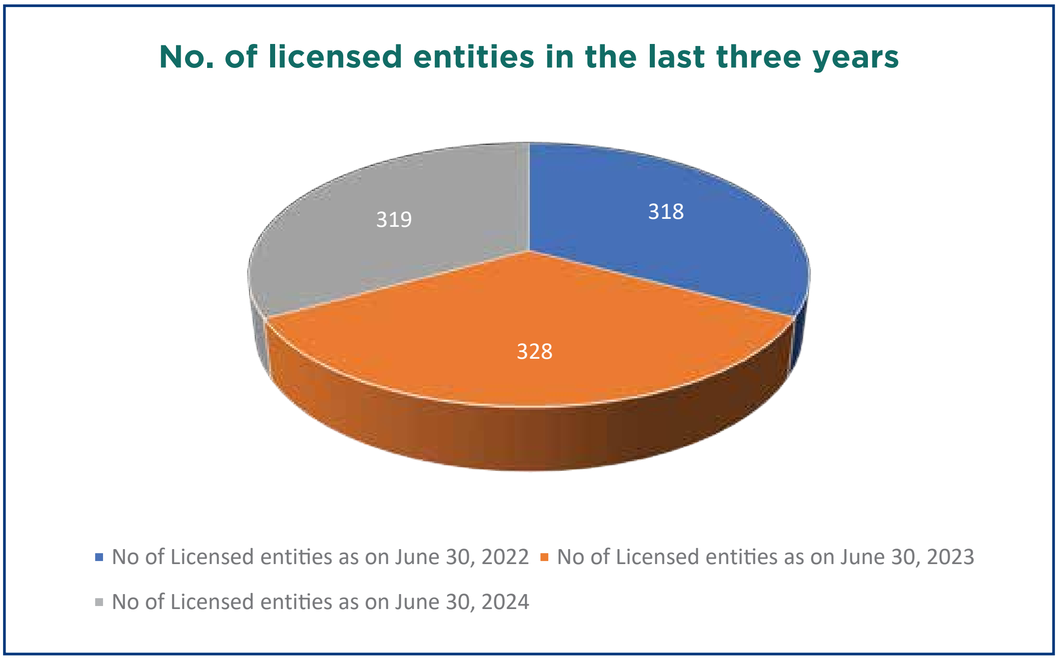


Insurance

Presently, on the intermediary side, the insurance sector includes 20 insurance brokers, 2 reinsurance brokers, 5 third party administrators, 243 surveying companies and 389 authorized surveying officers all duly registered with SECP. On the intermediary side, 17 fresh licenses were issued to new market entrants i.e. insurance brokers 1, insurance surveying company 15, and third-party administrator for health insurance 1. The distribution of licenses issued and other regulatory approvals for FY24 is detailed in the schedule below.

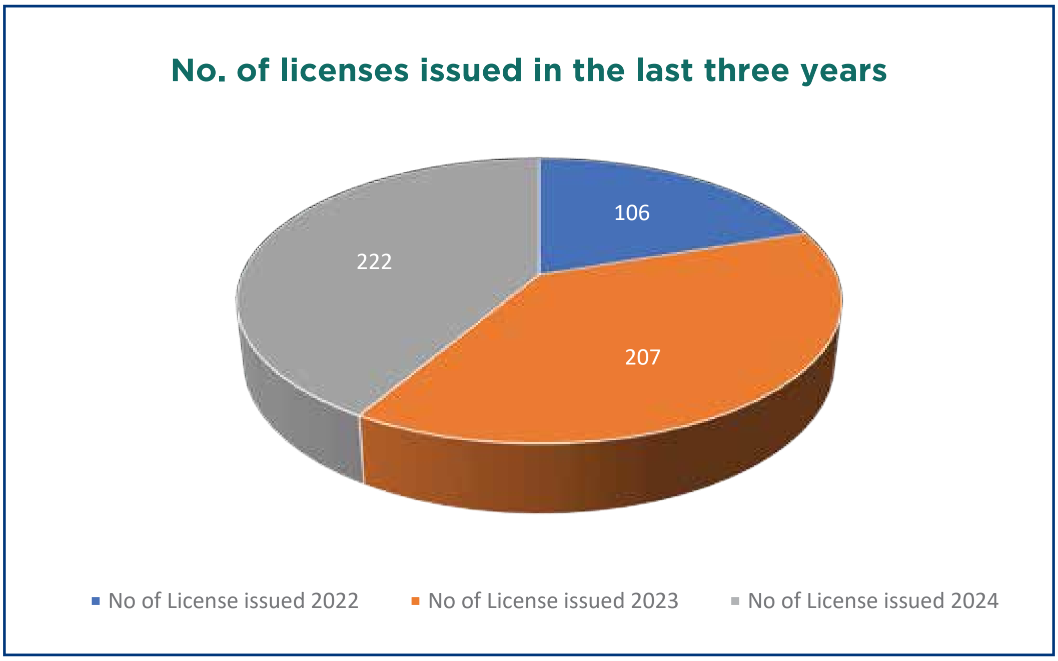
S.No.	Description	Total No of licensed entities as of June 30, 2024	Number of new licenses Granted	Number of licenses Renewed
1	Insurance Companies	49	01	N/A
2	Insurance Brokers	20	01	16
3	Re-Insurance Brokers	02	0	N/A
4	Insurance Surveyors	243	15	226
5	Third Party administrators for health Insurance.	05	01	N/A
6	Any other category			
Total		319	18	242

The breakup of the total licensed entities pertaining to Insurance Sector in last three financial years are described from below chart.



Associations with Charitable and Not for Profit Objects

These entities are regulated under the Companies Act and rules/regulations made there under, including their registration, governance, and compliance requirements. As of June 30, 2024, two hundred and twenty-two (222) new licenses under section 42 of the Companies Act have been issued. The breakup of the total licenses issued in last three financial years is presented below:



Reforms and Developments

In FY24, a series of policy reforms were implemented to improve the licensing regulatory framework, facilitate market development and strengthen policy holder protection, with a focus on compliance with the licensed entities core principles. The following paragraphs outline the key reforms and new initiatives undertaken.

1) Term of office of independent director under Companies Act (Circular-05 of 2024)

The "term of office of directors" is not expressly clarified vide section 166(2) of the Companies Act and differences of opinion have created ambiguities in the past. SECP therefore issued a circular clarifying the duration of the word "Term" in the office of an independent director. It was clarified that a director filling a casual vacancy for the remainder of a term shall be considered as appointed for a complete term. This clarification results in uniformity and resolves differences of opinion among various stakeholders.

2) Circular on appointment of foreign director/sponsors

SECP aids in facilitating the inclusion of foreign directors and sponsors in Pakistani companies in order to enhance global business integration and governance standards. In line with its commitment to maintain robust governance standards, ensure regulatory compliance and safeguard the integrity of businesses operating in Pakistan, SECP has issued circulars clarifying that appointment of foreign director/sponsors on regulated entities shall be made upon receipt of security clearance from Ministry of Interior. Additionally, it was clarified that NBFC's shall specify the particular category of licensing activity of investment finance services which the applicant intends to perform.

3) Granting of digital licenses to carry out regulated activities

SECP marked a significant milestone by providing digital licensing platforms through registration to the first-ever digital family takaful operator and by issuing license to investment finance services. The licensing of digital platforms in Pakistan will improve competition in the capital market by lowering entrance barriers and providing more access to innovative financial solutions in the country.

4) LEAP: Elevating Accessibility, Efficiency and Transparency

SECP initiated an end-to-end digitization initiative 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. Following the successful launch of Phases 1A and 1B, SECP is currently progressing into LEAP's second phase. The review of licensed regulatory approvals for Business Process Reengineering has been completed and System Requirement Solutions is in progress. Resolving problems through digitization and using structured methods of gathering public feedback were at the heart of SECP's transformation agenda. With the aim of fulfilling these expectations and facilitating end-users, SECP conducted design framework workshops in Karachi and Lahore for Licensing and Regulatory Approvals Processes. The primary focus of these workshops was to facilitate the end-user in the Licensing process, obtaining approvals from Commission and by bringing efficiencies in turnaround times. Phase 2A of LEAP will encompass a significant portion of licensed regulatory approvals. This initiative marks SECP's commitment to leveraging technology for growth, enhancing user experience, and leading the ongoing transformation of Pakistan's business landscape.

Impact of SECP's Intervention

Whilst the impact of potent regulatory reforms will become more apparent in the years to come, positive outcomes have already started to emerge, as highlighted below:

- The clarification of the term of office for independent directors has, ensured uniformity across all licensed entities. Previously, differing interpretations led to uncertainty among stakeholders. With clear guidelines now in place, licensed entities have a consistent understanding of the tenure expectations for independent directors. This regulatory clarity fosters stability and predictability within governance structures, promoting confidence amongst investors and stakeholders alike.

- Issuance of Circulars 12 and 13 strengthens licensing processes for regulated entities. This enhances regulatory compliance, bolstering integrity and trust in licensed entities. SECP's initiative aims to safeguard national interests and promote transparency, reinforcing its commitment to robust corporate governance.

- The completion of digitization & automation will encompass a substantial portion of regulatory approvals, underscoring SECP's commitment to leveraging technology for sustainable growth and improved user experiences. This positions SECP at the forefront of driving transformative change in Pakistan's business environment. Moving forward, SECP remains dedicated to fostering a more efficient and transparent regulatory framework that supports economic development and investor confidence.

Way forward

- End-to-end digitization efforts, such as the LEAP project, are being implemented to improve accessibility, efficiency, ease of doing business, transparency and enhanced Efficiency through Automation:

- Encouraging a Culture of Compliance Awareness Campaigns and Outreach. Workshops to facilitate end-users in the licensing process, obtaining approvals from Commission and in bringing efficiencies in turnaround times shall be initiated. Regular awareness campaigns and seminars will be launched to educate companies about the benefits of compliance with regulatory requirements.

- Promoting Digitalization and a Paperless Environment. Advocate for the adoption of digital signatures and electronic documentation for regulatory filings and approvals, reducing paperwork and enhancing efficiency. Advocate for the adoption of digital signatures and electronic documentation for regulatory filings and approvals, reducing paperwork and enhancing efficiency.

- Refining Licensed Entities Regulations. Conduct periodic reviews of regulations governing licensed entities, including securities brokers, and insurance companies, and other Licensed entities to ensure relevance and effectiveness. Solicit feedback from industry stakeholders and experts to identify areas for regulatory refinement and improvement.

These efforts are targeted to be achieved within the next three years and will enable SECP to strengthen its regulatory framework, enhance corporate governance practices, and foster a conducive business environment. They will be instrumental in achieving SECP's objectives of investor protection, market integrity, and economic development.

Enforcement

Overview

SECP oversees compliance with various laws and regulations pertaining to the corporate sector, capital markets, and licensed entities. The Adjudication Division aids in ensuring the independence of SECP's adjudication function in line with IOSCO principles and best practices by making fair and consistent decisions thereby minimizing risk of arbitrariness in the discharge of its quasi-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 the listed companies and licensed entities except those companies that are licensed under section 42 of the Companies Act. 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 companies licensed under section 42 of the Companies Act, and LLPs.

Impact of SECP's Intervention

During the period under review, an efficient adjudication function was noted.

Nature of Actions	Nature of the Companies		
	Listed Companies and Licensed Entities except Section 42 companies	Unlisted Companies	Year 2024
Orders Passed (In numbers)	385	4197	4,582
Penalties Imposed (Amount in Pak Rupees)	122,672,500	6,570,446,000	6,693,118,500

Proportionate, dissuasive, and effective enforcement actions were undertaken in order to enforce laws administered by SECP. The aforesaid actions ensured corrective measures, resulting in improved compliance by the corporate sector.

The aforesaid orders also contain 30 orders passed against regulated entities for Anti-Money Laundering (AML) violations, against which penalties of Rs. 26.030 million (2023: Rs. 10.609 million) were imposed during the year. Further, strict enforcement actions were taken against companies for non-compliance with AML laws and penalties were imposed which were dissuasive and proportionate to the violations committed. A reduction in the number of AML related cases has been noted, mainly due to improvements in systems and more robust controls in accordance with AML/CFT rules & regulations.

Capital Markets

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

Particulars	Opening Balance (SCN)	New Cases Received	New Cases Assessed	SCN issued	Orders	Amount of penalty (Rs.)
Actions against non-compliances	68	60	71	64	112	34,012,500
AML related non-compliances	9	25	23	23	18	8,390,000

Listed Companies

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

Particulars	Opening Balance (SCN)	New Cases Received	New Cases Assessed	SCN issued	Orders	Amount of penalty (Rs.)
Listed Companies	72	234	246	233	188	25,040,000

NBFCs

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

Particulars	Opening Balance (SCN)	New Cases Received	New Cases Assessed	SCN issued	Orders	Amount of penalty (Rs.)
Actions against non-compliances	5	45	46	42	28	31,390,000
AML related non-compliances	1	6	7	6	6	8,240,000

Insurance Companies

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

Particulars	Opening Balance (SCN)	New Cases Received	New Cases Assessed	SCN issued	Orders	Amount of penalty (Rs.)
Actions against non-compliances	10	32	33	29	27	6,200,000
AML related non-compliances	2	1	4	4	6	9,400,000

Unlisted Companies

To ensure an effective enforcement regime to safeguard public interest, stern actions were taken against unlisted companies involved in illegal deposit taking. This entailed imposing substantial penalties amounting to Rs 4,735,347,000 /- on twenty (20) such companies and their directors. Furthermore, 42 directors of such companies were debarred from becoming directors of any other company and incorporating new companies. Additionally, 19 sanctions were granted to initiate winding up process of unlisted companies. In totality, 4197 orders were issued to unlisted companies imposing penalties amounting to Rs. 6,570,446,000/-.

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

Opening Balance (SCN)	New Cases Received	New Cases Assessed	SCN issued	Orders Passed	Amount of penalty (Rs.)
1385	4475	4131	3857	4197	6,570,446,000

Prosecution and Legal Affairs

Overview

SECP makes improvements to administered legislation, develops new legislation to meet the needs of regulated sectors and handles court proceedings against regulated entities for violating SECP administered laws and regulations. Additionally, it takes measures to enhance awareness amongst all stakeholders in the corporate sector and strengthens their knowledge through capacity building initiatives.

Reforms and Developments

Draft Amendments to the Securities Act, 2015

Evolving market dynamics necessitated a more robust legal framework for the capital and futures markets that would provide investor protection and create ease in doing business. The proposed amendments aim to combine the Futures Market Act, 2016 and Securities Act, 2015 into a single concise law by removing the redundancies and overlaps in both statutes to achieve this purpose.

Amendment to Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980

The proposed Modaraba Companies and Modaraba (Flotation and Control) (Amendment) Bill, 2020 intends to regulate the business of Modarabas and Modaraba Companies to provide protection to investors, Modaraba certificate holders and the 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 the Ordinance in order to accomplish the beneficial regulation of Islamic financial services within the remit of SECP, encourage and promote Islamic financial institutions in the country and reduce the regulatory burden on the regulated sector. The Bill focuses on the growth of the Modaraba sector through introduction of various reforms including the concept of establishment of unlisted modaraba, empowerment of certificate holders through introduction of the concept of annual general meeting to ensure maximum participation of certificate holders in decision making process of a modaraba and providing enabling environment for ease of doing business.

Draft Non-Banking Finance Companies Law

NBFCs are specialized companies that require customized licensing, monitoring and governance. Similarly, investment vehicles are specialized entities that require a dedicated framework for registration, monitoring, supervision, revocation, winding-up etc. The proposed NBFC Law provides a modernized, dedicated and consolidated framework for NBFCs and collective investment vehicles (notified entities in the existing structure).

The draft law caters to new licensed businesses such as peer-to-peer (P2P) lending platforms, collateral management services, and leaves room for any other new or innovative services related to NBFC to be included in the scope of the Act through 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.

Proposed Amendments to Insurance Ordinance, 2000

The proposed amendments encourage the development of the insurance market by providing licensing requirements for new categories of insurance companies and intermediaries, as well as enabling foreign insurers and reinsurers to operate in Pakistan through branch offices. They also aim to facilitate 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. They further require the appointment of actuaries for non-life insurers, licensing of reinsurance brokers and corporate insurance agents as well as empowering SECP to provide the fit and proper criteria for promoters of insurance companies and specify expense limits.

For the purposes of making the insurance sector more financially resilient and improving market conduct and discipline, the amendments 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 Securities and Exchange Commission of Pakistan Act, 1997

The draft amendment Bill aims to incorporate changes in the following areas:

i) Enhancing SECP's governance and transparency in appointment of Chairman, Commissioners and Members of Policy Board of SECP;

ii) Establishment of Financial Services Market Tribunal; and

iii) Strengthening of Audit Oversight Board.

Proposed Amendments to Motor (Third Party) Vehicles Act, 1939

Motor Third Party Liability insurance offers protection against death and bodily injury to victims of road traffic accidents or their legal heirs. The saved Chapter VIII of the said Act makes it compulsory for all motor vehicle owners to obtain Motor Third Party Liability insurance cover. The said Act was repealed and replaced by the provincially administered Motor Vehicles Ordinance, 1965, however, the saved chapter VIII of the Act remains applicable across Pakistan. SECP has put forward a proposal to amend the Act for improved implementation of the Motor Third Party Liability Insurance Scheme.

Way forward

SECP plans to undertake the following activities over the upcoming year:

- Lead reforms on the insolvency and credit/debtor rights framework in collaboration with the World Bank Group, including conducting a stakeholder consultation on Corporate Rehabilitation and Insolvency Framework.

- Lead a feasibility study on the concept of a unified platform for mediation across regulated sectors in collaboration with the Commercial Law Development Program.

- Updating and archiving legal opinions into a repository, for ease of reference and to avoid duplicity in work.

- Preparing a repository of judgments passed by various courts on different provisions of SECP administered legislation to enable officers of operational departments to effectively implement various functions and powers of SECP delegated to them.

- To update the panel of liquidators, mediators and insolvency experts under the Companies Act and Corporate Rehabilitation Act, 2018.

Anti-Money Laundering

Overview

The amended Anti-Money Laundering Act, 2010 identifies SECP as the regulatory authority for any reporting entity licensed or regulated by SECP. In this role, SECP is committed to implementing Financial Action Task Force (FATF) standards in its regulated sectors namely, stockbrokers, commodities brokers, NBFCs and Modarabas, Insurers, corporates and NPO's, to prevent them from being used by money launderers and terrorist financiers for illicit purposes. In this context, SECP has demonstrated significant progress towards fulfilling FATF obligations and has taken effective measures to address money laundering/terrorist financing deficiencies by aligning its Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT) regulatory framework with FATF standards.

Reforms and Developments

During the year, SECP participated in the National Risk Assessment, 2023 (NRA 2023), which was approved by the General Committee in August 2023. In line with its mandate, SECP uploaded its expectations from Companies and LLPs on its official website to promote a culture of regulatory compliance, improve risk ratings, enhance beneficial ownership transparency and alignment with international AML/CFT standards. In addition, SECP participated in the second phase of Pakistan's Peer Review under the Organisation for Economic Co-operation and Development (OECD) Global Forum.

Amendments have been introduced in AML/CFT Regulations, 2020, aimed at enhancing transparency in corporate and regulated sectors, particularly related to Customer due diligence (CDD) requirements related to account opening of a Mentally Disordered Person, diminishing the frequency from existing five years to three years to treat an account as dormant, and adding provisions relating to reliance on third parties for CDD and requirements applicable on foreign branches and subsidiaries of Regulated Persons.

Moreover, SECP continued its outreach activities and conducted a wide range of capacity-building sessions covering topics including NRA 2023, beneficial ownership, internal risk assessment reports, and implementation of measures against terrorist financing and targeted financial sanctions. In addition, guidance was provided to various stakeholders on compliance with SECP AML/CFT/CPF Regulations, 2020. Specific areas of guidance included CDD document requirements for Non-Broker Clearing Members, risk parameters of Sahulat accounts, and guidance to EClear about their role within the context of SECP AML/CFT/CPF Regulations 2020, etc.

Similarly, SECP continued to coordinate with the Financial Monitoring Unit regarding filing and dissemination of Suspicious Transaction Reports. Additionally, regulated entities were successfully registered on the goAML platform to streamline the reporting process and improve compliance with regulatory requirements. SECP ensured timely upload of notifications received from the Home Department/UNSCR to ensure compliance with terrorist financing preventive measures and financial sanctions.

Way forward

Going forward, SECP will ensure implementation of NRA as per agreed timelines and continue its outreach efforts for AML/CFT and beneficial ownership within its regulated sectors. The focus will remain on continued improvement in compliance by SECP regulated entities, through risk-based supervision and related enforcement. Efforts are also underway to improve the beneficial ownership reporting framework in consultation with all stakeholders.

Chairman Secretariat

Overview

The Chairman Secretariat facilitates SECP's external relations at local and international forums. It enables regulatory and enforcement cooperation by working with local and international standard setting bodies, multilateral financial institutions and counterparts in other jurisdictions and has been entrusted with advancing SECP's agenda of promoting sustainability initiatives. Additionally, it enhances outreach regarding new and upcoming developments through the Innovation Office.

Reforms and Developments

SECP's work at IOSCO

SECP is a member of the IOSCO, which is the leading international policy forum for securities regulators and is the global standard setter for financial markets regulation. IOSCO's membership regulates more than 95% of the world's securities markets in some 130 jurisdictions. SECP is also a member of IOSCO's Asia Pacific Regional Committee and Growth & Emerging Markets Committee. Through this association, SECP has been able to stay informed about various work streams at the forum, including work related to Fintech and sustainable finance. SECP also participated in the IOSCO's annual meeting held in May 2024 in Athens, Greece.

Moreover, SECP is a full signatory to IOSCO's Multilateral Memorandum of Understanding (MMoU), which is the international benchmark for exchange of information between securities regulators. The SECP regularly utilizes the MMoU to share information with foreign counterparts concerning licensing and supervisory cases. During the period under consideration, 9 incoming and 3 outgoing requests for information under IOSCO MMoU were addressed. Furthermore, SECP also utilized the IOSCO forum to seek assistance from other IOSCO members covering a wide range of topics, including risk-based supervision, surveillance, crypto assets, etc.

Additionally, SECP carried out a revised self-assessment against IOSCO Principles during the year. The Principles are considered the global benchmark for securities regulation and are based upon three objectives of securities regulation, namely, protecting investors, ensuring fairness of markets and reducing systemic risk. Earlier, SECP had carried out self-assessment in 2012 to assess the level of implementation of IOSCO principles, and identify gaps in adherence to these standards. The self-assessment report was submitted to the IOSCO Assessment Committee (AC) for peer review as part of its Country Review Program, thus Pakistan became the first country to undergo country assessment by AC, which was carried out in 2014. This was followed by a follow-up by a limited scale review in 2016-17, validating Pakistan's compliance with IOSCO Principles and development of local regulatory ecosystem in line with international standards. Considering the changes in laws since then, revised self-assessment exercise focused on the progress made against observations earlier quoted by the AC in the country assessment. The exercise aided SECP in analyzing improvements in securities market regulation and practice since 2017 and it has been concluded that upgradation is possible in 13 principles, out of the 23 principles which were earlier rated below fully implemented.

Capital Market Development Program

In July 2019, the ADB initiated the 3rd Capital Market Development Program (CMDP) through a policy loan of $600 million to Government of Pakistan. The objective of the program is to strengthen market stability, enhance market facilitation, address supply-based measures, and improve demand centric measures for capital market development. Under this initiative, a master plan for implementation of financial market development reforms, namely, the CMDP 2020-27 is being implemented. To oversee its implementation, a strategic-level Capital Market Advisory Council (CMAC) has been established, headed by the Minister for Finance and comprising of members from SBP and SECP. During the year, the 3rd meeting of CMAC, under chairmanship of the Minister for Finance was held in December 2023. In addition to evaluation of progress under the CMDP, new proposals for the development of capital market in Pakistan were also considered by the Council. Currently, out of the total 76 recommendations of the plan, 49% have been implemented, whereas, SECP is coordinating with all relevant stakeholders for timely completion of the plan.

Strategic Leadership Development for State-Owned Enterprises

State-Owned Enterprises (Governance and Operations) Act, 2023 (SOE Act, 2023) was promulgated on 31st January, 2023. Subsequently in November 2023, the State-Owned Enterprise Ownership and Management Policy (SOE Policy, 2023) was notified with the approval of the Federal Government. The SOE Policy requires that each director of SOE will complete directors training program (DTP) within six months of their appointment and a customized DTP for directors of SOEs shall be developed by SECP in partnership with relevant stakeholders. SECP structured the broad contours of DTP by structuring curriculum divided into key modules and instructional units designed to cover key topics in corporate governance for SOEs including governance concepts, board roles, and conflict of interest. It also addresses compliance and reporting under the SOE Act and Policy while mapping relevant regulations like the Companies Act and CCG 2019. Further, SECP has mandated evaluation of participants upon completing the program by the authorised institutes. Institutes authorized to conduct the Directors Training Program (DTP) under the Listed Companies (Code of Corporate Governance), 2019 were consulted on the curriculum design and implementation. After incorporating the feedback from stakeholders, the customized DTP was notified for implementation with effect from April 2024. The customized DTP is expected to equip directors with essential knowledge to enhance their decision-making capabilities for effective governance, performance and accountability of SOEs.

Way forward

- Continue to play an active role in IOSCO's priority areas, chiefly sustainable finance and developments in Fintech.
- Continue to coordinate with relevant stakeholders for implementation of CMDP plan and future roadmap for 2020-27.

Environment, Social & Governance and Gender Inclusive Reforms

ESG Overview

The sustainability initiatives this year focused on advocacy and capacity building in view of global advancements in sustainability disclosures. SECP further encouraged disclosures through regulatory guidelines and enhanced coordination with various stakeholders.

Reforms and Developments

Advocacy session and unveiling ESG Sustain

In January 2024, SECP and UN Women partnered to deliver an advocacy session, which was attended by all key institutions of the corporate sector and capital market. Consultation on finalization of the ESG action plan was one of the key discussion slots in the session. This strategic plan will aid in setting future priorities with regard to all key institutions of the capital market along with relevant timelines and specific mandates. An interactive fireside chat was hosted with representatives from PSX, MUFAP, PBC, PICG, ICAP, CFA-Pakistan and ACCA – Pakistan. Moreover, representatives from multilateral institutions namely ADB, IFC and UN Women also provided their feedback on the integrated ESG action plan. Further, a detailed presentation was delivered by UN Sustainable Stock Exchange Initiative, highlighting the key areas of focus for sustainability agenda of regulators and the capital market. SECP also unveiled the first look of ESG Sustain- Pakistan's premier web-based sustainability portal in the advocacy session. ESG Sustain is expected to launch by year end, 2024. Participants provided feedback on the draft of ESG Disclosure Guidelines, 2023, which were notified by SECP in October 2023. Post session, separate engagements were facilitated with key stakeholders in order to align the ESG Guidelines with best practices and local needs. Based on feedback from stakeholders, the finalized ESG Disclosure Voluntary Guidelines were notified by SECP in June 2024.

ESG Disclosure Guidelines

In a major leap towards promoting responsible business practices and environmental stewardship, SECP issued the ESG Disclosure Guidelines in June 2024. These Guidelines offer a voluntary framework for enhancing transparency in sustainability efforts, while aligning with international best practices on sustainability reporting. Further, they encourage listed companies to provide comprehensive and transparent disclosures across a wide range of ESG factors including environmental impact, social responsibility practices, and effective corporate governance structures.

Corporate Sustainability Reporting

Special emphasis was given to coordinating with key professional institutions in order to strengthen the capacity of the corporate sector and capital market institutions in sustainability reporting, particularly with reference to International Sustainability Standards S1 and S2. SECP coordinated meetings with ICAP to discuss the mode and manner of adopting the standards, raising awareness, and continuing capacity building efforts with an emphasis on sector-based training sessions. Further, consultations with ACCA Pakistan and CFA Pakistan on advocacy sessions on global best practices, were also carried out.

Way forward

- Under its sustainability agenda, SECP plans to promote advocacy, capacity building focused on key metrics under the ESG Disclosure Guidelines and hold consultative sessions to finalize the mode and manner of adoption of Sustainability Standards in a phased manner.

- The centralized, online dashboard, 'ESG Sustain' is expected to launch in the upcoming year and will serve as the sustainability hub with data repository, capacity building tools, sustainability information and contact platform for investors of the regulated sector.

Gender Overview

Gender diversity is a key driver of economic growth. It brings women's unique skills and perspectives to the workplace and inculcates inclusive decision making thereby boosting productivity and innovation. During the year, SECP focused on facilitating gender inclusive reforms across its regulated sectors. Numerous such initiatives focused on integrating gender considerations in legislation, encouraging reporting of gender-based performance indicators, introducing tools for showcasing data and success stories as well as ensuring gender equality in-house.

Reforms and Developments

Prime Minister's Women Empowerment Package 2024

(i) Under the Prime Minister's Women Empowerment Package 2024, SECP issued a directive requiring listed companies to disclose gender pay gap data in their annual reports with effect from June 30, 2024. A draft template outlining the minimum expected disclosures and guidance on calculations, adhering to best practices, was also provided to facilitate companies.

(ii) SECP was further directed to award private limited companies practicing family-friendly policies on the upcoming Women's Day. Considering laws administered by SECP do not mandate such disclosures from private companies, a multi-stakeholder forum including Pakistan Business Council, UN Women, and American Business Council as implementing partners was formed. After mutual consultation, a strategy and implementation plan were prepared and shared with the Prime Minister's Office. Implementation of this directive is in progress with grant of awards to private companies as per the approved criteria to be carried out on Women's Day, 2025.

(iii) SECP, as an implementing partner, is also actively coordinating with Ministry of Human Rights on implementation of gender sensitization workshops.

Bolstering Board Oversight and Inclusive Strategies

SECP amended the CCG Regulations, requiring the board of directors to regularly review and monitor their company's progress towards Diversity, Equity and Inclusion goals, establish a dedicated committee to oversee these practices, and report the goals set by the Board and progress made in their annual report. Further, gender related indices based on Women Empowerment Principles were made part of the ESG Disclosure Guidelines 2023.

Inhouse Inclusive Gender Mainstreaming

SECP also completed its first gender pay gap analysis based on a gender pay gap tool created by the Australian Government's Workplace Gender equality agency. Further, on the policy side, self-assessment of gender policies as per UN's Women empowerment principles was completed with facilitation of UN Women, Pakistan.

Approval of Gender Inclusive Strategy

One of the key developments during the year was the initiation of an internal exercise which entailed a broad review of gender inclusive reforms undertaken by SECP over time. It was concluded that these initiatives are primarily initiated on a need basis and scattered across various sectors. A consultative review of the strategy was also undertaken through Women's World Banking to align the strategy with international best practices. Based on internal workings and baseline diagnostics, the broad contours for a cohesive Gender Inclusive Strategy that holistically evaluates and aligns gender inclusive practices across regulated sectors in terms of best practices, was approved by Commission.

Way forward

- SECP seeks alignment of its policies with and encourages gender inclusive practices across all regulated sectors through a consultative approach and phased manner. The first phase of the strategy covers the upcoming year 2024-25 and comprises of mapping key focus areas in regulated sectors by reviewing legislation on governance, disclosures, business start-ups, family-friendly policies and gender-linked products. Comprehensive data collection and gap analysis will guide these initiatives. The findings from this exercise shall facilitate devising a strategy paper for consultation with the regulated sector in the year 2025-26 followed by proceeding towards Action Plan implementation in phased manner in collaboration with stakeholders across all regulated sectors in year 2025-26.

- Internally, SECP has identified gaps through a self-assessment exercise and set targets for next year that include increasing gender representation across all cadres, ensuring at least one female is present in all committees, a periodic review of gender pay gap across all cadres and addressing policy gaps in policies across SECP.

- SECP foresees continued partnership with diverse stakeholders for advancing its sustainability and gender inclusive reforms.

Investor Education

Overview

In 2023, SECP renewed its commitment to cultivating a more financially empowered citizenry by relaunching its flagship investor education initiative, Jamapunji. This program aims to equip all segments of Pakistani society with the knowledge and skills necessary to make informed financial decisions. Jamapunji plays a vital role in protecting investors through its investor education initiatives, training programs and academic outreach thereby promoting a healthy capital market, and contributing to the nation's long-term economic stability. During the period under review, SECP conducted 62 awareness programs using physical and digital mediums including seminars, podcasts, investment roadshows/expos, social media etc.

Reforms and Developments

Investor Education Initiatives

SECP is committed to fostering a financially literate and empowered citizenry. This year a series of impactful initiatives were undertaken to equip individuals nationwide with the knowledge and skills necessary to make informed financial decisions. From training educators and university students to engaging the public through innovative campaigns, Jamapunji's multifaceted approach is building a strong foundation for Pakistan's financial future. Here is a brief overview of the activities carried out during the year.

Training Programs

- **Educator bootcamp:** SECP recently concluded a successful "Bootcamp on Financial Literacy for Educators" in Islamabad. This initiative contributed to training 1,500 teachers from 432 schools in the federal territory, in collaboration with the Federal Directorate of Education.

- **Gilgit-Baltistan sessions:** The first phase of financial literacy sessions has been completed in ten colleges, covering 2,000 students across Gilgit-Baltistan. The second phase is scheduled for the first quarter of the upcoming financial year.

- **Balochistan expansion:** Supported by the Ministry of Federal Education and Professional Training, SECP signed an MoU with the Ministry of Education Balochistan to expand financial literacy programs throughout the province. The rollout is set to begin within the next three months in collaboration with SBP.

Academia and Community Initiatives

- **Inter-university competition:** SECP, in collaboration with the Higher Education Commission, successfully conducted the All Pakistan Inter-University Content Creation Competition to promote financial literacy at the university level. This competition attracted significant interest and received an overwhelming response.

- **Islamic scholar programs:** In partnership with leading higher education institutions, SECP has reached out to Islamic scholars and conducted financial literacy programs.

Corporate Engagements

- Throughout the previous year, SECP has organized numerous seminars across Pakistan, partnering with corporate entities to raise awareness about financial literacy.

Public Awareness Campaigns

- **World Investor Week:** SECP actively participated in the World Investor Week 2023 organized by IOSCO. We conducted nationwide activities, including seminars, investment roadshows, podcasts, X space events, and Investment Expos, all aimed at promoting financial literacy.

- **Financial literacy podcasts:** SECP is running a series of podcasts covering various topics such as savings, investments, corporatization, mutual funds, frauds and scams.

- **Social media engagement:** SECP regularly shares awareness messages on various financial topics with the general public through social media platforms.

Impact of SECP's Intervention

SECP's Jamapunji initiative has had a significant positive impact on financial literacy and empowerment in Pakistan. By providing education and increasing awareness amongst individuals across the country, Jamapunji equipped a diverse audience with the knowledge and skills necessary to make informed financial decisions.

Direct Impact

- **Educator training:** 1,500 teachers from 432 schools in the federal territory were trained through the Bootcamp on Financial Literacy for Educators. By providing training to teachers, SECP is equipping them with the tools to impart financial knowledge to a wider audience, particularly students.

- **Student outreach in Gilgit-Baltistan:** Over 2,500 students in Gilgit-Baltistan were reached through financial literacy sessions in ten colleges. Jamapunji's efforts to reach students in remote regions, like Gilgit-Baltistan, are crucial for building a financially literate younger generation.

- **Provincial expansion**: An MoU with the Ministry of Education Balochistan will expand financial literacy programs to the entire province. As part of this MOU and the Prime Minister's directive Jamapunji team has successfully conducted a teacher's training program in Quetta.

- **Student engagement:** The All Pakistan Inter-University Content Creation Competition attracted significant interest and participation. In addition, the Jamapunji team conducted seminars for university students and students of professional accounting bodies across Pakistan.

- **Islamic scholar outreach:** SECP reached out to Islamic scholars through different forums in Karachi and Islamabad and shared knowledge about financial literacy.

Indirect Impact

- **Increased financial awareness:** Public awareness campaigns, including social media outreach and events, have helped to raise awareness about financial concepts, their importance, and particularly prevention from scams and frauds.

- **Improved financial decision-making:** By providing education on topics such as savings, budgeting, different investment options, and risk management, Jamapunji empowered individuals to make more informed financial choices.

- **Enhanced investor protection:** A more financially literate population is better equipped to recognize and avoid financial scams and frauds, contributing to investor protection.

- **Investor cultivation:** A financially literate population is a pre-requisite for increased participation in financial markets. Well-informed people are more likely to become part of financial markets and make informed investment decisions.

- **Economic development:** Financial literacy can contribute to economic development by encouraging savings, investment, and entrepreneurship.

- **Increased investor awareness:** SECP's public awareness campaigns, including World Investor Week activities and social media engagement, have increased investor awareness and understanding of financial concepts.

Way forward

SECP is poised to elevate its investor education program, Jamapunji, to new heights. The strategic vision for Jamapunji involves leveraging digital platforms and interactive tools to make financial education accessible to a wider audience across Pakistan. SECP aims to strengthen partnerships with educational institutions, media outlets, and community organizations to amplify outreach efforts and ensure that every investor, from novice to seasoned, can access comprehensive financial education resources. A few of the initiatives intended to be taken up in the coming years are detailed below.

- Joint Media Campaigns with LEAs and other Regulatory Bodies.
- Launch of Jamapunji portal and mobile application.
- Launch of in-house PODCAST Studio.
- Survey on customer onboarding process.
- Expansion of Jamapunji sessions to colleges in Balochistan.
- All Pakistan Stock Trading Competition.
- All Pakistan Future Trading Competition.
- Partner with technology providers to develop gamified learning experiences.
- Launch online investment simulations to teach investment concepts.
- Partner with consumer protection agencies to educate investors about scams.
- Partner with community organizations to conduct financial literacy workshops.
- Content Creation financial literacy competitions in schools and colleges.
- Partner with academic institutions to develop financial literacy curriculums.
- Conduct user-based research to analyze investor needs and preferences.
- Develop financial literacy toolkits for different life stages (retirement, homeownership).
- Partner with behavioral finance experts to design nudges that promote sound investment decisions.
- Conduct financial literacy programs for employers to educate their employees.
- Develop multilingual investor education materials.

Digital Transformation

Overview

SECP actively pursues digital transformation in order to streamline its internal processes and those of its regulated sector. The developments in this sphere are expanded on below.

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. SECP has successfully launched the second phase of the project, which aims to automate limited liability and company registry processes. The first part of the project was launched last year for the LLP Registry. Moreover, implementation is in progress, and subsequent phases will cover the automation of business processes pertaining to all types of licenses and regulatory approval functions.

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.

Integration & collaboration

SECP is in the process of arranging collaborations with federal and provincial departments, to establish a one-window registration system for businesses under PRMI. This strategic move aims to create a secure ecosystem for sharing data and records of companies, eliminating redundancy, ensuring data consistency, and promoting personalized service delivery while adhering to data privacy regulations among multiple government entities. Under this initiative, Pakistan Telecommunication Authority (PTA), PSEB, Ignite and Provincial Revenue Boards Via PRAL, Aasan Karobar (KPITB) have been integrated this year.

Impact of SECP's Intervention

Process automation

SECP has made significant progress by automating and digitizing multiple business processes that were previously managed manually. During FY24, SECP underwent major digital reforms, as follows:

1) **Licensing Record Management System**

   SECP implemented the Licensing Record Management System (LRMS), a digital solution replacing manual excel-based records in the Licensing department. This centralized system enhances data management, improves accuracy, and streamlines reporting. LRMS addresses prior challenges in accessibility and efficiency while supporting Licensing processes of insurance, securities market, section 42, corporate restructuring and Non-Banking Finance sectors. Furthermore, LRMS handles applications for approvals under 'fit and proper criteria' for CEOs, directors, sponsors and major shareholders. It optimizes work management, ensures data integrity, elevating SECP's overall effectiveness.

2) **Electronic Documents Management System**

   SECP initiated a strategic initiative to optimize physical space utilization at the head office by accelerating the archiving process of its records. To ensure systematic preservation and efficient retrieval of digital records, SECP implemented a pilot project of an electronic document management system for SECP's internal Finance Department to facilitate methodical digitization and management of physical records, encompassing processes such as uploading and retrieval. This proactive measure not only addressed immediate space concerns but also advantageously positioned SECP for any potential future decisions regarding record destruction.

3) AML Financial Intelligence Reporting System

The AML Financial Intelligence Reporting System was designed to streamline and enhance the management of financial intelligence reporting, ensuring efficient processing, accountability, and strategic insights. The system not only offers real-time visibility into the status of all FI reports, thereby enhancing operational efficiency, it also provides a robust framework for managing FI reports, ensuring that each report is handled with precision, accountability, and alignment with the Organization's objectives.

4) Managed Detection & Response System

SECP has implemented the Managed Detection & Response System to enhance its security framework and provide continuous monitoring against non-malware threats. This system, combining human oversight and advanced technology, strengthens the cybersecurity resilience and integrity of SECP's information assets.

Way forward

- LEAP implementation is ongoing, with the next phase set to automate business processes related to licensing and regulatory approvals functions.

- The seamless data sharing through API based integration of PRMI phase 2 & 3 organizations will be further pursued.

- Continuation of process automation drive in order to enhance internal efficiency, user experience, transparency and accountability.

PROMOTING FINTECH & ENCOURAGING INNOVATION

Regulatory Sandbox

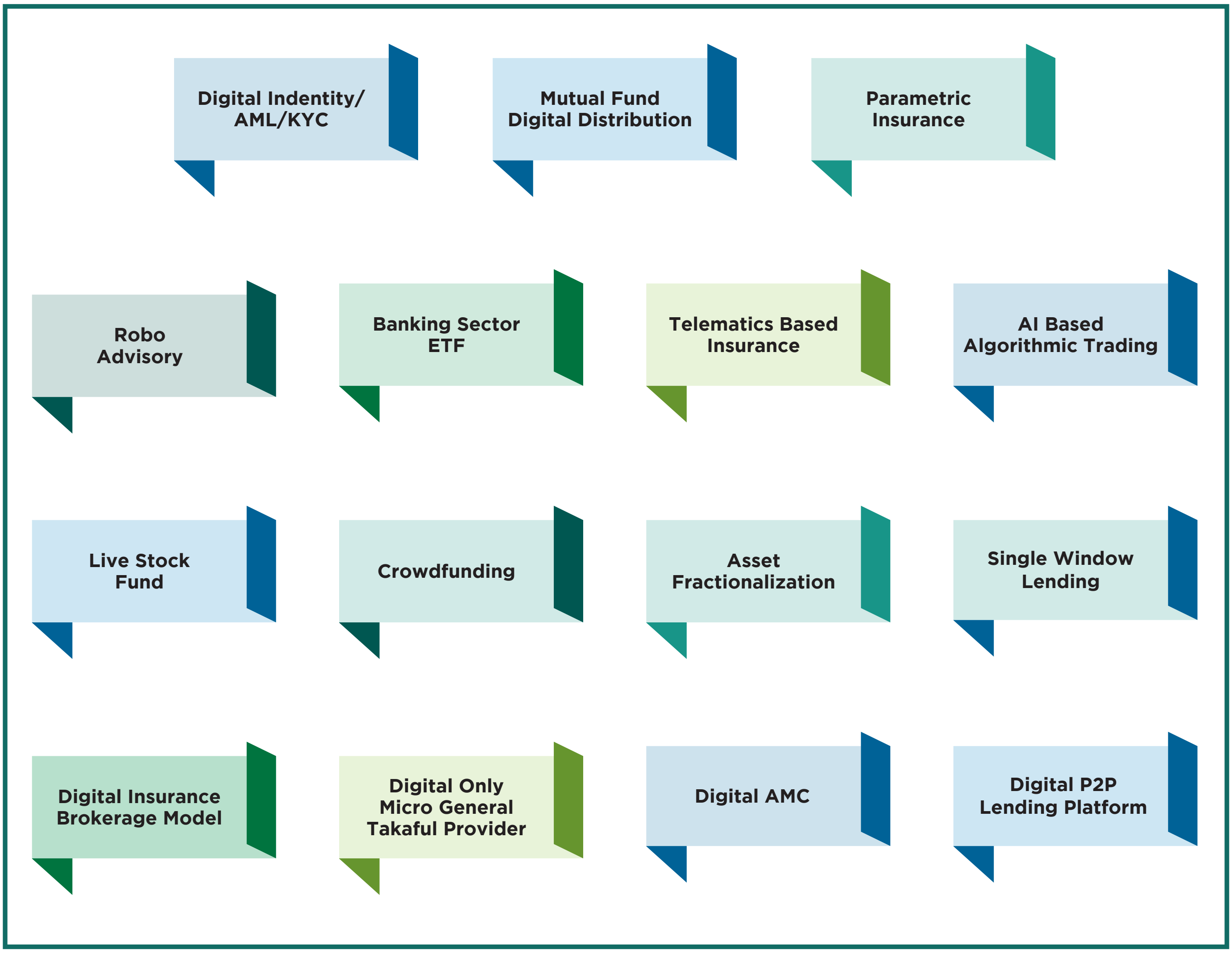
SECP's Regulatory Sandbox, the first of its kind in Pakistan, has been operational for four years. Designed to promote technological innovation in financial services, the Sandbox has attracted considerable interest from a diverse range of innovators, established entities, foreign companies, start-ups, and fintech firms. Hundred and twenty-five (125) fintech companies have applied for testing in the four cohorts, with thirty-one (31) business models approved for testing under RSB. RSB cohort-based journey is depicted in figure below.

2020	2021	2022	2023
COHORT I	COHORT II	COHORT III	COHORT IV
Total Applicants: 33 Selected Applicants: 6	Total Applicants: 38 Selected Applicants: 6	Total Applicants: 28 Selected Applicants: 8	Total Applicants: 26 Selected Applicants: 11

In the fourth cohort of RSB, major innovative ideas tested in Cohort IV include asset and gold fractionalization, equity crowdfunding, an SME one-window platform, AI-based automated fund management, and AI-based algorithmic trading.

To broaden its reach in 2023, SECP has transitioned its RSB from a cohort-based system to an open format, allowing fintech and start-ups to apply year-round. This change demonstrates the Sandbox's maturity and the insights gained from previous years. The new open format facilitates continuous partnerships and enables applicants to approach the RSB at the optimal stage of their development. Prospective applicants are encouraged to use a self-assessment diagnostic tool to evaluate the suitability of their proposed models for the RSB, create applications in a self-explanatory format, and submit them at any time. Following a thorough evaluation, applicants can test their solutions in a controlled environment for six to nine months under agreed terms and conditions. With the always-open status in effect, RSB has received three applications, and one of them has successfully begun testing in a controlled environment under stipulated terms and conditions.

A range of innovative ideas were thoroughly tested in RSB, including advanced solutions in fintech, insurtech, regtech, and digital financial services, aiming to address key challenges in the market. These innovations were evaluated for regulatory compliance, consumer protection, and overall feasibility. The solutions have contributed significantly to promoting financial inclusion, improving market efficiency, and fostering the sustainable growth of Pakistan's financial ecosystem. The innovative ideas tested in the RSB are illustrated below.



Innovation Office

As part of its efforts to promote start-ups and create awareness about new developments, SECP realigned the scope of its Innovation Office by reaching out to diverse stakeholders and collaborating for holding webinars. In this regard, a webinar was conducted in cooperation with Pakistan Institute of Development Economics (PIDE) on an overview of capital markets, key challenges and critical review of opportunities. Further, an online fireside chat was conducted with panellists from the Higher Education Commission, fintech experts and fintech faculty lead at IQRA University in order to deliberate on means of linkages of start-up ecosystem with academia, importance of financial literacy and start-ups as enablers of financial inclusion. The webinar received great interest from the market and academics especially innovation hubs of universities across Pakistan, which was evident by active social media engagement during and post webinar. Further, in order to cater to the role of professionals, another webinar was conducted in collaboration with ACCA Pakistan, where their representative elaborated on emerging trends of fintech ecosystem and role of finance professionals for preparing to meet the evolving demands. Further, a dedicated session was conducted regarding SECP's RSB which garnered great interest. For the upcoming year, key areas of focus include mapping activities to date, determining gaps in relation to global trends and engaging with various stakeholders to encourage start-ups and fintech innovators.

Support Services Division

Administration Overview

SECP's administration is responsible for providing administrative and logistic support to all divisions. This includes maintaining and renovating office facilities, repairing and maintaining office equipment, ensuring transparent procurement process, organizing events, maintaining gym, day-care and medical management. It also oversees the safety and security of SECP's premises and assets.

Reforms and Developments

1) Construction of SECP head office building

The financial autonomy of any regulatory authority depends on a robust organizational culture and financial sustainability, which includes essential infrastructure like dedicated buildings for its head office and regional offices. In 2017, SECP purchased a plot in the Mauve Area G-11/1, Islamabad from CDA, with plans to construct its head office building. The Policy Board approved the construction in principle in 2022. Despite focusing on various regulatory matters and engaging with market participants to implement market development reforms, the Commission in its 6th meeting held on January 31 and February 3, 2023 granted approval to initiate process related to construction of head office building. M/s EA Consulting (Pvt) Ltd., have been engaged as Project Consultant for detailed design and construction supervision of SECP Head Office Building. M/s. Principal Builders, the contractor will be responsible under Package-01 for the frame structure of the building, with an allocated timeframe of 28 months.

2) Admin manual/SOPs

The Commission approved comprehensive and consolidated SOPs of all functional areas, a major milestone achieved during the year. These SOPs outline the policy framework and streamline various aspects including but not limited to ensuring transparent procurement process, efficient travel, transport and event management, building, furniture, fixture and office equipment repair and maintenance, asset management and disposal, archive management, day care and gym facilities, safety and security of Commission premises and assets.

3) One day training session on Pakistan Life Savers Program

A one-day training session on "Pakistan Life Savers Program" on December 06, 2023 in coordination with the Rescue 1122 was arranged for all employees of the Commission.

4) Guidebook for official communications of the Commission

The Commission approved the "Guidebook for official communications". The guidebook has been designed to streamline communication practices across all departments and divisions of the Commission and encompass various aspects of official communications including the standardization of IOMs, letters, working papers, notices, emails, presentations, reports, internal manuals, official stamps and visiting cards.

5) Renovations

- Renovation has been initiated and completed as follows;
- Completed renovation of 10th floor in February, 2024.
- Initiated renovation of Dawood Centre, Karachi and CRO, Islamabad.
- Initiated establishment of Security Operation Centre, Information Security Department.
- Initiated procurement of installing elevator at CRO, Lahore.
- Created 15 workstations to accommodate new joiners.

Impact of SECP's Intervention

1) Automation/digitization

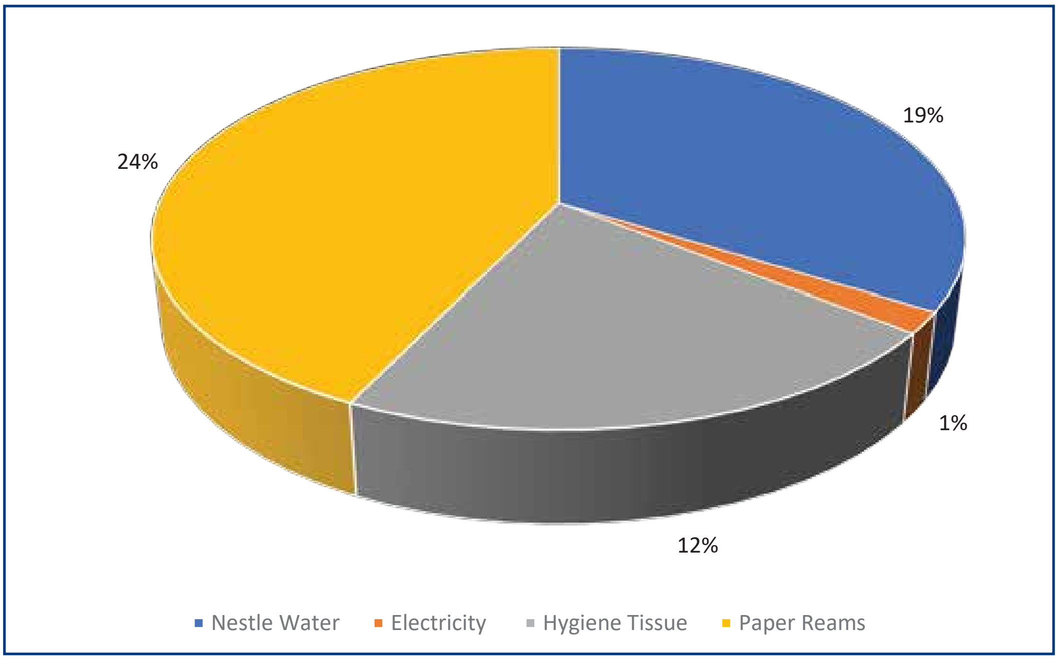
- Procurement Management System/ ERP aligned / integrated with PPRA's e-PADs.
- Asset Movement, Temporary and Permanent Gate Passes.
- Generation of capex and issuance of soft Purchase Order.

2) Savings/reduction

- Rent freeze for the NICL Building for one year, resulted saving of Rs.46 Million.
- Rent Freeze for CRO, Islamabad Building, resulted saving of Rs.5.3 Million.
- Replaced 16w conventional tube rods with 8w LED lights: Expected saving of Rs.1.6 million per annum.

3) Reduction in usage/consumption

Saving/ reduction in usage/ consumption of Neste water, electricity, hygiene tissue and paper reams (July, 2022 to June, 2023 Vs. July, 2023 to June, 2024) as follows.



Way forward

- Construction of building: The official ground-breaking ceremony for SECP's new state-of-the-art head office building shall be held in August, 2024. The occasion shall be marked as a significant milestone in SECP's history.

- SECP's silver jubilee celebrations: Celebrating SECP's silver jubilee shall be a momentous occasion, marking 25 years of significant contributions to the financial landscape through its oversight of the capital market, corporate sector, NBFC's and insurance sector. This milestone offers an opportunity to highlight SECP's growth and reflect on its legacy.

Human Resource and Training Overview

SECP has implemented several initiatives to enhance diversity and inclusion within the institution. Such initiatives aim to widen the talent pool, provide equal opportunities to employees, and promote gender diversity at all levels of management.

Reforms and Developments

Measures taken to provide a conducive and gender-balanced environment are detailed below:

1) Diversity and inclusion

- SECP has implemented an Equal Opportunity and Non-Discrimination Policy, aiming to achieve 40% overall female representation in the next five years. SECP aims to develop a pipeline of qualified women for management roles, ensuring equitable learning and development opportunities for all employees. Female representation is mandated across all SECP committees, including HR Committees and those formed for operational matters.

- SECP used a United Nations evaluation 'WEP tool' for Gender Equality to assess its current gender equity status. Currently, SECP falls in the 'Improver Category' and is striving to attain the 'Achiever' status within one year. Female representation is mandated across all SECP committees, including HR Committees and those formed for operational matters.

- Proactive measures such as work-from-home policy, flexible work arrangements and maternity/paternity leaves as per law have been implemented to not only foster inclusivity but also enhance employee satisfaction, retention, and overall organizational effectiveness.

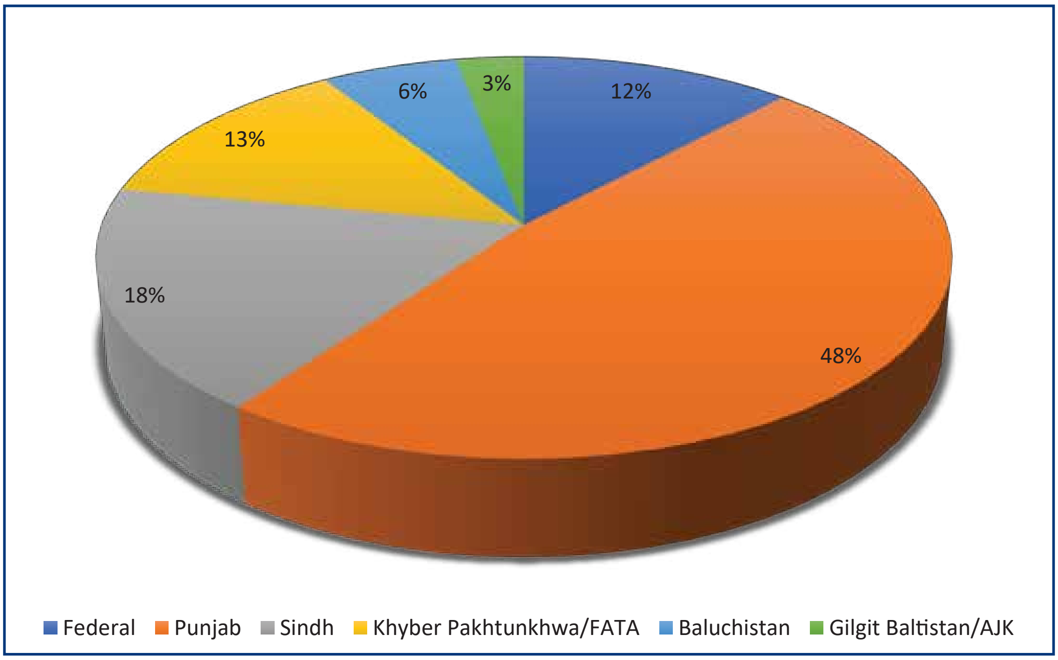
2) Recruitment

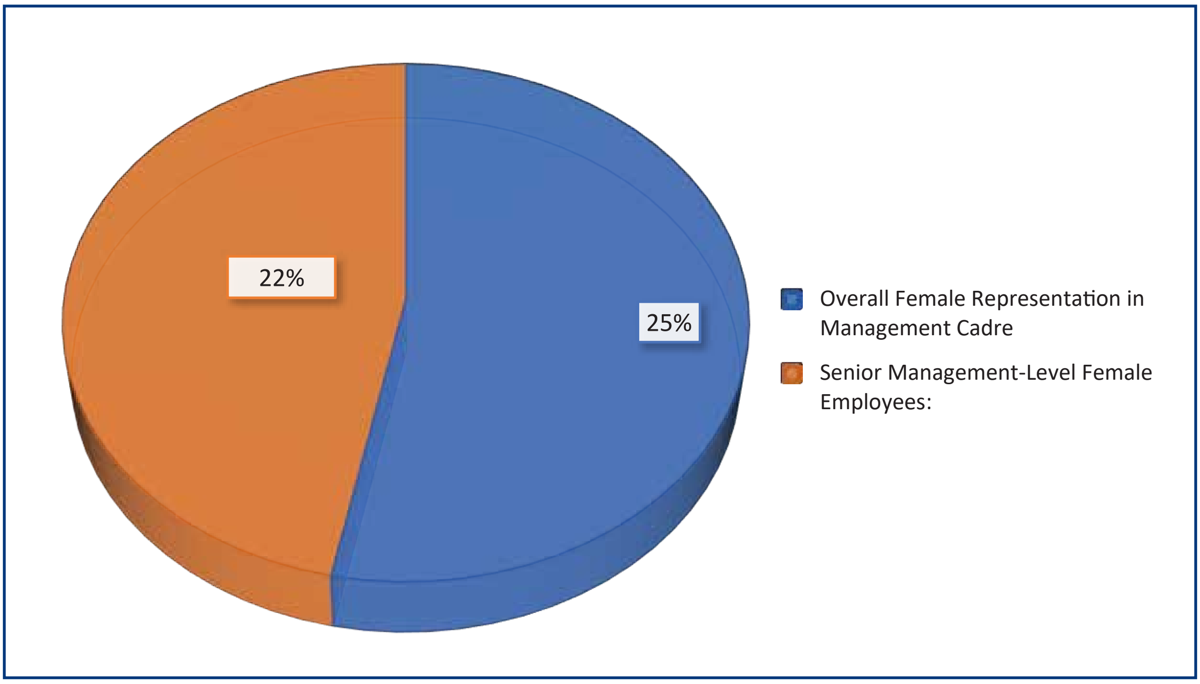
- Candidates from diverse backgrounds are given the opportunity to compete for all advertised positions and representation of specially-abled persons as well as minorities is promoted.

- SECP's Graduate Trainee Program aims to encourage young talent and positions them for successful careers. Through the program, SECP provides employment opportunities to youngsters from all provinces to join its workforce.

- The 3rd batch graduate trainees have been hired in FY24 and includes a total of 40 trainees i.e. 21 males and 19 females.

The overall geographical representation of SECP's workforce is provided below:





3) Capacity building

61 local training sessions were held in the year 2023-24. Comprehensive programs on project management, valuation of companies, digital forensics and information security were arranged along with a five-day program on legal drafting in coordination with the Federal Judicial Academy. Additionally, officers participated in international trainings, ensuring that the organization's leadership is equipped with the latest knowledge and skills.

4) Employee engagement

Various initiatives were organized during the year including but not limited to family gala, hiking trip, board games, cricket tournament, etc. Employees actively participated in social events which helped improve their team-building and interpersonal skills.

Impact of SECP's Intervention

Female representation in all SECP committees has contributed to a more balanced decision-making process. Flexible work policies have enhanced employee satisfaction, improved retention rates, and strengthened overall performance.

The expansion of the Graduate Trainee Program has opened the door for young, talented individuals from diverse geographic backgrounds to contribute to SECP. The increased focus on capacity building has directly impacted employee skill development, fostering a more knowledgeable workforce capable of addressing the complexities of Pakistan's evolving financial landscape.

Way forward

SECP is committed to further enhancing its human resource initiatives and aims to obtain "Achiever" status in the UN's WEP tool within the next year, continuing to advance gender equality and diversity.

Statistics

Graph 1: Incorporation trend

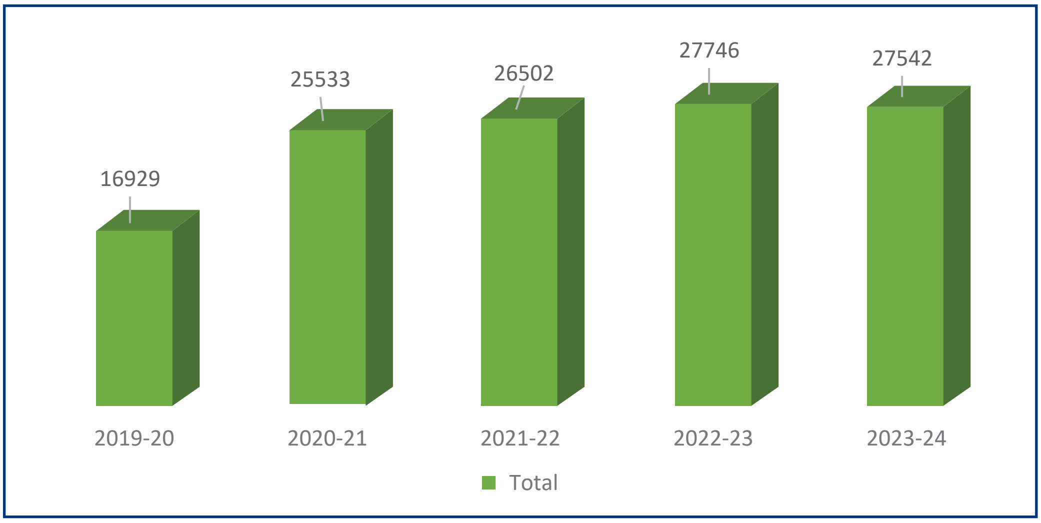


Table 1: Number and Types of Companies as on 30-June-2024

Company Type	Total
Public Unlisted Companies	83
Private Companies	15800
Single Member Companies	10854
Associations under section 42	195
Trade Organizations	12
Foreign Companies	31
Limited Liability Partnership	567
Total	27542

Table 2: Country wise foreign investment

Country	Count of Companies
China	393
USA	34
Afghanistan	32
UK	27
Germany	20
UAE	13
Australia	10
Turkey	10
Nigeria	9
Norway	8
Canada	7
Saudi Arabia	7
Egypt	6
Malaysia	6
Singapore	6
Denmark	5
Korea South	5
Netherlands	5
Russia	5
Spain	5

Graph 2: Country-wise Foreign Investment

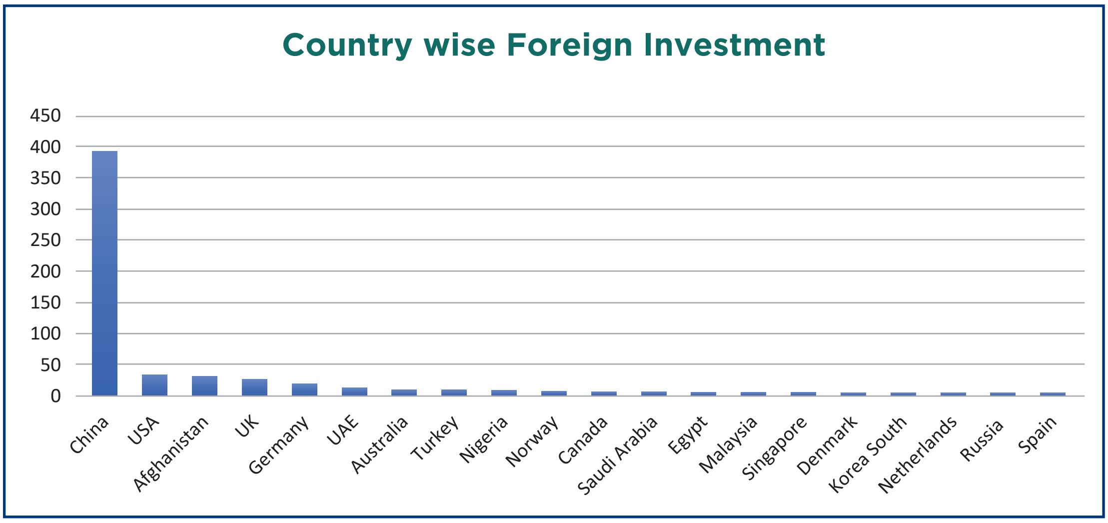


Table 3: Sector-Wise Distribution of New Incorporations (Top 20 sectors)

Top 20 sectors in 2023-24		
S. No.	**SECTOR**	**NO. OF COMPANIES**
1	INFORMATION TECHNOLOGY – ALLIED (OTHER)	4,129
2	TRADING – ALLIED (OTHER)	3,666
3	SERVICES	3,241
4	CONSTRUCTION & REAL ESTATE	2,992
5	TOURISM	1,346
6	Education	1,176
7	FOOD AND BEVERAGES – ALLIED (OTHER)	1,103
8	E-COMMERCE COMPANIES	942
9	AGRICULTURE FARMING	780
10	MARKETING AND ADVERTISEMENT	620
11	Textile	589
12	Mining and Quarrying	572
13	Power Generation	560
14	Engineering	547
15	Transport	523
16	Pharmaceutical	497
17	Chemical	457
18	HealthCare	434
19	Fuel and Energy	375
20	Others	2,993
	TOTAL	27,542

Graph 3: Top Sectors

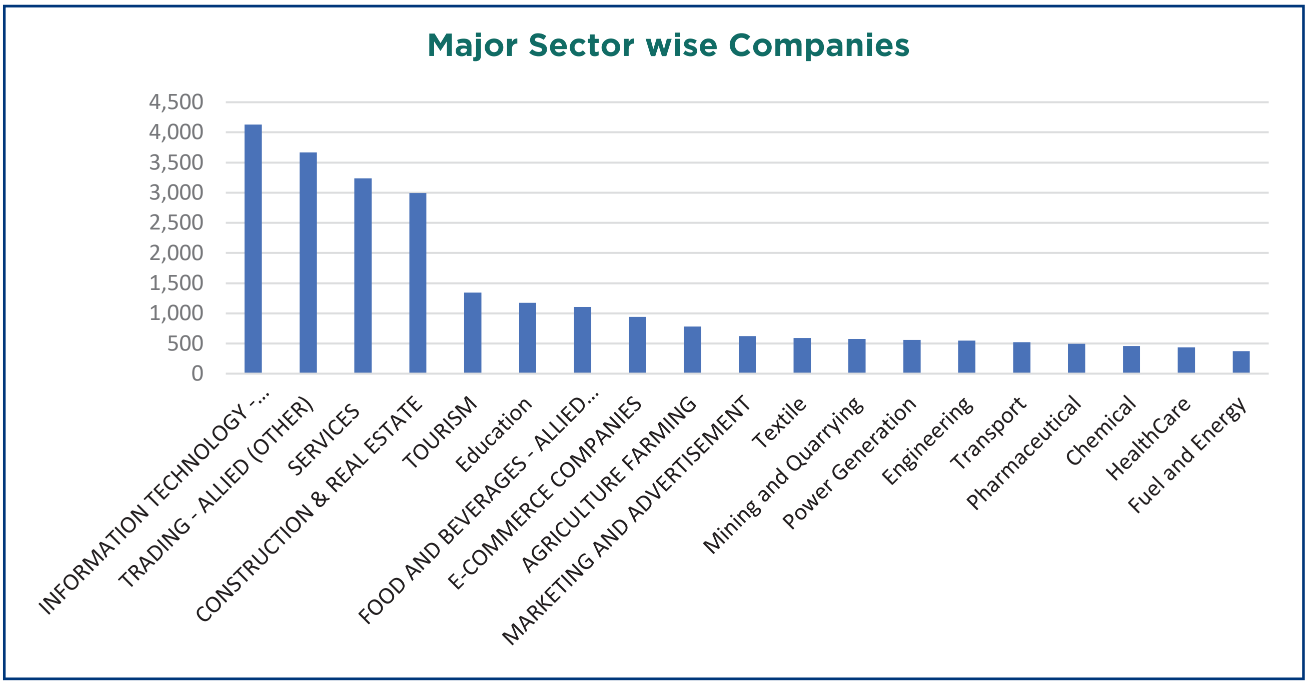


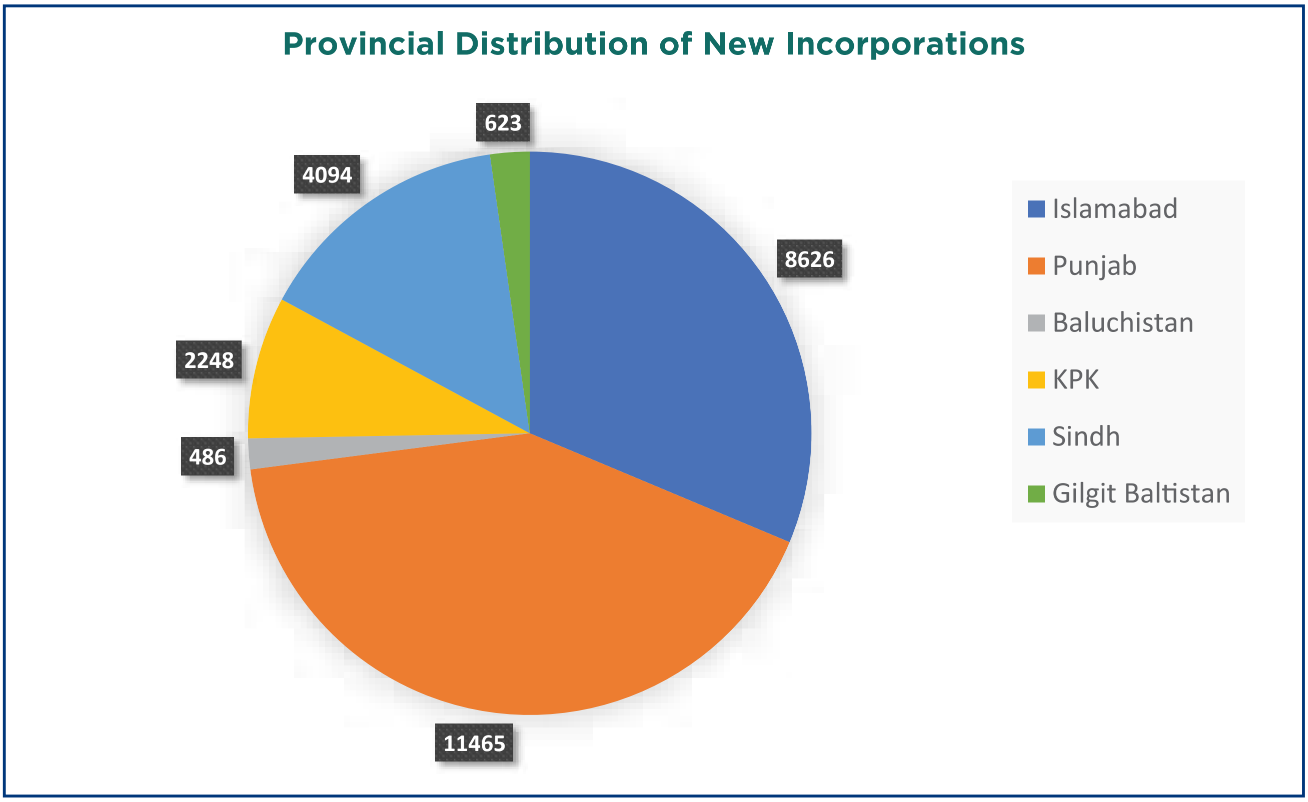
Table 4: Foreign Companies by Country of Origin

Country of Origin	No. of Companies
China	8
UAE	7
Turkey	3
Australia	2
Canada	2
Bahrain	1
Ethiopia	1
France	1
Germany	1
Hong Kong	1
Korea South	1
Norway	1
Saudi Arabia	1
USA	1

Table 5: Provincial Distribution of New Incorporations

Company Type	Islamabad	Punjab	Balochistan	
Total	8626	11465	486	

Graph 4: Provincial Distribution of New Incorporations



Financials

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

pwc

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Securities and Exchange Commission of Pakistan (the Commission), which comprise the statement of financial position as at June 30, 2024, and the statement of comprehensive income, the statement of changes in fund, the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at June 30, 2024, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified by the Commission to companies in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Commission for the year ended June 30, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on October 31, 2023.

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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs issued by IASB as notified by Commission, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
74-East, 2nd Floor, Blue Area, Jinnah Avenue, P.O.Box 3021, Islamabad-44000, Pakistan
Tel: +92 (51) 2273457-60/2604934-37; Fax: +92 (51) 2277924; <www.pwc.com/pk>

KARACHI LAHORE ISLAMABAD

pwc

- 2 -

A·F·FERGUSON&CO.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, 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.

pwc

A·F·FERGUSON&Co.

- 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 JehanZeb Amin.

Chartered Accountants
Islamabad
Date:
UDIN:

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

	Note	2024	2023
		Rupees in '000	
NON-CURRENT ASSETS			
Property and equipment	4	806,288	761,856
Right of use assets	5	678,335	196,057
Intangible assets	6	122,797	127,757
Investments	7	5,473,359	3,519,926
Investment in associate	8	-	-
Loans and advances	9	441,961	245,200
		7,522,740	4,850,796
CURRENT ASSETS			
Advances, deposits, prepayments and other receivables	10	1,204,288	1,343,369
Short term investments	11	850,048	1,256,389
Cash and bank balances	12	1,865,590	744,775
		3,919,926	3,344,533
CURRENT LIABILITIES			
Lease liabilities	18	28,751	167,604
Accrued and other liabilities	13	1,989,920	1,516,828
Payable to Federal Consolidated Fund	14	825	1,439
		2,019,496	1,685,871
NET CURRENT ASSETS		1,900,430	1,658,662
NON-CURRENT LIABILITIES			
Provision for compensated absences	15	252,436	197,229
Provision for post retirement medical benefit	16	144,161	156,253
Deferred grant	17	242,937	248,944
Lease liabilities	18	370,262	31,369
		1,009,796	633,795
NET ASSETS		**8,413,374**	5,875,663
REPRESENTED BY:			
SECP Funds		**8,413,374**	5,875,663
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes 1 to 33 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, 2024

	Note	2024	2023 Restated
		Rupees in '000	
INCOME			
Income from operations - net	20	6,896,938	4,665,651
Other income	21	1,681,761	1,764,115
		8,578,699	6,429,766
EXPENDITURE			
Salaries, allowances and other benefits	22	4,117,951	2,885,481
Repair and maintenance		267,350	110,143
Support staff cost		208,091	150,270
Service and consultancy costs of leap project		139,625	217,946
Depreciation on property and equipment	4	225,489	171,804
Depreciation on right to use of assets	5	223,333	170,644
Amortization of intangible assets	6	77,120	71,105
Travelling and conveyance		72,319	34,076
Telephone, postage and courier		52,785	32,451
Utilities		57,913	43,217
Human resource development		47,378	14,562
Rent and rates		10,310	9,910
Finance cost on lease liabilities		29,413	30,238
Printing and stationery		26,554	23,491
Legal and professional charges		21,078	8,642
Fees and subscription		10,302	29,392
Share of profit / (loss) of associate	8.2	-	-
Other expenses	23	115,782	46,983
		(5,702,793)	(4,050,355)
EXCESS OF INCOME OVER EXPENDITURE BEFORE TAX		2,875,906	2,379,411
TAXATION	3.16	-	-
EXCESS OF INCOME OVER EXPENDITURE AFTER TAX FOR THE YEAR		2,875,906	2,379,411
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items which will not be subsequently reclassified to income and expenditure			
Actuarial (loss) on staff retirement funds		(338,195)	(134,415)
Related tax effect		-	-
Total other comprehensive (loss) - net of tax		(338,195)	(134,415)
TOTAL COMPREHENSIVE INCOME		2,537,711	2,244,996

The annexed notes 1 to 33 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, 2024

	Assets acquisition reserve	Reserve for loan to employees	Accumulated comprehensive surplus of income over expenditure	Total
	-----------------------------Rupees in '000'-----------------------------			
Balance as at July 01, 2022	2,910,667	720,000	-	3,630,667
Comprehensive income:				
Excess of income over expenditure - as previously reported	-	-	1,474,065	1,474,065
Effect of restatement - Note 30	-	-	905,346	-
Excess of income over expenditure - restated			2,379,411	2,379,411
Other comprehensive income	-	-	(134,415)	(134,415)
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
Balance as at July 01, 2023	4,455,663	1,420,000	-	5,875,663
Excess of income over expenditure		-	2,875,906	2,875,906
Other comprehensive loss	-	-	(338,195)	(338,195)
	-	-	2,537,711	2,537,711
Total comprehensive income	-	-	2,537,711	2,537,711
Transferred to asset acquisition reserve	2,537,711	-	(2,537,711)	-
Transferred to reserve for loan to employees	-	-	-	-
Balance as at June 30, 2024	6,993,374	1,420,000	-	8,413,374

The annexed notes 1 to 33 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, 2024

	Note	2024	2023 Restated
		---------- Rupees in '000 ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of income over expenditure before tax		2,875,906	2,379,411
Adjustments for:			
- Depreciation on property and equipment		225,489	171,804
- Depreciation on right to use of asset	5	223,333	170,644
- Amortization of intangible assets		77,120	71,105
- Provision for pension	22	53,988	41,606
- Provision for gratuity	22	126,322	108,897
- Provision for compensated absences	22	65,122	43,721
-Provision for employees post-retirement medical	22	35,559	157,041
- Interest income on investments	21	(1,218,519)	(516,932)
- Finance cost on lease liabilities		29,413	30,238
- Gain on sale of property and equipment	21	(5,049)	(11,802)
-Loss on derecognition of leasehold Land	23	32,826	-
- Amortization of grant	21	(65,293)	(45,116)
		(419,689)	221,206
Working capital changes		2,456,217	2,600,617
Decrease/(increase) in advances, deposits, prepayments and other receivables		148,747	(1,099,701)
Increase in accrued and other liabilities		175,141	278,541
(Increase) / decrease in loans and advances		(196,761)	114,273
Increase/(decrease) in payable to Federal Consolidated Fund		(614)	37
Contribution to pension fund	13.2.1	(202,911)	(48,864)
Contribution to gratuity fund	13.1.1	(64,696)	(83,576)
Compensated absences encashed	15	(9,915)	(13,980)
Post retirement medical benefits encashed	16	(599)	(787)
Interest received on investments		3,108,130	431,338
Taxes paid		(9,666)	(1,341)
		2,820,343	282,790
Net cash generated from operating activities		5,403,073	2,176,557
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment-net		(495,432)	(198,120)
Proceeds from sale of property and equipment		32,245	19,083
Purchase of intangible assets - net		(12,874)	(7,347)
Short term investments - net		(1,641,920)	1,071,580
Investments		(1,794,789)	(2,360,067)
Net cash used in investing activities		(3,912,770)	(1,474,871)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(369,488)	(228,469)
Net cash generated from financing activities		(369,488)	(228,469)
Net increase in cash and cash equivalents		1,120,815	473,217
Cash and cash equivalents at beginning of the year		744,775	271,558
Cash and cash equivalents at end of the year	12	1,865,590	744,775

The annexed notes 1 to 33 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, 2024

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 accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified by the Commission to companies in Pakistan. Commission is not required to comply with the requirements of IFRS, however to follow the best practices, Commission has adopted accounting and reporting standards as applicable in Pakistan as a framework for preparation of these financial statements.

2.2 Changes in accounting standards and interpretation

2.2.1 Accounting standards, interpretations and amendments applicable during the year

There are certain amendments to standards that are mandatory for accounting periods beginning July 1, 2023 and are considered not relevant or have any significant effect on Commission's financial statements and are therefore not detailed here.

2.2.2 Standards, interpretations and amendments to existing standards not yet effective

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

Standard, Interpretation or Amendment		Effective date (annual periods beginning on or after)
IAS 1	Presentation of financial statements (Amendments)	January 1, 2024
IAS 7	Statement of Cashflows (Amendments)	January 1, 2024
IAS 21	The Effects of changes in foreign exchange rates (Amendments)	January 1, 2025
IFRS 9	Financial Instruments (Amendments)	January 1, 2026
IFRS 16	Leases (Amendments)	January 1, 2024
IFRS 7	Financial Instruments disclosures (Amendments)	January 1, 2026
IFRS 18	Presentation and disclosure in financial statements	January 1, 2027

-2-

Amendments to IFRS 9 and IFRS 18 are expected to have material impact on Commission's financial statements in the period of initial application. Other above mentioned standards and amendments are not expected to have any material impact on Commission's financial statements in the period of initial application.

The following interpretations issued by the IASB have been waived off by Commission:

IFRIC 12 Service Concession Arrangements

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention method 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".'

2.4 Functional and presentation currency

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

2.5 Significant accounting estimates and judgements

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Commission's accounting policies. Estimates, judgements and associated assumptions are continually evaluated and are based on the historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected

In the process of applying Commission's accounting policies, the management has made the following judgements which are significant to the financial statements:

2.5.1 Estimated useful life of operating fixed assets and intangibles

Commission annually reviews appropriateness of the method of depreciation/amortisation, useful life and residual value used in the calculation of depreciation and amortisation. Further, where applicable, an estimate of the recoverable amount of asset is made for possible impairment on an annual basis. Any change in these estimates in the future, might affect the carrying amount of the respective item of property and equipment and intangibles, with a corresponding effect on the depreciation/amortisation and impairment.

2.5.2 Estimation of lease term and incremental borrowing rate for lease liabilities and right of use assets

IFRS 16 requires Commission to assess the lease term as the non-cancellable lease term in line with the lease contract together with the period for which Commission has extension options which Commission is reasonably certain to exercise and the periods for which Commission has termination options for which Commission is not reasonably certain to exercise those termination options.

A significant portion of the lease contracts included within Commission's lease portfolio includes lease contracts which are extendable through mutual agreement between Commission and the lessor or lease contracts which are cancellable by Commission on immediately or on short notice. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts and after consideration of business plan of Commission.

2.5.3 Impairment of financial asset

Commission measures loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost after considering the pattern of receipts and future financial outlook of the counterparty and is reviewed by the management on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of assets with a corresponding effect on the statement of income and expenditure.

2.5.4 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. Commission, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non occurrence of the uncertain future events.

2.5.5 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION

The principle accounting policies applied in the preparation of these financial statements are set out below, these policies have been consistently applied to all years in these financial statements, unless otherwise stated.

3.1 Property and equipment

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

-4-

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Commission and the cost of the item can be measured reliably. All other repairs and maintenance costs that do not meet the recognition criteria are charged to the statement of income and expenditure as and when incurred.

Depreciation is charged to the statement of income and expenditure on straight line basis commencing when the asset is ready for its intended use. 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 upto the date of disposal.

Assets are derecognized when disposed off or when no future economic benefits are expected to flow from its use. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized on net basis within "other income" in the statement of income and expenditure.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount and the resulting impairment loss is recognized in statement of income and expenditure.

The recoverable amount of property and equipment is the greater of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value, using a discount rate that reflects current market assessments of the time vale of money and the risks specific to the asset.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years. Reversal of impairment loss is recognized in the statement of income and expenditure.

3.2 Intangible assets

Intangible assets consists of software and is stated at cost less accumulated amortization and impairment losses, if any. Subsequent cost on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization is charged to the statement of income and expenditure on a straight line basis over the estimated useful life of intangible assets unless such life is indefinite. Amortization on additions to intangible assets during the year is charged from the date of acquisition or the date the asset is available for use and on disposals upto the date of disposal

-5-

All intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist than the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognized if the carrying amount exceeds its estimated recoverable amount.

3.3 Leases

At inception of a contract, Commission assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by Commission.

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, Commission's incremental borrowing rate.

Commission has leased rental sites (offices). The lease terms associated with rental sites range from 3 to 4 years.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when Commission is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in Commission's estimate of the amount expected to be payable under a residual value guarantee, or if Commission changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of income and expenditure if the carrying amount of right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured based on 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 incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

-6-

3.4 Financial instruments

All financial assets and financial liabilities are recognized at the time when Commission becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when 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 income and expenditure.

i. Financial assets

Classification

Financial assets are classified in following three categories:

a) amortized cost where the effective interest rate method will apply.
b) fair value through other comprehensive income (FVTOCI).
c) fair value through profit or loss (FVTPL).

The classification depends on Commission'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 income and expenditure or statement of comprehensive income. 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 Commission commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and Commission has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, 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 income and expenditure.

Debt instruments

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

(i) Amortised cost

Assets that are held for collection of contractual cash flows where the contractual terms of the financial assets give rise on specified dates to cash flows that represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statement of income and expenditure and presented in other income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of income and expenditure.

-7-

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

Debt securities, where the contractual cashflows are solely principal and interest and the objective of Commission's business model is achieved both by collecting contractual cashflows and selling financial assets are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in statement of income and expenditure. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of income and expenditure and recognised in other income. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as separate line item in the statement of income and expenditure.

(iii) Fair value through profit and 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 recognised in the statement of income and expenditure and presented in other income / other expenses in the period in which it arises.

Impairment of financial asset

Commission assess on a historical as well as forward-looking basis, the expected credit loss (ECL) as associated with its debt instruments, loans and advances, short term investment and deposits and other receivables carried at amortised cost. 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:

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

(i) General approach for investments, loans and advances, short term investments and cash and bank balances.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, 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). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 months expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

-8-

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 months to lifetime expectations.

Significant increase in credit risk

Commission considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, Commission compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increase in credit risk on other financial instruments of the same debtor; and
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

Definition of default

Commission considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Commission, in full (without taking into account any collaterals held by the Commission).

Irrespective of the above analysis, in case of trade debts, Commission considers that default has occurred when the debt is more than 365 days past due, unless Commission has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit - impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;

-9-

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off

The Commission write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. Commission may write-off financial assets that are still subject to enforcement activity.

Subsequent recoveries of amounts previously written off will result in impairment reversals.

Simplified approach for advances, deposits and other receivables

Commission recognizes 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 supportive information that is available at reporting date about past events, current conditions and forecasts of future economic benefits

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

3.5 Impairment of non-financial assets

At each reporting date, Commission reviews the carrying amounts of its non-financial assets to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated, which is the higher of the fair value less costs to sell and the value in use. Impairment losses are recognized in the statement of income and expenditure.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an orderly transaction between market participants, after deducting any direct incremental disposal costs. Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

-10-

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, recoverable amount is determined for the cash-generating unit to which the asset belongs

Impairment loss is recognized for the difference between estimated recoverable amount and carrying value. Carrying amount of an asset is reduced to its estimated recoverable amount and the amount of loss is included in the income statement for the period.

ii. Financial liabilities

Classification, initial recognition and subsequent measurement

Commission classifies its financial liabilities in the following categories:

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

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. Commission has not designated any financial liability upon recognition as being at fair value through profit or loss.

b) Amortized 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 income and expenditure, when the liabilities are derecognized as well as through effective interest rate amortization process.

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 Commission has a legally enforceable right to set off the recognized amounts, and 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 Commission or the counter party.

3.6 Advances and prepayments

These are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each statement of financial position date to determine whether there is an indication that a asset may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.

-11-

3.7 Cash and cash equivalents

Cash and cash equivalents comprises cash in hand, bank balances and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

3.8 Accrued and other liabilities

These are carried at cost, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.9 Provisions

Provisions are recognized when Commission has a present legal or constructive obligation as a result of a past event and 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. However, provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

3.10 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.

3.11 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 income and expenditure.

3.12 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 statement of income and expenditure 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.

3.13 Contract liabilities

In accordance with the requirements of IFRS 15, obligation to transfer goods or services to the concerned, such as applicants, for which the Commission has received consideration or an amount of consideration is due to them is presented as contract liability. The contract liabilities of the Commission mainly comprise of advance payments received from applicants in accordance with the requirements of various statues/ regulations as described in note 13.3 to the financial statements.

3.14 Deferred grant

Grants that compensate Commission for expenses incurred are recognised in statement of income and expenditure as grant income on a systematic basis in the periods in which the related expenses are recognised. Grants related to the property and equipment are included in non current liabilities as deferred grant and are credited to statement of income and expenditure on straight line basis over the expected lives of the related assets.

3.15 Employees benefits

3.15.1 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.

3.15.2 Defined benefit plans

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

Short term employee benefit

Liabilities for wages and salaries including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services upto the end of reporting period, and they are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position. Further, difference between the fair value and amount disbursed of loans extended to employees is recognised as short term employee benefit in the year in which the loan is disbursed.

Funded Gratuity and Pension Scheme

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

These funds are administrated by trustees. Annual contribution of the gratuity and pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 13 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.

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, 2024.

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 as of June 30, 2024.

3.16 Taxation

Consequent to the changes in Finance Act, 2021, Commission's name was inserted in the list of entities specified in Table-I of part I of clause 66 of the Second Schedule of the Income Tax Ordinance 2001, and accordingly Commission's income is exempt from income tax.

3.17 Fair value of financial instruments

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that Commission is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

IFRS 13, 'Fair Value Measurements' requires Commission to classify fair value measurements using fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

3.18 Reserves and appropriations

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

-14-

		Note	2024	2023
			---------- Rupees in '000' ----------	
4	**PROPERTY AND EQUIPMENT**			
	Year ended June 30			
	Fixed assets	4.1	574,262	750,253
	Capital work in progress	4.2	232,026	11,603
			806,288	761,856

4.1 Fixed assets

	Leasehold Land	Buildings	Leasehold Improvements	Office Equipment	Other Equipment	Computer Equipment	Furniture and Fixture	Vehicles	Total
	----	----	----	----	Rupees in '000'	----	----	----	----
At July 01, 2022									
Cost	211,790	39,577	140,190	123,548	16,886	268,992	67,707	366,782	1,235,472
Accumulated depreciation	(11,335)	(36,453)	(132,024)	(102,791)	(16,886)	(176,577)	(51,131)	(184,302)	(711,499)
Net book value	200,455	3,124	8,166	20,757	-	92,415	16,576	182,480	523,973
Year ended June 30, 2023									
Opening Net Book Value	200,455	3,124	8,166	20,757	-	92,415	16,576	182,480	523,973
Additions	-	-	9,014	25,694	-	245,484	9,748	115,424	405,364
Disposals / writeoff									
Cost	-	-	(2)	(3,750)	-	(13,927)	(1,234)	(80,352)	(99,265)
Depreciation	-	-	2	3,750	-	12,965	1,191	74,077	91,985
	-	-	-	-	-	(962)	(43)	(6,275)	7,280
Depreciation charge	(2,140)	(319)	(4,593)	(15,236)	-	(71,438)	(7,598)	(70,480)	(171,804)
Closing net book value	198,315	2,805	12,587	31,215	-	265,499	18,683	221,149	750,253
As at June 30, 2023									
Cost	211,790	39,577	149,202	145,492	16,886	500,549	76,221	401,854	1,541,571
Accumulated depreciation	(13,475)	(36,772)	(136,620)	(114,277)	(16,886)	(235,050)	(57,538)	(180,705)	(791,318)
Net book value	198,315	2,805	12,582	31,215	-	265,499	18,683	221,149	750,253
Year ended June 30, 2024									
Opening Net Book Value	198,315	2,805	12,582	31,215	-	265,499	18,683	221,149	750,253
Additions	-	-	10,700	17,686	45	145,208	4,264	97,106	275,009
Disposals / writeoff / reclassified - note 4.1.1									
Cost	(211,790)	-	(324)	(7,651)	-	(1,675)	(627)	(75,017)	(297,084)
Depreciation	13,475	-	324	7,651	-	1,411	627	48,085	71,573
	(198,315)	-	-	-	-	(264)	-	(26,932)	(225,511)
Depreciation charge	-	(318)	(5,528)	(16,181)	-	(116,614)	(5,014)	(81,834)	(225,489)
Closing net book value	-	2,487	17,754	32,720	45	293,829	17,933	209,489	574,262
As at June 30, 2024									
Cost	-	39,577	159,578	155,527	16,931	644,082	79,858	423,943	1,519,496
Accumulated depreciation	-	(37,090)	(141,825)	(122,807)	(16,886)	(350,253)	(61,925)	(214,454)	(945,234)
Net book value	-	2,487	17,755	32,720	45	293,829	17,933	209,489	574,262
Annual rate of depreciation %	-	5%	20%	30%	20%	20%/25%/33%	10%	20%	

4.1.1 Capital Development Authority (CDA) has under the terms of allotment only conveyed the right-of-use of a plot measuring 5000 square yards situated in Islamabad for specified term of 33 years with extension option of further two terms of 33 years each. Thereby, Commission can only use the plot and does not have right to sell the plot. Given the foregoing, land allotted by CDA has now been accounted for as lease under IFRS 16 by recognition of right of use asset which was previously carried as lease hold land. The net impact of this rectification is assessed by the management as not to be significant thus prior year restatement is assessed not to be attracted in this matter.

4.1.2 Computer equipment includes computers having cost amounting to Rs. 217,039 thousand (2023: 217,039 thousand) and accumulated depreciation amounting to Rs. 76,707 thousand (2023: 33,299 thousand) in respect of LEAP project.

-15-

		Note	2024	2023
4.2	CAPITAL WORK IN PROGRESS		------------ Rupees in '000' ------------	
	Opening balance		11,603	1,810
	Additions during the year		232,026	415,157
	Transfer during the year		(11,603)	(405,364)
	Closing balance		232,026	11,603
5	RIGHT OF USE ASSETS			
	Opening balance		196,057	334,977
	Additions during the year		539,860	78,724
	Rectification for previously classified fixed asset - note 4.1.1		165,751	-
	Depreciation charged during the year		(223,333)	(170,644)
	Adjustments		-	(47,000)
	Closing balance		678,335	196,057
	Cost		782,518	606,099
	Accumulated Depreciation		(104,183)	(410,042)
	Closing balance		678,335	196,057
	Rate of Amortization		Over lease term	Over lease term

		Note	2024	2023
6	INTANGIBLES ASSETS		------------ Rupees in '000' ------------	
	Softwares	6.1	122,797	127,757
			122,797	127,757

6.1 Softwares

Year ended June 30			
Opening balance		127,757	114,494
Additions during the year		72,160	77,021
Transfer		-	7,347
Amortization for the year		(77,120)	(71,105)
Net book value as at year end		122,797	127,757
Cost as at June 30		483,520	411,360
Accumulated amortisation		(360,723)	(283,603)
	6.2	122,797	127,757
Amortization rate		25%	25%

6.2 This includes cost amounting to Rs. 136,307 thousand (2023: Rs. 77,021 thousand) and accumulated amortisation amounting to Rs. 33,702 thousand (2023: Rs. 11,817 thousand) in respect of softwares received for LEAP project.

		2024	2023
6.3	Capital work in progress	------------ Rupees in '000' ------------	
	Opening balance	-	105
	Additions during the year	-	7,347
	Transfer	-	(7,452)
	Closing balance	-	-

-16-

		Note	2024	2023
			------------ Rupees in '000' ------------	
7	**INVESTMENTS**			
	Investments - at amortised cost	7.1	5,473,359	3,519,926
7.1	**Investments - at amortised cost**			
	Government Securities			
	- Pakistan Investment Bonds (PIBs)	7.2	4,630,380	3,408,113
	- Sukuks	7.3	646,445	-
			5,276,825	3,408,113
	Accrued profit on:			
	- PIBs		175,379	111,813
	- Sukuks		21,155	-
			196,534	111,813
			5,473,359	3,519,926

7.2 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%-12% (2023: 10%) per annum with maturity from 2025 to 2027 and the rate of markup for floating rate Pakistan Investment Bonds (PIB's) varies quarterly and semi annually with maturity from 2024 to 2028.

7.3 This represents the investment in Sukuks carrying fixed rate. The rate of mark up for Sukuks ranges from 16.5% to 18.49% per annum with maturity from 2026 to 2028.

		Note	2024	2023
8	**Investment in associate - Unquoted**			
	Institute of Financial Markets of Pakistan	8.1	28,000	28,000
	Less: Impairment loss on investment		(28,000)	(28,000)
			-	-

8.1 This represents 73.68% (2023: 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, 2024, 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%** **Audited**	**73.68%** **Audited**
Non current assets	3,624	4,790
Current assets (including cash and cash equivalents)	27,743	27,018
Total assets	31,367	31,808
Non-current liabilities	3,609	4,699
Current liabilities	5,650	4,285
Total liabilities	9,259	8,984
Net assets at fair value (100%)	22,108	22,824

-17-

	Note	73.68% Audited	73.68% Audited
Commissions share of net assets (73.68%)		16,289	16,817
Impairment loss on investment		(28,000)	(28,000)
Share in loss and assets not recognized		11,711	11,183
Carrying amount of interest in associate	8.2	-	-
Revenue		35,674	26,285
Profit / (Loss) from continuing operations (100%)		521	(6,954)
Other comprehensive (loss) / income (100%)		(669)	814
Total comprehensive (loss) (100%)		(148)	(6,140)
Commissions share of total comprehensive (loss)		(109)	(4,524)

The information presented above for current year is based on audited financial statements of the Institute for the year ended June 30, 2024.

8.2 The carrying amount of interest in associate in the Commission's financial statements is Nil (2023: 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 thousand in prior years.

9 LOANS AND ADVANCES

	Note	2024	2023
		Rupees in '000'	
Loans and advances - considered good			
Interest Bearing		8,436	20,112
Non-Interest Bearing	9.1	572,220	381,773
		580,656	401,885
Less: Current portion of loans and advances			
Interest Bearing		(1,416)	(3,803)
Non-Interest Bearing		(137,279)	(152,882)
	10	(138,695)	(156,685)
		441,961	245,200

9.1 These represent loans to employees for various purposes as per Commission's Human Resource manual, secured against employees' retirement benefits and collaterals. Loans are recoverable in monthly installments, to a maximum period by June 2044 . 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.

10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2024	2023
		Rupees in '000'	
Current portion of loans and advances - considered good	9	138,695	156,685
Short term loans to employees - secured, considered good	10.1	7,445	8,168
Advances		21,459	78,010
Deposits		18,130	3,967
Prepayments		8,028	73,035
Advance tax - net	10.2	19,130	9,464
Fee receivable - considered good		39,496	61,762
Advances receivable	10.3	19,425	19,425
Advances receivable from SRB	10.4	-	7,798
Other receivables - considered good		27,134	19,709
Tax refund receivable	10.5	905,346	905,346
		1,204,288	1,343,369

-18-

10.1 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.

10.2 Advance income tax / income tax payable - net

	2024	2023
	---------- Rupees in '000' ----------	
Opening balance	9,464	8,122
Tax charge for the year:		
Income and expenditure account	-	-
Other comprehensive income	-	-
	-	-
Tax paid during the year	9,666	1,341
Closing balance	19,130	9,464

10.3 This represents 5% bid money paid to Pakistan Railway in 2012 for purchase of land on 99 year lease. 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. 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 for refund of bid amount.

10.4 This represents stamp duty paid to Sindh Board of Revenue which has been refunded during the year on August 29, 2023.

10.5 This represents income tax refund receivable from Federal Board of Revenue as a consequence of order dated July 3, 2023 passed in Commission's case by the Honourable Supreme Court of Pakistan.

11 SHORT TERM INVESTMENTS

	Note	2024	2023
		---------- Rupees in '000' ----------	
Market Treasury Bills (MTBs)	11.1	832,541	1,175,061
Accrued interest		17,507	81,328
		850,048	1,256,389

11.1 This includes T-bills having maturity of one year (2023: three months and one year) and carry rate of mark-up ranging from 19.92% to 20.31% (2022: 15.64% to 21.82%) per annum.

11.2 The carrying amount of accrued interest approximates its fair value.

12 CASH AND BANK BALANCES

	Note	2024	2023
		---------- Rupees in '000' ----------	
Cash in hand		863	691
Stamps in hand		36	36
Cash at bank			
- Current account		2,898	55,778
- Saving accounts	12.1	1,861,793	688,270
		1,865,590	744,775

12.1 These carry mark-up ranging from 11.01% to 20.5% (2023: 11.92% to 15.63%) per annum.

-19-

13 ACCRUED AND OTHER LIABILITIES

	Note	2024	2023
		Rupees in '000'	
Accrued Expenses		91,743	65,935
Performance based incentives payables		549,170	394,374
Accounts payable		67,465	14,642
Withholding tax payable		6,537	77
Payable to staff retirement funds	13.1	565,398	267,447
Unearned income	13.3	55,926	408,230
Payable to Competition Commission of Pakistan		265,299	350,307
Compensation review payable		377,221	-
Other liabilities		11,161	15,816
		1,989,920	1,516,828

13.1 Payable to staff retirement funds

	Note	2024	2023
Gratuity fund	13.1.1	491,507	64,537
Pension fund	13.2.1	73,891	202,911
		565,398	267,448

13.1.1 Changes in net liability - gratuity fund

	Note	2024	2023
Opening balance		64,537	66,106
Charge during the year	13.1.3	126,322	108,897
Other comprehensive loss / (income)	13.1.4	365,344	(26,890)
Contributions made during the year		(64,536)	(66,104)
Benefit paid on behalf of fund		(160)	(17,472)
Closing balance	13.1.5	491,507	64,537

13.1.2 Based on the actuarial valuation a contribution of Rs. 247,877 thousand (2023: Rs. 131,565 thousand) is expected to be paid to the defined benefit plan during the year ending June 30, 2025.

13.1.3 Amount charged to Statement of Income and Expenditure and Other Comprehensive

	2024	2023
	Rupees in '000'	
Current service Cost	121,078	104,517
Interest cost on defined benefit obligation	231,524	166,789
Interest income on plan assets	(226,280)	(162,409)
	126,322	108,897

13.1.4 Amount charged to Other Comprehensive Income

	2024	2023
Remeasurement loss / (gain) on obligation	426,405	(28,676)
Remeasurement (gain) / loss on plan assets	(61,061)	1,786
	365,344	(26,890)

13.1.5 Reconciliation of amounts recognized in the balance sheet

	Note	2024	2023
Present value of defined obligations	13.1.6	2,170,413	1,458,116
Fair value of plan assets	13.1.7	(1,678,906)	(1,393,579)
		491,507	64,537

-20-

13.1.6 Movement in Present value of defined obligation	2024	2023
	------------- Rupees in '000' -------------	
Present value of defined obligations at beginning of the year	1,458,116	1,304,075
Current service cost	121,078	104,517
Interest cost	231,524	166,789
Benefit paid	(66,710)	(88,589)
Remeasurement loss / (gain) on obligation	426,405	(28,676)
Obligation at end of the year	2,170,413	1,458,116

Principle actuarial assumptions

	2024	2023
Assumption used to determine Defined Benefit Obligation are as follows:		
-Discount rate	16.25%	16.25%
-Salary increase rate (Long term)	14.25%	14.25%
Assumption used to determine Defined Benefit Cost are as follows:		
-Discount Rate	16.25%	13.25%
-Salary increase rate (Long term)	14.25%	11.25%

Sensitivity Analysis

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

	2024	2023
	------------- Rupees in '000' -------------	
Discount Rate + 1 %	2,010,507	1,340,808
Discount Rate - 1 %	2,357,167	1,591,399
Salary growth rate + 1 %	2,362,903	1,595,476
Salary growth rate - 1 %	2,002,261	1,335,435

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.

	Note	2024	2023
		------------- Rupees in '000' -------------	
Projected benefit payments form funds are as follows:			
Year 1		108,043	24,459
Year 2		171,190	136,975
Year 3		93,614	129,407
Year 4		429,164	67,359
Year 5		217,002	337,890
Year 6 to Year 10		2,138,786	1,427,838
13.1.7 Movement in Fair value of plan assets			
Fair value plan assets at beginning of the year		1,393,579	1,237,969
Interest income on plan assets		226,280	162,409
Contributions		64,696	83,576
Benefit paid		(66,710)	(88,589)
Remeasurement gain on plan assets		61,061	(1,786)
Fair value of plan assets at end of the year	13.1.8	1,678,906	1,393,579

-21-

13.1.8 Composition of plan assets as a percentage of total plan assets of defined gratuity plan are as follows:

	2024	2023	2024	2023
	%	%	------------- Rupees in '000' -------------	
Bonds	88.01	94.91	1,477,533	1,322,693
Cash and / or deposits	11.99	5.09	201,373	70,886
	100	100	1,678,906	1,393,579

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.

	Note	2024	2023
		------------- Rupees in '000' -------------	
13.2.1 Changes in net liability - pension fund			
Opening balance		202,911	48,864
Charge during the year	13.2.2	53,988	41,606
Other comprehensive loss / (income)	13.2.4	19,903	161,305
Contributions made during the year		(202,911)	(48,864)
Closing balance	13.2.5	73,891	202,911

13.2.2 Amount charged to Statement of Income and Expenditure and Other Comprehensive Income

	2024	2023
Current service Cost	34,416	35,853
Interest cost on defined benefit obligation	331,503	254,097
Interest income on plan assets	(311,931)	(248,344)
	53,988	41,606

13.2.3 Based on the actuarial valuation a contribution of Rs. 45,923 thousand (2023: Rs. 66,504 thousand) is expected to be paid to the defined benefit plan during the year ending June 30, 2025.

	Note	2024	2023
		------------- Rupees in '000' -------------	
13.2.4 Amount charged to Other Comprehensive Income			
Remeasurement loss / (gain) on obligation		383,101	(41,208)
Remeasurement (gain) / loss on plan assets		(363,198)	202,513
		19,903	161,305

13.2.5 Reconciliation of amounts recognized in the balance sheet

	Note	2024	2023
Present value of defined obligations	13.2.6	2,722,968	2,106,086
Fair value of plan assets	13.2.7	(2,630,091)	(1,884,189)
Present value of transfer amount		(18,986)	(18,986)
		73,891	202,911

-22-

13.2.6 Movement in Present value of defined obligation

	2024	2023
	------------ Rupees in '000' ------------	
Present value of defined obligations at beginning of the year	2,106,086	1,978,079
Current service cost	34,416	35,853
Interest cost	331,503	254,097
Benefit paid	(132,138)	(120,735)
Remeasurement loss / (gain) on obligation	383,101	(41,208)
Obligation at end of the year	2,722,968	2,106,086

Principle actuarial assumptions

Assumption used to determine Defined Benefit Obligation are as follows:		
-Discount rate	14.75%	16.25%
-Salary increase rate (Long term)	12.75%	14.25%
-Pension Indexation Rate	9.75%	11.25%
Assumption used to determine Defined Benefit Cost are as follows:		
-Discount Rate	16.25%	13.25%
-Salary increase rate (Long term)	14.25%	11.25%
-Pension Indexation Rate	11.25%	8.25%

Sensitivity Analysis

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

	2024	2023
	------------ Rupees in '000' ------------	
Discount Rate + 1 %	2,483,694	1,921,644
Discount Rate - 1 %	3,006,690	2,324,173
Salary growth rate + 1 %	2,801,422	2,166,947
Salary growth rate - 1 %	2,649,473	2,049,212
Pension rate + 1%	2,937,755	2,272,252
Pension rate - 1%	2,537,642	1,962,263

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.

	2024	2023
	------------ Rupees in '000' ------------	
Projected benefit payments from funds are as follows:		
Year 1	138,666	83,365
Year 2	148,625	172,843
Year 3	276,151	136,519
Year 4	252,875	238,718
Year 5	302,026	224,807
Year 6 to Year 10	2,036,910	1,705,969

-23-

13.2.7 Movement in Fair value of plan assets	Note	2024	2023
		------------- Rupees in '000' -------------	
Fair value plan assets at beginning of the year		1,884,189	1,910,229
Interest income on plan assets		311,931	248,344
Contributions		202,911	48,864
Benefit paid		(132,138)	(120,735)
Return on plan assets, excluding interest income		363,198	(202,513)
Fair value of plan assets at end of the year	13.2.8	2,630,091	1,884,189

13.2.8 Composition of plan assets as a percentage of total plan assets of defined pension plan are as follows:

	2024	2023	2024	2023
	%	%	------------- Rupees in '000' -------------	
Bonds	74.68	98.62	1,964,193	2,348,466
Cash and / or deposits	25.32	1.38	665,898	32,917
	100	100	2,630,091	2,381,383

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.

13.3 Unearned income

This represents advance payments received mainly from applicants 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 3.13 is satisfied.

14 PAYABLE TO FEDERAL CONSOLIDATED FUND	2024	2023
	------------- Rupees in '000' -------------	
Balance at the beginning of the year	1,439	1,402
Penalties collected during the year	62,630	30,316
Penalties deposited to the Fund during the year	(63,244)	(30,279)
Balance at the end of the year	825	1,439

14.1 In terms of an amendment to the SECP Act, 1997 through Finance Act, 2012, effective July 01, 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.

14.2 As per SECP Act 1997 as amended 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:

-24-

	Note	2024	2023
		Rupees in '000'	
Accumulated surplus transferred to the Fund		2,537,711	2,244,996
Less: Transfer to reserve for loan to employees		-	(700,000)
Less: Amount retained against actual and budgeted capital expenditures		(2,537,711)	(1,544,996)
Payable to the Fund		-	-

The Commission has transferred Rs Nil and Rs. 2,537,711 thousand from the accumulated surplus to reserve for loan to employees and asset acquisition reserve respectively (2023: Rs. 700,000 thousand and 1,544,996 respectively). The Commission believes that loan to employees are eligible deduction under the Act.

15 PROVISION FOR COMPENSATED ABSENCES

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

	Note	2024	2023
		Rupees in '000'	
Obligation at beginning of the year		197,229	167,488
Expense for the year	15.1	65,122	43,721
Encashed during the year		(9,915)	(13,980)
Obligation at end of the year	15.2	252,436	197,229

15.1 Amount charged to Statement of Income and Expenditure

	2024	2023
Past service cost	-	-
Current service Cost	1,185	1,020
Interest cost on defined benefit obligation	31,244	21,266
Remeasurement loss	32,693	21,435
	65,122	43,721

15.2 Reconciliation of amounts recognized in the balance sheet

	Note	2024	2023
Present value of defined obligations	15.3	252,436	197,229
Fair value of plan assets		-	-
		252,436	197,229

15.3 Movement in Present value of defined obligation

	2024	2023
Present value of defined obligations at beginning of the year	197,229	167,488
Current service cost	1,185	1,020
Interest cost	31,244	21,266
Benefit paid	(9,915)	(13,980)
Remeasurement loss	32,693	21,435
Obligation at end of the year	252,436	197,229

15.4 Based on the actuarial valuation a contribution of Rs. 40,865 thousand (2023: Rs. 33,235 thousand) is expected to be paid to the defined benefit plan during the year ending June 30, 2025.

Principle actuarial assumptions

Latest actuarial valuation was carried out as at 30 June 2024 using Projected Unit Credit Method. Assumptions used to determine defined benefit obligation are as follows:

	Note	2024	2023
Discount Rate		14.75%	16.25%
Salary increase rate (Long term)		12.75%	14.25%
Assumption used to determine Defined Benefit Cost			
Discount Rate		16.25%	13.25%
Salary increase rate (Long term)		14.25%	11.25%

Sensitivity Analysis

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

	2024	2023
	------------ Rupees in '000'	------------
Discount Rate + 1 %	233,235	181,615
Discount Rate - 1 %	274,324	215,096
Salary growth rate + 1 %	274,614	215,301
Salary growth rate - 1 %	232,690	181,204

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.

16 PROVISION FOR POST RETIREMENT MEDICAL BENEFIT

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.

	Note	2024	2023
		------------ Rupees in '000'	------------
Obligation at beginning of the year		156,253	-
Expense for the year	16.1	35,559	157,040
Encashed during the year		(599)	(787)
Other comprehensive (income)		(47,052)	-
Obligation at end of the year	16.4	144,161	156,253

16.1 Amount charged to Statement of Income and Expenditure

	2024	2023
Current service Cost	10,216	8,787
Past service cost	-	148,253
Interest cost	25,343	-
	35,559	157,040

16.2 Amount charged to Other Comprehensive Income

	2024	2023
Remeasurement (gain)	(47,052)	-

16.3 Reconciliation of amounts recognized in the balance sheet

	Note	2024	2023
Present value of defined obligations	16.4	144,161	156,253
Fair value of plan assets		-	-
		144,161	156,253

-26-

		Note	2024	2023
			------------- Rupees in '000' -------------	
16.4	**Movement in Present value of defined obligation**			
	Present value of defined obligations at beginning of the year		156,253	-
	Current service cost		10,216	8,787
	Past service cost		-	148,253
	Interest cost		25,343	-
	Benefit paid		(599)	(787)
	Remeasurement (gain)		(47,052)	-
	Obligation at end of the year		144,161	156,253

16.5 Based on the actuarial valuation a contribution of Rupees 25,962 thousand (2023: 35,607 thousand) is expected to be paid to the defined benefit plan during the year ending June 30, 2025.

Principle actuarial assumptions

Latest actuarial valuation was carried out as at 30 June 2024 using Projected Unit Credit Method. Assumptions used to determine defined benefit obligation are as follows:

	2024	2023
Discount Rate	14.75%	16.25%
Assumption used to determine Defined Benefit Cost		
Discount Rate	16.25%	13.25%

Sensitivity Analysis

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

	2024	2023
	------------- Rupees in '000' -------------	
Discount Rate + 1 %	138,329	142,633
Discount Rate - 1 %	150,614	172,177

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.

		Note	2024	2023
17	**DEFERRED GRANT**		------------- Rupees in '000' -------------	
	Opening balance		248,944	-
	Grants in kind received during the year	17.1	59,286	294,060
	Amortization of grant		(65,293)	(45,116)
	Closing balance		242,937	248,944

-27-

17.1 Commission 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, Commission 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 2025 at total amount of Rs. 1,440,000 thousand out of which Rs. 907,654 thousand has been received at reporting date in the form of assets and service and consultancy cost of LEAP project.

	Note	2024	2023
18 LEASE LIABILITIES		------------ Rupees in '000'	------------
The minimum lease payments under finance leases fall due as follows:			
Not later one year		100,043	183,123
Later than one year but not later than five years		423,626	33,749
		523,669	216,872
Less: Financial charges allocated to the future periods		(124,656)	(17,899)
		399,013	198,973
Less: Current portion		(28,751)	(167,604)
		370,262	31,369

18.1 The weighted-average incremental rate applied to lease liabilities recognized during ranging from 11.03% to 22.39% (2023:15.47% to 18.42% per annum).

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

(i) Certain companies / individuals filed suits against the Commission in respect of claims aggregating to Rs. 8,913 million (2023: 8,913 million) for damages. Based on legal advise, the Commission is confident of a favourable outcome of these cases and that there will be no financial impact of these cases.

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

For tax related contingencies, please refer note 25 of these financial statements.

19.2 Commitments

Aggregate off balance sheet commitments in respect of capital expenditures aggregating to Rs. 159,615,266 (2023: 84,572,781) and revenue expenditures aggregating to Nil (2023: 19,969,930).

	Note	2024	2023
20 INCOME FROM OPERATIONS - NET		------------ Rupees in '000'	------------
Fees and other recoveries	20.1	7,110,365	4,809,949
Less: Charges due to Competition Commission of Pakistan	20.2	(213,427)	(144,298)
		6,896,938	4,665,651

20.1 Division wise breakup of revenue is as follows:

	2024	2023
Licensing and registration Division	4,133,666	3,721,120
Insurance Division	591,569	429,355
Securities Market Division	467,773	342,771
Specialized Companies Division	1,917,357	316,703
	7,110,365	4,809,949

20.2 Commission is required to pay 3% of fees and charges levied by Commission to Competition Commission of Pakistan in accordance with the directives of the Finance Division, Government of Pakistan and S.R.O. dated November 27, 2020.

		Note	2024	2023
			Rupees in '000'	
21	**OTHER INCOME**			
	Income from financial assets			
	Income on bank deposits		250,123	63,905
	Income on investments		1,218,519	516,932
			1,468,642	580,837
	Income from non financial assets			
	Gain on sale of property and equipment		5,049	11,802
	Miscellaneous income		3,152	3,068
	Amortization of grant		65,293	45,116
	Grant income	21.1	139,625	217,946
	Tax refund		-	905,346
			1,681,761	1,764,115

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

		Note	2024	2023
			Rupees in '000'	
22	**SALARIES, ALLOWANCES AND OTHER BENEFITS**			
	Salaries		1,189,573	876,352
	House rent allowance		698,915	521,832
	Medical allowance		151,626	177,729
	Conveyance allowance		29,796	25,329
	Utility allowance		116,483	86,967
	Other allowance		1,547,851	770,982
	Provision for pension		53,988	41,606
	Provident fund contribution		102,716	75,025
	Provision for gratuity		126,322	108,897
	Provision for compensated absences		65,122	43,721
	Provision for employees post-retirement medical		35,559	157,041
			4,117,951	2,885,481
23	**OPERATING EXPENSES**			
	Insurance		14,263	20,384
	Advertisement		8,860	4,381
	Entertainment		7,935	6,062
	Audit fee including sales tax	23.1	1,037	521
	Loss on derecognition of leasehold land		32,826	-
	Others		50,861	15,635
			115,782	46,983

23.1 Audit fee

	2024	2023
	------------ Rupees in '000'	------------
Annual audit fee	700	359
Audit fee for employee benefits fund trusts	200	90
Sales tax	137	72
	1,037	521

24 TAX STATUS

(i) The assessment of the Commission for the Tax Years 2008 through 2023 have been deemed finalized under the self-assessment mechanism envisaged as per the Income Tax Ordinance, 2001 except as otherwise outlined in sub paras below.

(ii) The tax authority has amended the assessment of the Commission for the Tax Year 2008, thereby, disallowing the excessive tax depreciation of Rs. 24,470 thousand allegedly claimed by the Commission. The CIR(A) has set-aside the amended assessment order on appeal filed by the Commission. The Commission has filed an appeal before the ATIR against the appellate order of the CIR(A), who has remanded back the case for passing an afresh order.

(iii) The Commissioner Inland Revenue (CIR) selected the Commission for audit relating to the Tax Year 2010. However, the Commission has challenged its selection for audit by CIR in the 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. 31,940 thousand. 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.

(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 thousand was raised and the Commission has requested the tax authority to adjust the same against tax refundable for prior years.

On the basis of opinion of its tax advisor and appellate history, the Commission's management is confident of a favorable resolution of the matters outlined in the foregoing and no provision has been made in these financial statements.

25 FINANCIAL INSTRUMENTS BY CATEGORY

	2024	2023
	------------ Rupees in '000'	------------
Financial Assets at amortized cost		
Maturity up to one year		
Advances, deposits, prepayments and other receivables	1,204,288	1,343,369
Short term investments	850,048	1,256,389
Cash and bank balances	1,865,590	744,775
	3,919,926	3,344,533
Maturity after one year		
Investments	5,473,359	3,519,926
Loans and advances	441,961	245,200
	5,915,320	3,765,126

-30-

	2024	2023
	------------- Rupees in '000' -------------	
Financial liabilities at amortized cost		
Maturity up to one year		
Accrued and other liabilities	991,375	841,151
Current portion of lease liabilities	(28,751)	(167,604)
Payable to Federal Consolidated Fund	(825)	(1,439)
	961,799	672,108
Maturity after one year		
Lease liabilities	(370,262)	(31,369)

25.1 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.

	Rating Long term / short term	2024	2023
		------------- Rupees in '000' -------------	
Advances, deposits and prepayments			
Counterparties without external credit ratings	A-1+	1,204,288	1,343,369
Short term investments			
Counterparties with external credit ratings			
MCB Bank Limited	AAA/A1+	850,048	1,256,389
Cash and bank balances			
Counterparties without external credit ratings	A-1+	1,865,590	744,775
Investments			
Counterparties with external credit ratings			
MCB Bank Limited and Meezan Bank Limited	AAA/A1+	5,473,359	3,519,926

26 FINANCIAL RISK MANAGEMENT

The Commission has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

-31-

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.

i) **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 reporting date was:

	2024	2023
	------------ Rupees in '000' ------------	
Investments	5,473,359	3,519,926
Loans and advances	441,961	245,200
Advances, deposits and other receivables	1,204,288	1,343,369
Short term investments	850,048	1,256,389
Cash and bank balances	1,865,590	744,775
	9,835,246	7,109,659

Geographically there is no concentration of credit risk. Commission has placed funds in financial institutions with high credit worthiness. Commission assesses the credit rating of the counterparties as satisfactory as disclosed in note 25.1.

ii) **Liquidity risk**

Liquidity risk is the risk that Commission will encounter difficulty in meeting obligations associated with financial liabilities.

Commission follows an effective cash management and planning policy to ensure availability of funds and takes appropriate measures for new requirements. Commission's approach to manage 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 Commission's reputation.

-32-

The table below analyses Commission's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are undiscounted cash flows which have been inflated using appropriate inflation rate, where applicable.

	Carrying amount	Within one year	Two to five years	Total
	------------------------------Rupees-------------------------			
2024:				
Maturity up to one year				
Lease liabilities	(399,013)	(28,751)	(370,262)	(399,013)
Accrued and other liabilities	991,375	991,375	-	991,375
Payable to Federal Consolidated Fund	(825)	(825)	-	(825)
	990,550	990,550	-	591,537
2023:				
Lease liabilities	(198,973)	(167,604)	(31,369)	(198,973)
Accrued and other liabilities	841,151	841,151	-	841,151
Payable to Federal Consolidated Fund	(1,439)	(1,439)	-	(1,439)
	839,712	839,712	-	640,739

iii) **Market risk**

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

a) **Currency risk**

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

Exposure to foreign currency risk

As at June 30, 2024, Commission is not exposed to any risk arising from currency exposure with respect to Pak Rupee as there were no foreign currency balances.

b) **Interest rate risk**

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. At the reporting date the interest rate risk profile of the Commission's interest bearing financial instruments are as follows:

	2024	2023
	------------ Rupees in '000'	------------
i) **Fixed rate instruments**		
Cash and bank balances	1,861,793	688,270
Short term investments	850,048	1,256,389
Investments	1,761,805	3,519,926
	4,473,646	5,464,585

-33-

ii) Fair value sensitivity analysis for fixed rate instruments

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

c) Price risk

Price risk represents the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At the period end, Commission is not exposed to price risk since there are no financial instruments, whose fair value or cash flows will fluctuate because of changes in market prices.

26.1 Fair value of financial assets and financial liabilities

Carrying values of all financial assets and liabilities, reflected in the financial statements, are a reasonable approximation of their fair values.

26.2 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

26.3 Fair value hierarchy

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

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the

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

26.4 Determination of fair values

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

Non-derivative financial assets

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

Non-derivative financial liabilities

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

-34-

26.5 Fair values of financial assets and liabilities

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

	June 30, 2024		June 30, 2023	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets not measured at fair value				
Loans and advances	441,961	441,961	245,200	245,200
Advances, deposits, prepayments and other receivables	1,204,288	1,204,288	1,343,369	1,343,369
Short-term investments	850,048	850,048	1,256,389	1,256,389
Cash and bank balances	1,865,590	1,865,590	744,775	744,775
	4,361,887	4,361,887	3,589,733	3,589,733

	June 30, 2024		June 30, 2023	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial liabilities not measured at fair value				
Lease liabilities including current portion	(399,013)	(399,013)	(198,973)	(198,973)
Accrued and other liabilities	991,375	991,375	841,151	1,007,301
Payable to Federal Consolidated Fund	(825)	(825)	1,402	1,402
	990,550	990,550	842,553	1,008,703

26.6 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.

27 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.

28 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	2024	2023
			------------- Rupees in '000'	-------------
Commissioners	Key management	Loan disbursed	6,900	6,759
		Loan repaid	3,879	(4,380)
		Outstanding balance	5,400	2,379
Pakistan Institute of Corporate Governance	State controlled entity results in associate	Contribution made	150	150
Competition Commission of Pakistan	State controlled entity results in associate	Levy for the year	213,427	144,078
		Levy paid during the year	(298,435)	(175,419)
		Closing balance	265,078	350,086
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%)	22,108	22,824
		Commissions share of net assets (73.68%)	16,289	16,817
		Impairment loss on investment	(28,000)	(28,000)
		Share in loss and assets not recognized	11,711	11,183
		Carrying amount of interest in associate	-	-
Federal Consolidated Fund	Federal Government of Pakistan	Outstanding balance at year end	(825)	(1,439)
Securities and Exchange commission of Pakistan-Provident fund trust	Other related party	Provident fund-employer contribution	162,421	66,656
		Provident fund-employee contribution	162,421	66,656

-36-

Name of the related party	Relationship and shareholding	Transactions during the year	2024	2023
			------------- Rupees in '000' -------------	
Securities and Exchange commission of Pakistan-Pension fund trust	Other related party	Pension fund-(receivable)/payable	73,891	202,911
Securities and Exchange commission of Pakistan-Gratuity fund trust	Other related party	Gratuity fund -payable	491,507	64,536
Securities and Exchange commission of Pakistan-Volunteer Pension scheme	Other related party	Volunteer Pension scheme-Employer contribution	187,948	81,784
		Volunteer Pension scheme-Employee contribution	187,948	81,784

29 REMUNERATION TO THE KEY MANAGEMENT PERSONNEL

The aggregate amount charged in these financial statements for salaries, wages and benefits of key management personnel is 144,700 thousand (2023: 128,500 thousand). Key management personnel of Commission includes Commissioners.

30 RESTATEMENT

In prior year, consequent to the decision of the Honorable Supreme Court of Pakistan, the income accruing to the Commission in nature of income tax refundable, (which was charged to the profit and loss account in earlier years), was credited to accumulated surplus instead of recording the related income through the income and expenditure statement. The same has now been adjusted retrospectively and the prior year financial statements have been restated to that extent. The effect of restatements is summarised below:

Statement of Comprehensive Income

	Effect for the year ended June 30, 2024 Rs'000
Increase in other income	905,346

Cash flow statement

There was no impact on cash flow as a result of the restatement of prior period financial statements.

31 NUMBER OF EMPLOYEES

	2024	2023
Total number of employees at the end of the year	503	500
Average number of employees during the year	507	514

-37-

32 GENERAL

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

32.2 Prior year figures have been rearranged / reclassified wherever necessary for better presentation.

33 DATE OF AUTHORIZATION

These financial statements were authorized for issue on ______________________ by the Commission.

CHAIRMAN   COMMISSIONER

Abbreviations and Acronyms

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

FIP	Financial Inclusion Programme
STA	Financial Institutions (Secured Transactions) Act, 2016
FMU	Financial Management Unit
FMDP	Financial Market Development Program
FMU	Financial Monitoring Unit
NBMFCs	Formal Non-Bank Microfinance Companies
GWP	Gross Written Premium
GEM	Growth and Emerging Markets
GEM	Growth Enterprise Market
HSD	High-Speed Diesel
HFCs	Housing Finance Companies
ISMS	Information Security Management System
IPO	Initial Public Offering
IFMP	Institute of Financial Markets of Pakistan
IACD	Internal Audit and Compliance Department
IAIS	International Association of Insurance Supervisors
ISO	International Organization for Standardization
IOSCO	International Organization of Securities Commissions
IFCs	Investment Finance Companies
IFA	IPO Facilitation Account
IFD	Islamic Finance Department
IFSB	Islamic Financial Services Board
IIRA	Islamic International Rating Agency
LEAP	Leading Efficiency through Automation Prowess
MES	Margin Eligible Securities
MF	Margin Financing
MTS	Margin Trading System
MDPRD	Market Development, Policy and Regulation Department
MU	Memorandum of Understanding
MI	Microfinance Institutions
MFI	Microfinance Institutions
MMOU	Multilateral Memorandum of Understanding
MSF	Murabaha Share Financing
MUFAP	Mutual Funds Association of Pakistan
MER	Mutual Evaluation Report
NAB	National Accountability Bureau
System	National Clearing and Settlement System
NCCPL	National Clearing Company of Pakistan Limited
NCTA	National Counter Terrorism Authority
NFIS	National Financial Inclusion Strategy
NFSC	National Financial Stability Council
NIC	National Incubation Center
NRA	National Risk Assessment
NDM	Negotiated Deals Market
NAV	Net Asset Value
NBFCs	Non-Banking Financial Companies
NPAs	Non-Performing Assets

NE	Notified Entities
PIB	Pakistan Investment Bonds
PMIC	Pakistan Microfinance Investment Company
PBC	Pakistan Business Council
PICG	Pakistan Institute of Corporate Governance
PMN	Pakistan Microfinance Network
PMD	Pakistan Mobile Database
PMRC	Pakistan Mortgage Refinance Company
PHL	Power Holding Limited
PPDS	Privately placed debt securities
PSBA	Pakistan Stock Brokers Association
PCM	Professional Clearing Member
PSX	Pakistan Stock Exchange
PMEX	Pakistan Mercantile Exchange
REITs	Real Estate Investment Trusts
RMCs	REIT Management Companies
ROSC	Reports on the Observance of Standards and Codes
RT	Review Team
STR	Secured Transactions Registry
SLB	Securities Lending & Borrowing
SDMS	Service Desk Management System
SGF	Settlement Guarantee Fund
SAB	Shariah Advisory Board
SAC	Shariah Advisory Committee
SMEs	Small & Medium Enterprises
SSRC	Small Disputes Resolution Committees
SAFA	South Asian Federation of Accountants
SCRS	Specialized Companies Returns System
SBP	State Bank of Pakistan
SC	Statement of Compliance
TCI	Technical Committee on Insurance
TAT	turn-around time
UIN	Unique Identification Number
UKN	Unique KYC Number
UBL	United Bank Limited
UNCAC	United Nations Convention against Corruption
VPS	Voluntary Pension Fund

Declaration of Investment

SECP Commissioners are required to declare their investments in pursuance of sub-section (6) of section 16 of the SECP Act, 1997. These disclosures were made on June 30, 2024.

Akif Saeed

S. No.	Name of Company/Fund/Investment	Nature of interest	Number of units/shares as on June 30, 2024
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
5	Meezan Tahafuzz Pension Fund- DSF	Units	2691
6	Meezan Tahafuzz Pension Fund- ESF	Units	5603

Aamir Khan

S. No.	Name of Company/Fund/Investment	Nature of interest	Number of units/shares as on June 30, 2024
1	Atlas Pension Fund	Equity	11,355
2	UBL Retirement Savings Fund	Equity sub fund	22,787
3	Meezan Pension Fund	MMSF	41,309

Abdul Rehman Warraich

S. No.	Name of Company/Fund/Investment	Nature of interest	Number of units/shares as on June 30, 2024
1	Mutual Fund Account No. 14949, NBP Fund Management Ltd.	NBP Money Market Fund	992.2383
2	Mutual Fund Account No. 71669, NBP Fund Management Ltd.	NBP Stock Fund	59017.9721
3	Same as above	NBP Money Market Fund	284.6679
4	Same as above	BP Islamic Money Market Fund	0.1485
5	Voluntary Pension System Account No. 38055, NBP Fund Management Ltd.	NAFA Islamic Pension Fund, Equity Sub-Fund	7,564.0553
6	Same as above	NAFA Islamic Pension Fund, Money Market Sub-Fund	28,322.3418
7	Same as above	NAFA Islamic Pension Fund, Debt Sub-Fund	11571.5299
8	Voluntary Pension System Account No. 126135, NBP Fund Management Ltd.	NAFA Pension Fund, Equity Sub-Fund	517.4561
9	Same as above	NAFA Pension Fund, Money Market Sub-Fund	16,681.5457
10	Same as above	NAFA Pension Fund, Debt Sub-Fund	3876.4411
11	Mutual Fund Account No. 29695-1, UBL Fund Managers Ltd.	UBL Stock Advantage Fund	35.52
12	Same as above	Al-Ameen Shariah Stock Fund	4.85

Abdul Rehman Warraich			
S. No.	**Name of Company/Fund/Investment**	**Nature of interest**	**Number of units/shares as on June 30, 2024**
13	Same as above	UBL Asset Allocation Fund	9.85
14	Equity Investment Account No. IM 1047 (CDC Participant ID: 12732, CDC Account No. 8621), Optimus Capital Management (Pvt.) Ltd.	Bank Alfalah Limited	15,000
15	Same as above	ENGRO Fertilizers Limited	8,100
16	Same as above	Fauji Fertilizer Company Limited	2,500
17	Same as above	The Hub Power Company Limited	1,000
18	Same as above	Lucky Cement Limited	260
19	Same as above	Meezan Bank Limited	10,000
20	Same as above	Systems Limited	900
21	Same as above	United Bank Limited	15,050
22	Equity investment	Marigold Consulting (Private) Limited	13,333

Mujtaba Ahmad Lodhi			
S. No.	**Name of Company/Fund/Investment**	**Nature of interest**	**Number of units/shares as on June 30, 2024**
Nil	Nil	Nil	Nil

How to Contact Us

For complaints and queries

- Service Desk Management System at http://sdms.secp.gov.pk
- queries@secp.gov.pk
- complaints@secp.gov.pk
- toll-free number: 0800 88008
- 051-111117327

Business Centre Islamabad

- mis.ccd@secp.gov.pk
- 051-9195468

Investor education

- www.jamapunji.pk

Locations

Head Office Islamabad

NIC Building, 63 Jinnah Avenue, Blue Area, Islamabad
Tel: 051-9207091-4 Fax: 051-9204915

Business Centre Islamabad

Mezzanine Floor, NIC Building, Jinnah Avenue, Islamabad
Tel: 051-9195468

Company Registration Offices (CROs)

Islamabad

State Life Building No 7, Jinnah Avenue, Blue Area
Tel: 051-9208740-9206219 Fax: 051-9206893

Karachi

Dawood Centre, Ground Floor, M.T Khan Road, Civil Lines, Karachi
Tel: 021-99213271-2 Fax: 021-99213278

Multan

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

Lahore

Associated House, Third and Fourth Floor, 7 Egerton Road
Tel: 042-99204962-6 Fax: 042-99202044

Peshawar

State Life Building, First Floor, The Mall, Peshawar Cantt
Tel: 091-9213178 Fax: 091-9213686

Faisalabad

Faisalabad Chamber of Commerce and Industry Building, Second Floor, East Canal Road
Tel: 041-9230264 Fax: 041-9230263

Sukkur

First Floor, House No. 4, Block A, Sindhi Muslim Cooperative Housing Society, Airport Road
Tel: 071-5630517 Fax: 071-5633757

Quetta

Aiwan-e-Mashriq, Plot No 4-A, Ground Floor, opposite FC Headquarters, Hali Road
Tel: 081-2844136 Fax: 081-2899134

Gilgit

Adjacent to NHA office, Ayub Colony, Jattial
Tel: 05811-922572

SECP
SECURITIES AND EXCHANGE
COMMISSION OF PAKISTAN
NIC Building, Jinnah Avenue, Blue Area, Islamabad.
www.secp.gov.pk