



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION

No. SCD/CIRCULAR/ 552 /2017

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CIRCULAR NO. 13 OF 2017

CRITERIA FOR INVESTING IN EQUITY SECURITIES BY COLLECTIVE INVESTMENT SCHEMES (CIS)

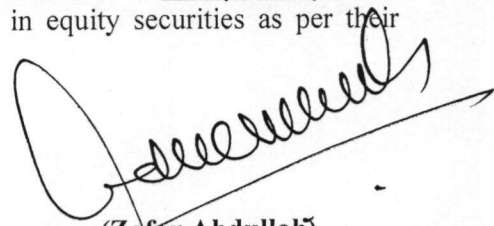
The Securities and Exchange Commission of Pakistan in exercise of the powers conferred under Section 282B (3) of the Companies Ordinance, 1984 hereby issues the following criteria which shall be followed by Asset Management Companies (AMC), while making investment in listed equity securities.

Criteria

An AMC shall ensure that the investment of CIS in equity securities of the following companies shall not exceed 10% of their overall equity portfolio of CIS on monthly average basis:

1. Securities which are not eligible for Central Depository System;
2. Company is not traded on regular trading counter of the Pakistan Stock Exchange;
3. The minimum free float of the company is less than 15% or 50,000,000 shares whichever is less;
4. The securities of the company are traded less than 50% of the total trading days during the last six months or from the date of listing as the case may be;
5. Company's paid up capital is fully eroded owing to accumulated losses as per the annual audited accounts or half yearly limited scoped reviewed accounts whichever is latest;
6. There are major non-compliance issues i.e. holding of annual general meeting, finalization of annual audited accounts, appointment of board of directors and non-compliance with any specific direction (s) of the Commission except those companies that have obtained relaxation or extension to comply with such regulatory requirements from the Commission;
For the purpose of this clause, the word "specific direction" shall mean an explicit direction issued to a particular company in a certain matter.
7. Auditor's report is qualified with respect to company's ability as going concern or contains adverse opinion or disclaimer of opinion; or
8. Winding up proceedings have been initiated against the company.

The above criteria shall be applicable for all new equity investments of the CIS effective from 1st day of July 2017. These instructions are applicable on all CIS, which are authorized to invest in equity securities as per their constitutive documents.


(Zafar Abdullah)
Commissioner (SCD)

Distribution:

1. Chief Executives of all Asset Management Companies.
2. Mutual Funds Association of Pakistan.
3. Trustees of Collective Investment Schemes.