



SECURITIES AND EXCHANGE OF PAKISTAN
Specialized Companies Division
Policy, Regulation and Development Department

No. SCD/CIRCULAR/108/2021

October 28, 2021

Circular No. 28 of 2021

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

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

Criteria

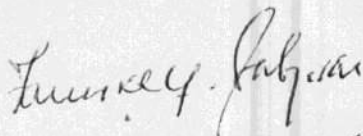
1. An AMC shall ensure that the investment of CIS in equity securities of the following companies shall not exceed 10% of their overall equity portfolio of CIS on monthly average basis;
 - i. Company is not traded on regular trading counter of the Pakistan Stock Exchange;
 - ii. The minimum free float of the company is less than 15% of total outstanding shares;
Provided that this clause shall not be applicable on equity securities which are part of KSE-30 index or KMI-30 index at the time of investment. However, in case an equity security is subsequently excluded from KSE-30 index or KMI-30 index, the AMC shall rebalance its portfolio and ensure compliance within six months of such index recomposition.
 - iii. 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; and
 - iv. 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.
2. The AMCs shall not invest in any company against which winding-up proceedings have been initiated and/ or a qualified opinion on the going concern assumption has been issued by its statutory auditor.

For the purpose of this Circular, following events shall be considered as winding-up events:

- i. A show-cause notice for winding up has been issued to the Company by the Commission.
- ii. Winding-up petition is filed by creditors with a claim equivalent to at least 10% of the equity of the company as per latest accounts.
- iii. Winding-up petition is filed by the shareholders who own at least 10% of the company's paid-up capital.
- iv. Voluntary winding-up proceedings have commenced through passing of special resolution.

This criteria is applicable on all CIS, which are authorized to invest in equity securities as per their constitutive documents with immediate effect. AMCs shall rebalance their CIS investments in equity securities to ensure compliance with this criteria within 90 days of the issuance of this circular.

Further, the Circular 13 of 2017 dated April 28, 2017 has been repealed.



(Farrukh H. Sabzwari)
Commissioner

Distribution:

1. Chief Executive Officers of All Asset Management Companies
2. Mutual Funds Association of Pakistan
3. Trustees of Collective Investment Schemes