



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION**

Circular No. 25 of 2004

No. SC/M/RS/PR/2004-966

July 5, 2004

Subject: **Prudential Regulations for Modarabas**

Attention is invited to Clause 5 (1) B of Part III of Prudential Regulations for Modarabas issued vide Circular No. 4 of 2004 dated January 28, 2004.

In view of practical difficulties being faced by the industry and on representation of the industry association, the following amendment in clause 5 (1) B of Part III of the Prudential Regulations for Modarabas is made with immediate effect and until further orders:

CLASSIFICATION	DETERMINANT	TREATMENT OF INCOME	PROVISIONS TO BE MADE
(1)	(2)	(3)	(4)
1. OAEM (Other Assets Especially Mentioned).	Where rental, mark-up/ interest/profit or principal is overdue (past due) by 180 -days from the due date.	Unrealized mark-up/ interest/profit to be put in Suspense Account and not to be credited to Income Account except when realized in cash.	No Provision is required.

With respect to the above change, all Modarabas shall also adhere to the following:

- (i) In case where a medium or a long term financing facility has one year or less than one year of remaining maturity, it will be classified in accordance with the directions given in clause 5 (1) (A) of Part III of Prudential Regulations for Modarabas which details the classification guidelines for Short Term Financing Facilities.
- (ii) In case of a medium or long term financing facility for Computers or other equipment used in Information Technology, which has high obsolescence,

the directions given in clause 5 (1) (A) of Part III of Prudential Regulations for Modarabas will be followed.

(Akbar Shah)
Registrar
Modaraba Companies and Modaraba

Distribution:

1. Chief Executives of all Modaraba Companies.
2. Managing Directors of all Stock Exchanges.
3. The President, Institute of Chartered Accountants of Pakistan.
4. The President, Institute of Cost & Management of Accountants.
5. Modaraba Association of Pakistan
6. Central Desk Incharge, Associated Press of Pakistan.
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