

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad the, 21st November, 2007

NOTIFICATION

S.R.O. 1132 (I)/2007.- In exercise of the powers conferred by sub-section (2) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), the Securities and Exchange Commission of Pakistan hereby makes the following Non-Banking Finance Companies and Notified Entities Regulations, 2007. These regulations shall be applicable to NBFCs carrying out leasing, investment finance services, housing finance services, asset management services, discounting services, investment advisory services and venture capital investment, including their business activities and to the notified entities being managed by such NBFCs unless specific regulations for such notified entities have been issued

CHAPTER - I

General

1. Short title and commencement.- (1) These regulations may be called the Non-Banking Finance Companies and Notified Entities Regulations, 2007.

(2) They shall come into force at once.

2. Definitions.- (1) In these Regulations, unless there is anything repugnant in the subject or context,-

- (i) “asset management company” means a company which has been licensed by the Commission to offer asset management services;
- (ii) “bankers’ acceptance” means a draft drawn on a commercial bank by an individual or firm ordering the drawee bank to pay to the order of a certain person a specified sum of money, either on demand or at some future specified date, and accepted by the drawee;
- (iii) “Borrower” includes a person on whom a NBFC has taken any exposure during the course of business.
- (iv) “certificate of investment or deposit” means a certificate issued for raising funds for a specified time period by an NBFC, duly licensed by the Commission to provide leasing or investment finance services or housing finance services;

(v) “consumer financing” means any financing allowed to individuals for meeting their personal, family or household needs. The facilities categorized as consumer financing are given as under:

- a. credit cards mean cards which allow a customer to make payments on credit. Supplementary credit cards shall be considered part of the principal borrower.
- b. personal loans mean the loans to individuals for the payment of goods, services and expenses.

Explanation.- For the purpose of this definition ‘borrower’ means an individual to whom consumer financing has been allowed;

(vi) “consumer leasing” means any leasing allowed to individuals for meeting their personal, family or household needs;

(vii) “contingent liability” means;

(i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or

(ii) a present obligation that arises from past events but is not recognized because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(b) the amount of the obligation cannot be measured with sufficient reliability; and includes letters of credit, letters of guarantee, bid bonds / performance bonds, advance payment guarantees and underwriting commitments.

(viii) “discretionary portfolio” means a portfolio of securities managed by an NBFC under an agreement made with the client on a duly notarised stamp paper of applicable value whereby the investment decision is made and executed by the NBFC on behalf of its client;

(ix) “distribution function” means the functions with regard to,-

- (a) receiving application for issue of units of open-end scheme;
- (b) issuing receipts in respect of the applications received in accordance with clause (a);
- (c) issuing contract notes to the applicants in accordance with the terms of the

open-end scheme; and

- (d) receiving redemption notices, transfer instructions and conversion notices from the holders for immediate transmission to the authorized person ;
- (x) “documents” include vouchers, cheques, bills, pay-orders, promissory notes, securities for leases / advances and claims by or against the NBFC or any other record / papers supporting entries in the books of a NBFC.
- (xi) “eligible investor” means a person who offers minimum of five million rupees for investment and understands the risks involved in the management of portfolio on discretionary or non-discretionary basis;
- (xii) “equity of the Borrower” includes paid-up capital, general reserves, balance in share premium account, reserve for issue of bonus shares and retained earnings / accumulated losses, revaluation reserves on account of fixed assets and subordinated loans.

Explanation: Revaluation reserves will remain part of the equity for first three years only, from the date of asset revaluation, during which time the borrower will strengthen its equity base to enable it to avail facilities without the benefit of revaluation reserves.

- (xiii) “exposure” includes facilities and subscription to or investment in equity securities, debt instruments/securities, units of collective investment scheme, placements, CFS, forward contracts, derivatives and credit cards.

Explanation: For the purpose of this definition, exposure shall not include the following:

- (a) Obligations under letters of credit and letters of guarantee to the extent of cash margin held by the NBFCs.
- (b) Facilities provided to financial institutions through REPO transactions with underlying SLR eligible securities
- (c) Letters of credit established for the import of plant and machinery.

Secured exposure means exposure backed by tangible security and any other form of security with appropriate margins (in cases where margin has been specified by the Commission appropriate margin shall at least be equal to the specified margin). Clean exposure means exposure without any security or collateral.

- (xiv) “Fit and Proper Criteria” means the criteria specified in Schedule VIII;
- (xv) "form" means the forms annexed to these regulations;
- (xvi) “Forced Sale Value or “FSV” means, the value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged /

pledged/ leased/collaterally held assets in a forced / distressed sale conditions;.

- (xvii) “Government Securities” include monetary obligations of the Federal Government or a Provincial Government or of a Corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government and any other security as the Federal Government may, by notification in the Official Gazette, declare, to the extent determined from time to time, to be Government Securities;
- (xviii) “housing finance company” means a company licensed to provide housing finance services;
- (xix) “investment adviser” means a company licensed by the Commission to engage in investment advisory services;
- (xx) “investment finance company” means a company licensed by the Commission to provide investment finance services;
- (xxi) “leasing company” means a company licensed by the Commission to provide leasing;
- (xxii) “Liquid Assets” mean, the assets which are readily convertible into cash without recourse to a court of law and mean encashment / realizable value of government securities, bank deposits, shares of listed companies which are actively traded on the stock exchange, NIT Units, certificates of mutual funds, Certificates of Investment (COIs)/Certificates of Deposits (CODs) issued by DFIs / NBFCs and Certificates of Musharika (COMs) issued by Modarabas rated at least ‘A’ by a credit rating agency registered with the Commission listed TFCs and Commercial Papers rated at least ‘A’ by a credit rating agency registered with the Commission, National Saving Scheme securities and units of open ended schemes for which a duly licensed asset management company quotes daily offer and bid rates. These assets with appropriate margins should be in possession of the NBFCs with perfected lien;
- (xxiii) “major shareholder” of a NBFC means any person holding 10% or more of the share capital of a NBFC either individually or in concert with close relatives;
- (xxiv) “margin loan” means a loan made by an NBFC, licensed to provide investment finance services to partly finance investment by the client in marketable securities, which shall be held by the NBFC as collateral, the amount invested by the client being the “margin” against the loan;
- (xv) “medium and long term facilities” mean facilities with maturities of more than one year.
- (xvi) “net assets”, shall have the same meaning as defined in the rules, and for the purposes of these regulations the excess of assets over liabilities of the collective investment scheme shall be computed in the following manner :

- (a) a security listed on a stock exchange, local or foreign as the case may be, shall be valued at its last sale price on such exchange on the date on which it is valued or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date the security shall be valued at an amount neither higher than the closing asked price nor lower than the closing bid price;
- (b) a debt security listed but not traded regularly on a stock exchange shall be valued at the average rate, notified by the Mutual Funds Association of Pakistan based on the average rates quoted by top three brokers, in terms of volume traded during last three months in that debt security, and record of such rates shall be maintained by the respective investment adviser or asset management company and Mutual Funds Association of Pakistan for a period of at least [3] three years and shall be posted on website of the Association;
- (c) an investment purchased and awaiting payment against delivery shall be included for valuation purposes;
- (d) an investment sold but not delivered pending receipt of proceeds shall be valued at the net sale price;
- (e) the value of any dividends, bonus shares or rights which may have been declared on securities in the portfolio but not received by the collective investment scheme as of the close of business on the valuation date shall be included as assets of the collective investment scheme if the security upon which such dividends, bonuses or rights were declared is included in the assets and is valued ex-dividend, ex-bonus or ex-rights as the case may be;
- (f) mark-up accrued on any mark-up-bearing security in the portfolio shall be included as an asset of the collective investment scheme if such accrued mark-up is not otherwise included in the valuation of the security;
- (g) any other income accrued upto the date on which computation was made shall also be included in the assets;
- (h) all liabilities, expenses and other charges due or accrued up to the date of computation which are chargeable under these regulations and taxes shall be deducted from the value of the assets;
- (i) the remuneration accrued up to the date of computation payable to the investment adviser or asset management company, as the case may be, for providing management and other services shall be included as an expense;
- (j) a security not listed or quoted on a stock exchange, other than a government or debt security, shall be valued at investment price or its break up value as per last audited accounts, whichever is lower;

- (k) a government security not listed on a stock exchange and traded in the interbank market shall be valued at the average rate quoted on a widely used electronic quotation system and such average rate shall be based on the remaining tenor of the security; and
 - (l) any such method of valuation of assets and liabilities as may be specified or modified by the Commission from time to time;
- (xxvii) “non-discretionary portfolio” means a portfolio of securities managed by an NBFC under an agreement made with the client on a duly notarised stamp paper of applicable value whereby investment decisions are executed by the NBFC on written instructions of the client;
- (xxviii) “notified entity” means a company or class of companies or corporate body or trust or any other entity or person as have been notified by the Federal Government in the official Gazette.
- (xxix) “offering document” means a published document containing information on a scheme to invite the public for purchase of certificates or units in that scheme;
- (xxx) “other form of security” means hypothecation of stock (inventory), assignment of receivables, lease rentals, contract receivables, etc.
- (xxxi) “readily realizable assets” include liquid assets and stocks pledged with the NBFCs and are in their possession, with ‘perfected lien’ duly supported with complete documentation.
- (xxxii) “rentals” include lease rentals, rentals in respect of housing finance facilities, hire purchase installments or any other amount received by NBFC from borrower against the grant of facility.
- (xxxiii) “rules” mean the Non-Banking Finance Companies (establishment and regulation) Rules, 2003
- (xiv) “schedule” means the schedule to these regulations ;
- (xxxv) “short term facilities” mean facilities with maturities up to one year
- (xxxvi) “subordinated loan to the borrower” means an unsecured loan extended to the borrower by its sponsors, subordinate to the claim of the NBFC taking exposure on the borrower and documented by a formal sub-ordination agreement between provider of the loan and the borrower. The loan shall be disclosed in the annual audited financial statements of the borrower as subordinated loan.
- (xxxvii) “tangible security” means readily realizable assets, mortgage of land, plant, building, machinery and any other fixed assets.
- (xxxviii) “underwriting commitments” mean commitments given by NBFCs to the limited companies at the time of new issue of equity / debt instrument, that in

case the proposed issue of equity/debt instrument is not fully subscribed, the unsubscribed portion will be taken up by them (NBFCs).

(xxxix)“unlisted security” means a security not listed or quoted on a stock exchange;

(xl) “venture capital company” means a company licensed by the Commission to invest in venture projects through equity or other instruments whether convertible into equity or not and provides managerial or technical expertise to venture projects, or acts as a management company for management of venture capital fund;

(xli) “venture capital fund” means a fund registered under these regulations ;

(xlii) “venture capital investment" means financing of any venture project by an NBFC licensed to operate as a venture capital company or by a venture capital fund being managed by such an NBFC, through equity or other instruments whether convertible into equity or not;

(xlili) “venture project” means a project which is in the start-up phase of its business or commercial operations or undergoing expansion or engaged in a service, manufacturing or production activity based on a new process, service or technology or located in a remote or underdeveloped area of the country and is financed by a venture capital fund or an NBFC licensed as venture capital company and includes a wholly owned subsidiary of the NBFC provided it invests in the projects having the above said characteristics.

Provided that the shares of the venture project shall not be listed on any of the stock exchanges in Pakistan at the time of investment by the venture capital company or venture capital fund and the project shall not engage in any of the following business activity, namely:

- (a) arms and ammunitions;
- (b) high explosives;
- (c) radioactive substances;
- (d) security printing, currency and mint;
- (e) manufacture of alcoholic beverages;
- (f) environmentally hazardous projects;
- (g) gold financing;
- (h) real estate; or
- (i) any other form of business carried on by non-banking finance companies.

(2) Words and expressions used but not defined in these regulations shall have the same meaning as assigned to them in the Ordinance or the Securities and Exchange Ordinance, 1969 (XVII of 1969) and Non-Banking Finance Companies (establishment and regulation) Rules, 2003

Part-I

General

This Part shall apply to the forms of business mentioned in clause (i) to (vii) of subsection (a) of Section 282A of the Ordinance.

3. Minimum equity requirement.- (1) An NBFC licensed by the Commission to undertake any form of business shall meet, at all the times, the separate tiers of minimum equity in respect of the following forms of business as mentioned against each form of business, namely:-

<u>Form of Bussiness</u>	<u>Minimum equity Requirement for fresh licence</u>	<u>Time Line for existing NBFCs</u>			
		<u>Existing equity requirement</u>	<u>Latest by 30th June, 2008</u>	<u>Latest by 30th June, 2009</u>	<u>Latest by 30th June, 2010</u>
<u>Investment finance services</u>	<u>Rs. 1000 million</u>	<u>Rs. 300 million</u>	<u>Rs. 500 million</u>	<u>Rs. 700 million</u>	<u>Rs. 1000 million</u>
<u>Leasing</u>	<u>Rs. 700 million</u>	<u>Rs. 200 million</u>	<u>Rs. 350 million</u>	<u>Rs. 500 million</u>	<u>Rs. 700 million</u>
<u>Asset management services</u>	<u>Rs. 200 million</u>	<u>Rs. 30 million</u>	<u>Rs. 100 million</u>	<u>Rs. 150 million</u>	<u>Rs. 200 million</u>
<u>Investment advisory Services</u>	<u>50</u>	<u>30</u>	<u>35</u>	<u>40</u>	<u>50</u>
<u>Housing finances services</u>	<u>Rs. 700 million</u>	<u>Rs. 100 million</u>	<u>Rs. 300 million</u>	<u>Rs. 500 million</u>	<u>Rs. 700 million</u>
<u>Venture Capital Investment</u>	<u>_____</u>	<u>Rs. 50 million</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

Comment [a1]: Since Venture capital will remain apart of these regulations to accommodate the existing companies and until its stand alone regulations do not come into place, it is imperative that VCI equity is also described in the table.

4. Limit on aggregate liabilities of an NBFC aggregate .- (1) Aggregate liabilities, excluding contingent liabilities and security deposits of an NBFC shall not exceed seven

times of its equity for the first two years of its operation and ten times in the subsequent years or such other limits as may be specified by the Commission from time to time.

(2) Contingent liabilities of an NBFC shall not exceed seven times of its equity for the first two years of its operation and ten times in the subsequent years or such other limits as may be specified by the Commission from time to time.

Comment [a2]: This regulation has been shifted to regulation 12

5. Internal audit. - An NBFC shall have an Internal Audit Department whose head shall report to the board of directors of that NBFC directly and shall, inter alia, be responsible for compliance with these Regulations and for establishing an effective means of testing, checking and compliance with the policy and procedures established by it.

6. Submission of information/data/ statistical returns. – An NBFC shall submit such periodical statements, information or reports in such forms and manner and within such time as may be specified by the Commission from time to time.

7. Code of conduct.– An NBFC shall acquire and maintain membership of an association constituted in consultation with the Commission and the NBFCs shall follow the code of conduct prescribed by the said association(s).

8. Prevention of NBFCs involvement in money laundering and other illegal trades. – NBFC shall follow guidelines issued to safeguard itself against involvement in money laundering activities and other unlawful trades. Irrespective of the precautionary measures NBFCs may have taken in respect of prevention of money laundering and other illegal trades and in addition to the said guidelines that may be issued by the Commission, an NBFC shall comply with the following:

- a) An NBFC shall accept deposits from an investor only after ensuring that an account has been opened in the name of the investor using an account opening form, which shall be developed by the respective industry associations in consultation with the Commission.
- b) An NBFC shall make all such efforts to determine the true identity of the customer before extending its services and particular care shall be taken to identify ownership of all accounts and those using safe custody facilities, effective procedures shall be instituted for obtaining identification from new customers and a policy shall be devised to ensure that business transactions are not conducted with customers who fail to provide evidence of their identity;
- c) An NBFC shall conduct its business in conformity with the Rules and Regulations . and shall not offer services or provide active assistance in transactions which in the opinion of the NBFC are associated with money derived from illegal activities;
- d) An NBFC shall establish procedures for ascertaining customer status and for monitoring of borrower accounts on a regular basis for checking identities and bonafide of remitters and beneficiaries of transactions and for retaining internal record of transactions for future reference. The transactions, which are out of character with the

normal operation of the account involving high deposits, withdrawals and transfers, shall be thoroughly scrutinized and properly investigated.

e) An NBFC shall not make any payment or receive any amount exceeding Rs. 50,000/- in cash.

9. Procedure for prior approval for appointment of directors and chief executives.-

The following procedure shall be followed by an NBFC for obtaining prior approval of the Commission to change any of its director(s) or chief executive:

a) The application for approval of the appointment or any change in the directors or chief executive of an NBFC shall be submitted by the NBFC to the Specialized Companies Division of the Commission not later than 14 days before the election/appointment or any change in the directors or its chief executive;

b) The above-referred application shall not be complete unless the information/documents as required under Form V are furnished.

c) The deficiency or shortcoming in the information/documents supplied by the NBFC to the Commission shall be rectified by the NBFC, within 14 (fourteen) days of the issue of the letter by the Commission informing the NBFC of the deficiency or shortcoming, otherwise the matter shall be treated as having been closed.

10. Fees applicable to an NBFC.- The fees prescribed under any of the provision of the rules and these regulations are specified in Schedule - I to these Regulations.

PART – II

This Part shall apply to NBFCs engaged in leasing or investment finance services or housing finance services solely or in any combination thereof.

11. Allocation of Assets in case of Multiple Licensing.- An NBFC engaged in leasing, investment finance services and housing finance services or any combination thereof, shall invest at least twenty percent of its assets in each such form of business.

Provided that cash and bank balances, investments made under clause (f) of sub-regulation (3) of regulation 12 and investments made in unquoted shares of any company in terms of clause (h) of sub-rule (2) of the Rule 7 shall be excluded to calculate percentage allocation of assets of NBFC engaged in multiple form of business.

Provided further that an NBFC shall comply with the requirement of this Regulation within twelve months of the coming into effect of these Regulations.

12. Permission to issue of Certificates of Deposit by an NBFC licenced to provide leasing or investment finance services or housing finance services.- (1) An NBFC that is licensed by the Commission to provide leasing or investment finance services or housing finance services and fulfils the following conditions may apply to the

Commission for permission to issue Certificates of Deposit, namely:-

- (a) that the NBFC is listed on a stock exchange and has been engaged in a profit making business of leasing or investment finance services or housing finance services , as the case may be, for a period of two years:

Provided that an unlisted NBFC engaged in deposit raising shall get itself listed on a stock exchange within a period of twelve months of the notification of these Regulations;

- (b) the conduct of the NBFC and fiduciary conduct of its directors has been in accordance with law. ;
- (c) that the NBFC has been assigned credit rating of minimum investment grade from a credit rating agency registered with the Commission, and such credit rating shall be updated at least once every year during the currency of the issue.
- (d) a disclosure statement setting out information about the product shall be submitted along with the application to seek permission to issue Certificates of Deposit and on issuance of Certificates of Deposit, a copy of such statement shall be made available free of cost at the registered and every other office of the NBFC:

Provided that an NBFC which is currently allowed to issue Certificates of Deposit or Certificates of Investment shall develop and submit such a statement to the Commission setting out such information within sixty days of the notification of these Regulations.

(2) If the Commission is satisfied that the NBFC fulfils the conditions of eligibility specified in sub-regulation (1), it may give permission to such NBFC to issue Certificates of Deposit.

Provided that the NBFC shall publish the credit rating in each financial statement and any advertisement and brochures in relation to promotion of its business. If the credit rating of the NBFC falls below the investment grade, the permission to issue Certificates of Deposit or Certificates of Investment shall stand cancelled with immediate effect and the NBFC shall immediately cease to issue further Certificates of Deposit or Certificates of Investment or roll-over the existing Certificates. The existing Certificates of Deposit or Certificates of Investment shall be encashed as and when they become due.

Provided further that if the credit rating of the NBFC is subsequently upgraded to investment grade, it may apply to the Commission for a fresh permission for issuance of Certificates of Deposit to be obtained under these Regulations.

(3) The NBFCs issuing Certificates of Deposit shall comply the following conditions, namely:-

- (a) a Certificate of Deposit issued under these Regulations shall be registered in the name of the person to whom it is issued;
- (b) the maturity period of Certificate of Deposit shall not be less than thirty days;

Provided that a certificate shall be redeemable before its maturity period subject to the terms and conditions laid out in the deposit agreement or product disclosure statement;

- (c) a Certificate of Deposit may be issued at fixed or floating rate of interest as specified in the product disclosure statement wherein the mechanism for determining the rate of interest shall also be disclosed;
- (d) all the advertisements for inviting general public for making investment in Certificates of Deposit shall contain the credit rating of the NBFC, the name of the rating agency, the date on which the credit rating was issued, expected rate of profit and tenor of the Certificate of Deposit and a copy of such advertisement shall be submitted to the Commission within three days from the date of issue;
- (e) at any point in time the deposits raised from individual depositors shall not exceed three times of the equity of the NBFC;
- (f) not less than fifteen per cent of the resources raised through Certificates of Deposit, excluding the Certificates of Deposit held by financial institutions, shall be invested in Government securities or listed securities eligible for investment by provident funds under the Employees' Provident Fund (Investment in Listed Securities) Rules, 1996, and such investments shall be kept un-encumbered, and disclosed separately in the annual and quarterly accounts of the NBFC;
- (g) provide return on deposits which may be different for different volumes and maturities of deposits provided that uniformity is observed within each category but deposits of listed companies, financial institutions, recognized charitable trusts and statutory bodies shall, however, be exempt.

13. Other Sources of raising Funds: An NBFC licenced to provide leasing or investment finance services or housing finance services may also raise funds by:

- (i) commercial paper, any security and deposits of not less than thirty days maturity;
- (ii) foreign debentures both short and long term;
- (iii) issuance of redeemable capital;

- (iv) lines of credit;
- (v) re-discount facilities.

14. Creation and building up of reserve. – An NBFC shall create reserve fund to which the following shall be credited:

- (a) an amount not less than 20% of its after tax profits till such time the reserve fund equals the amount of the paid up capital; and
- (b) thereafter a sum not less than 5% of its after tax profits.

Explanation. - Issuance of bonus shares may be made from the above-mentioned reserves or the reserves available after appropriation made under clause (a) or (b) whichever may be the case and since such bonus shares will increase the paid up capital, the NBFC shall transfer further amounts to the reserves in order to comply with condition of clause (a);

15. Maximum Exposure of NBFC to a single person and Group.- (1) The total outstanding exposure by an NBFC to any single person shall not at any time exceed 30% of the equity of an NBFC (as disclosed in the latest financial statements), subject to the condition that the maximum outstanding against fund-based exposure does not exceed 20% of the equity of an NBFC.

- (2) The total outstanding exposure by a NBFC to any group shall not exceed 50% of The equity of an NBFC (as disclosed in the latest financial statements), subject to the condition that the maximum outstanding against fund-based exposure does not exceed 35% of the equity of an NBFC.

In arriving at exposure under this regulation:

- a) 100% of the deposits placed with lending NBFC shall be excluded.
- b) 90% of the following shall be deducted;
 - (i) deposits with another financial institution under perfected lien;
 - (ii) encashment value of Government Securities and National Saving Scheme securities, lodged by the borrower as collateral; and
 - (iii) Pak. Rupee equivalent of face value of Special US Dollar Bonds converted at inter-bank rate, lodged by the borrower as collateral.
- c) 85% of the unconditional financial guarantees, payable on demand, issued by commercial banks rated at least 'A' or equivalent by a credit rating agency registered with the Commission, accepted as collateral by NBFCs shall be deducted.
- d) 50% of listed Term Finance Certificates ("TFC") held as security with duly marked lien shall be deducted. The TFCs to qualify for this purpose

should have been rated at least 'A' or equivalent by a credit rating agency registered with the Commission.

(iii) Following weightages will be applicable in respect of placements with financial institutions;

(i) 25% weightage on exposure to financial institutions with 'AAA' Rating.

(ii) 75% weightage on exposure to financial institutions rated 'A' and above.

16. Limit on clean placements.- An NBFC shall not take aggregate exposure in form of clean placements at any time, in excess of the amount of its equity.

17. Restrictions on certain types of transactions. – (1) An NBFC shall not:

- a) take exposure against the security of shares / TFCs issued by it.
- b) provide unsecured credit to finance subscription towards floatation of share capital and issue of TFCs.
- c) provide facilities against the non- listed TFCs or the shares of companies not listed on the Stock Exchange(s).
- d) provide facilities to any limited company against the shares/TFCs of that company or its group companies.
- f) provide facilities against the shares/TFCs of listed companies that are not members of the Central Depository System.
- g) take exposure against unsecured TFCs or non-rated TFCs or TFCs rated below investment grade by a credit rating agency registered with the Commission. .
- e) take exposure against 'shares of the sponsor directors ' (issued in their own name or in the name of their family members) of banks.
- f) hold shares in any company whether as pledgee, mortgagee, or absolute owner, of an amount exceeding 10% of the paid-up share capital of that company or 10% of its own equity, whichever is less.

Provided that this restriction shall not be applicable to the investments made by an NBFC in its own subsidiaries.

g) Allow facilities to any of its directors or to individuals, firms or companies in which it or any of its directors is interested as partner, director or guarantor, as the case may be, its chief executive and its major shareholders, including their close relatives or to firms and

companies in which they are interested as partners, directors or major shareholders of that concern without the approval by the majority of the directors of that NBFC;

Provided that the director interested in seeking such approval shall not take part in the proceedings of the approval of the facility;

Provided further that the facilities extended by the NBFC to its directors, major shareholders, employees and close relatives of these persons shall be at arms length basis and on normal terms and conditions applicable for other customers of the NBFC. An NBFC shall ensure that the appraisal standards are not compromised in such cases and market rates are used for these persons. The facilities extended to the employees of an NBFC as a part of their compensation package under Employees Service Rules shall not fall in this category.

(h) allow facilities on the guarantee of its chief executive, directors and major shareholders including their close relatives or to firms and companies in which they are interested as partners, directors or major shareholders of that concern.

(i) allow facilities for speculative purposes.

18. Consumer financing by an NBFC licenced to provide leasing or investment finance services.- An NBFC that is licensed by the Commission to undertake the business of leasing or investment finance services may undertake consumer financing provided that such NBFC shall carry out consumer finance business in conformity with the these Regulations and directions issued by the Commission from time to time.

19. Minimum conditions for grant of financing facilities. - (1) When considering proposals for fund/non-fund based facility to a borrower which exceeds one million rupees, an NBFC should give due weightage to credit report relating to the borrower and his group obtained from Credit Information Bureau of the State Bank of Pakistan. If the credit report indicates over-exposure/default, the NBFC shall not extend facilities to such borrower. .

(2) While granting any facility to the borrower other than individuals, an NBFC shall obtain copy of accounts relating to the business of each of its borrower for analysis and record in the following manner, namely:-

(a) where the exposure does not exceed one million rupees.	Such documentary evidence of the means and investment of the borrower as may be determined by the management of the NBFC.
(b) where the exposure exceeds one million rupees but does not exceed two million rupees	Accounts duly signed by the borrower
(c) where exposure exceeds two million rupees but does not	Accounts duly signed by the borrower and counter signed by:

exceed ten million rupees.	(i) a chartered accountant; or (ii) a cost and management accountant in case of a borrower other than a public company or a private company which is a subsidiary of a public company.
(d) where the exposure exceeds ten million rupees	Accounts duly audited by: (i) a practicing chartered accountant; or (ii) a practicing cost and management accountant in case of a borrower other than a public company or a private company which is a subsidiary of a public company.

Explanation: In case of individuals, an NBFC shall obtain such documentary evidence of the means and investment of the borrower such as wealth statement, statement of assets and liabilities or any other statement as may be considered appropriate by the management of the NBFC.

(3) An NBFC shall, before providing any facility (including renewal, enhancement and rescheduling/restructuring), ensure that the Loan Application Form specified /devised by an NBFC is accompanied with a “Borrower’s Basic Fact Sheet” as per Appendix I. NBFC shall also ensure that the information requested in the Basic Fact Sheet is provided by the borrower under his seal and signature.

20. Margin against facilities. - (1) NBFCs shall apply margin requirements on facilities (other than the margin restrictions provided in sub-section (2) as approved by their boards of directors.

(2) An NBFC shall adhere to the following margin requirements:

Shares of listed Companies	Exposure against the shares of listed companies shall be subject to minimum margin of 30% of their current market value, though the NBFC may, if they wish, set higher margin requirements keeping in view other factors. The NBFC shall monitor the margin on at least weekly basis and will take appropriate action for top-up and sell-out on the basis of their Board of Directors’ approved credit policy and pre-fact written authorization from the borrower enabling the NBFC to do this.
Listed TFCs	Exposure against listed TFCs rated ‘A’ (or equivalent) and above by a credit rating agency registered with the Commission shall be subject to a minimum margin of 10% while the exposure against listed

	TFCs rated ‘A-‘ and ‘BBB’ shall be subject to a minimum margin of 20%.
Bank deposits and Certificates of Investment / Certificates of Deposit of NBFCs/DFIs and Certificates of Musharaka of Modarabas with investment grade credit rating by a credit rating agency registered with SEC. <ul style="list-style-type: none"> 25% margin is applicable to all forms of certificates including certificates issued under National Saving Scheme such as (a) Special Saving Certificate (b) Khas Deposits Certificates(c) Defense Saving Certificates (d) Foreign Exchange Bearer Certificates (e) Any other Government backed securities. Value of such certificates shall be taken as the sum payable on the date when facility is being granted by the NBFCs. Prize Bonds being issued by Government needs to be given same treatment as that of other securities issued by Government. As such NBFCs can provide facilities against Prize Bonds at 25% margin or a margin of 1.5 times of accrued markup on annual basis which ever is higher. Facilities provided against Prize Bonds should be for one year. 	20%
(iii) Pledge of trading stocks	25%
(iv) Hypothecation of trading stocks	50%

(3) all guarantees shall be for a specific amount and expiry date and shall contain claim lodgment date and backed by 100% realizable securities except that in case of performance bonds, bid bonds or mobilisation advance the condition of 100% cover of realizable securities may be relaxed upto 50% provided that NBFCs hold at least 20% of the guaranteed amount in the form of liquid assets as security;

21. Linkage between a equity of a borrower and total exposure from financial institutions. – (1) An NBFC while taking any exposure, shall ensure that the total exposure availed by any borrower from financial institutions does not exceed 10 times the **equity of a** borrower as disclosed in its financial statements.

2) For the purpose of this Regulation, subordinated loans shall be counted as equity of the borrower. An NBFC should specifically include the condition of subordinated loan in its Offer Letter. The subordinate loan agreement to be signed by the provider of the

subordinated loan, should confirm that the subordinated loan will be repaid which would be subject to the prior approval of the NBFC.

22. Financial indicators of the borrowers.- (1) An NBFC shall ensure at the time of allowing fresh exposure/ enhancement / renewal, the current assets to current liabilities ratio of the borrower shall not be lower than 1:1. Subject to the proviso of this Regulation, an NBFC in exceptional cases may relax this ratio up to 0.75:1 if it is satisfied that appropriate risk control measures have been put in place.

Provided where an NBFC has taken exposure in exceptional cases it shall record in writing the reasons and rationale for doing so in the approval form and maintain an exception approval file in its central credit office containing all such approvals. The said exceptions approval file shall be made available to the inspection team of the Commission during an inspection.

(2) This regulation shall not apply to the facilities granted to financial institutions with investment grade rating by a credit rating agency registered with the Commission or in case of exposure fully secured against liquid assets held as collateral. Export finance and finance provided to ginning and rice husking factories shall also be excluded from the borrowings (exposure) for the purpose of this regulation.

23. Classification and Provisioning for non-performing assets. - (1) An NBFC engaged in leasing or housing finance services or investment finance services shall observe the following criteria for classification of its assets and provisioning there against:

Comment [A3]: Shift to schedules.

SHORT TERM/MEDIUM TERM AND LONG TERM FINANCING FACILITIES

CLASSIFICATI ON	DETERMINANT	TREATMENT OF INCOME	PROVISIONS TO BE MADE
(1)	(2)	(3)	(4)
Substandard.	Where rental, mark-up/ interest/profit or principal is overdue by 90 days or more from the due date.	Unrealized mark-up/interst/profit to be put in Suspense Account and not to be credited to Income Account except when realized in cash.	Provision of 25% of the difference resulting from the outstanding balance of principal against the facility less the amount of liquid assets realizable without recourse to a Court of Law and adjusted forced sale value of mortgaged/ pledged/ leased/ collaterally held assets as valued by valuers

			fulfilling prescribed eligibility criteria, in accordance with the guidelines provided in this regulation.
Doubtful.	Where rental, mark-up/ interest/profit or principal is overdue by 180 days or more from the due date.	As above.	Provision of 50% of the difference resulting from the outstanding balance of principal against the facility less the amount of liquid assets realizable without recourse to a Court of Law and adjusted forced sale value of mortgaged/ pledged/ leased/ collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the guidelines provided in this regulation.
Loss.	(a) Where rental, mark-up/ interest/profit or principal is overdue by 1 year or more from the due date.	As above.	Provision of 100% of the difference resulting from the outstanding balance of principal against the facility less the amount of liquid assets realizable without recourse to a

	<p>(b) Where Trade Bills (Import/Export or Inland Bills) are not paid/adjusted within 180 days of the due date.</p> <p>(c) In case of Credit Cards where rental, markup/interest/pr ofit or principal is overdue by 180 days or more from the due date.</p>	As above.	Court of Law and adjusted forced sale value of mortgaged/ pledged/ leased/ collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the guidelines provided in this regulation.
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Notes:

(a) Classified facilities / loans / advances that have been guaranteed by the Government would not require provisioning, however, markup / interest / profit on such accounts shall be taken to suspense account instead of income account.

(2) In addition to the above time based criteria, subjective evaluation of performing and non-performing advances / loans / lease port-folio shall be made for risk assessment and where considered necessary the category of classification determined on the basis of time based criteria shall be further downgraded. Such evaluation shall be carried out on the basis of adequacy of security inclusive of its realizable value, cash flow of borrower / lessee, his operation in the account, documentation covering advances and credit worthiness of the borrower / lessee etc.

(3) The rescheduling / restructuring of non-performing facilities shall not change the status of classification of a facility unless the terms and conditions of rescheduling / restructuring are fully met for a period of at least one year (excluding grace period, if any) from the date of such rescheduling / restructuring and at least 25% of the outstanding amount is recovered in cash. Accordingly, NBFCs are directed to ensure that status of classification, as well as provisioning, is not changed in relevant reports to the SEC merely because a facility has been rescheduled or restructured. However, while

reporting to the Credit Information Bureau (CIB) of State Bank of Pakistan, such loans / advances may be shown as 'rescheduled / restructured' instead of 'default'.

(4) Where a borrower subsequently defaults (either principal or mark-up) after the rescheduled / restructured loan has been declassified by the NBFCs as per above guidelines, the loan will again be classified in the same category it was in at the time of rescheduling / restructuring. However, NBFCs at their discretion may further downgrade the classification, taking into account the subjective criteria.

(5) At the time of rescheduling / restructuring, NBFCs shall consider and examine strictly on merit the viability of the project / business and shall appropriately secure their interest etc.

(6) NBFCs shall classify their loans / advances / lease portfolio and make provision thereagainst in accordance with the time-based criteria prescribed above. However, where a NBFC wishes to avail the benefit of leased assets owned by the NBFC; or additional collaterals held against lease facilities; or collaterals held against advances / loans facilities, they can consider the realizable value of mortgaged or pledged or leased or collaterally held assets for deduction from the outstanding principal amount of loans / advances / lease facilities against which such assets are leased/mortgaged/pledged/collaterally held, before making any provisions. The value of the mortgaged / pledged assets, other than liquid assets, to be considered for this purpose shall be the forced sale value. Further, Forced Sale Value (FSV) once determined, shall remain valid for three years from the date of valuation during which period the underlying collateral/leased assets will not be revalued for provisioning purpose. The adjustment factors of 80%, 70% and 50% shall be applied on the value so determined for the purpose of determining provisioning requirement in 1st, 2nd and 3rd year of valuation, respectively. Thereafter, the assets shall be revalued and the adjustment factor of 50% shall be applied for all subsequent years. However, the FSV of the collateral shall be restricted to fresh revaluation or previous value, whichever is less. In case of NBCFs, duly licensed by the SEC to undertake housing finance services, FSV once determined, shall remain valid for a period of ten years from the date of valuation and an adjustment factor of 70% shall be applied on the value so determined for the purpose of determining provisioning requirement in respect of housing finance for the said period.

(7) Facilities against which securities or incase of lease facilities, additional securities are not available, or where mortgaged or pledged or leased assets have not been valued according to these guidelines and verified by the external auditors, shall continue to be classified and provided for according to the time-based criteria. NBFCs shall observe the following uniform criteria, for determining the realizable value of mortgaged / pledged / leased/ collaterally held assets, namely:-

- (i) Only assets having registered mortgage, equitable mortgage (where NOC for creating further charge has not been issued by NBFC and pledged /collaterally held assets shall be considered. Assets having pari-passu charge shall be considered on proportionate basis.
- (ii) Hypothecated assets and assets with second charge and floating charge shall not be considered.

- (iii) Valuations shall be carried out by an independent professional valuer who should be listed on the panel of valuers maintained by the Pakistan Banks Association / Leasing Association of Pakistan. The valuers while assigning any values to the mortgaged / pledged / leased / collaterally held assets, shall take into account all relevant factors affecting the salability of such assets including any difficulty in obtaining their possession, their location and condition and the prevailing economic conditions in the relevant sector, business or industry. The realizable values of mortgaged / pledged / leased / collaterally held assets so determined by the valuers must have to be a reasonably good estimate of the amount that could currently be obtained by selling such assets in a forced / distressed sale condition. The valuers should also mention in their report the assumptions made, the calculations / formulae / basis used and the method adopted in determination of the realizable values.
- (iv) Valuation shall be done at least once in three years. If valuation is older than three years, a fresh revaluation should be done; otherwise the valuation shall be taken as Nil. This requirement shall not be applicable to the NBFCs engaged in housing finance services.

The categories of mortgaged/pledged/leased /collaterally held assets to be considered for valuation alongwith discounting factors to be applied would be as under (no other assets shall be taken into consideration):

(a) Liquid Assets:

Valuation of Liquid Assets, excluding pledged stocks, which are dealt with at (b) below, shall be determined by the NBFC itself and verified by the external auditors. However, in the case of pledged shares of listed companies values should be taken at market value as per active list of Stock Exchange(s) on the balance sheet date and as per guidelines given in the Technical Release (TR) - 23 issued by the Institute of Chartered Accountants of Pakistan (ICAP). Moreover, valuation of shares pledged against loans/advances/lease facilities shall be considered only if these have been routed through Central Depository Company of Pakistan (CDC), otherwise these will not be admissible for deduction as liquid assets while determining required provisions.

(b) Pledged Stocks:

In case of pledged stocks of perishable and non-perishable goods, forced sale value should be provided by valuers, which should not be more than six months old, at each balance sheet date. The goods should be perfectly pledged, the operation of the godowns should be in control of the NBFC and regular valid insurance and other documents should be available. In case of perishable goods the valuers should also give the approximate date when these are expected to be of no value.

The values of mortgaged / pledged / leased / collaterally held assets determined by the valuers shall be subject to verification by the external auditors, who may reject cases of valuation, which in their opinion, do not appear to have been professionally carried out and values determined are unreasonable, or in the case of which valid documentation of

mortgage / pledge / leased / collaterally held asset, supported by legal opinion wherever required, is not available on record.

(8) Subjective evaluation of investment portfolio and other assets shall be carried out by the NBFC. Classification of such assets and provision required there-against should be determined keeping in view the risk involved and the requirements of the International Accounting Standards as notified by the SEC under sub-section (3) of Section 234 of the Companies Ordinance, 1984 and Technical Releases issued by the ICAP, from time to time.

(9) NBFCs shall review, at least on a quarterly basis, the collectibility of their loans / advances / lease portfolio and shall properly document the evaluations so made. Shortfall in provisioning, if any, determined as a result of quarterly assessment, shall be provided for immediately in their books of accounts by the NBFCs.

(10) The external auditors as a part of their annual audits of NBFCs shall verify that all requirements under these regulations for classification of assets and determination of provisions required there-against have been complied with. The Commission may also check the adequacy of provisioning during on-site inspection.

24. Reversal of Provision: The provision held against classified assets will only be reversed when cash realization starts exceeding:

- (i) in case of loss category, the net book value of the assets;
- (ii) in case of doubtful category, 50% of the net book value of the assets;
and
- (iii) in case of sub-standard category, 20% of the net book value of the assets.

25. Overdue, default and recovery thereof. - (1) Every NBFC shall furnish the Commission a list of defaulters on prescribed format, on quarterly basis. A list of rescheduled and restructured facilities shall also be submitted to the Commission in the similar manner on prescribed format. A person, whether natural or juristic, shall be deemed to be defaulter if he (or his dependent family members or concerns owned or controlled by him or concerns in which he or his dependent family members are major shareholders) has failed to pay off or liquidate any fiduciary obligation towards any NBFC in Pakistan as was agreed upon or required under the terms and conditions of availment of the financing facility or to do or perform an act agreed to or undertaken in writing to be done or performed by him and such failure has continued for a period of twelve months from the date on which he was required to make the payment or to do or perform the act.

(2) Every NBFC shall nominate an officer as recovery officer or constitute a section as recovery section depending upon the magnitude of defaults.

(3) Besides the measures presently instituted by each NBFC, the NBFC shall set quarterly recovery targets as a percentage of the overdue obligations and communicate the same on quarterly basis to the Commission.

Leasing

26. Terms and conditions for undertaking leasing business.- An NBFC licensed by the Commission to provide leasing shall operate in accordance with the following conditions, namely: -

(a) the NBFC shall invest at least seventy per cent of its assets in the business of leasing, unless it is duly licensed by the Commission to undertake any other form of business in addition to leasing;

Provided that cash and bank balances, investments made under clause (f) of sub-regulation (3) of regulation 12 and investments made in unquoted shares of any company in terms of clause (h) of sub-rule (2) of the Rule 7 shall be excluded to calculate investment in leasing business for purposes of this clause;

(b) the NBFC may engage in leasing operations except the following:

- (i) land; and
- (ii) residential buildings and apartments;

(c) the NBFC shall not fix the period of lease for less than three years in the case of any finance lease agreement, except in case of computers and other equipment used in information technology or consumer leasing that can be of less than three year period.

(d) total investment of the NBFC in shares, equities or scrips shall not exceed fifty per cent of the equity of the NBFC. The shares will be valued at cost of acquisition for the purpose of calculating the exposure of NBFC under this clause.

Explanation.- For the purpose of this clause the expression “share, equities or scrips” would include listed shares, Modaraba Certificates, units and certificates of collective investment schemes.

(e) the NBFC shall not own shares, equities or scrips of any one company in excess of ten per cent of its own equity or of the issued capital of that company, whichever is lower.

Investment Finance Services

27. Terms and conditions for undertaking investment finance services.- An NBFC licensed by the Commission to undertake investment finance services may provide the following activities or functions, subject to the conditions specified in the Rules, these Regulations and any other conditions that may be specified by the Commission from time to time:

- (a) in case of money market activities,-

- (i) issue certificates of deposit or commercial paper of not less than thirty days maturity subject to the conditions as specified by the Commission from time to time;
- (ii) discount or trade in commercial paper issued by its client, government securities, promissory notes and bills, bankers' acceptances and other money market instruments, acting either as a broker or acting on its own account;
- (iii) assist in the issue of commercial paper, including introduction of companies to the money market, preparation of documentation, distribution and market making; and

(b) in case of capital market activities,-

- (i) invest in listed securities, both equity and non-equity instruments;
- (ii) provide professional analysis of securities to institutional and individual investors either directly in writing or through publications, as to the advisability of investing in, purchasing or selling of securities for remuneration;
- (iii) underwrite stocks and shares, instruments of redeemable capital and other negotiable term obligations of corporations and financial institutions, acting singly or jointly as manager, underwriter and distributor of such issues and taking an active part in all stages of preparation for such issues either public issues or private placement;
- (iv) manage portfolios of securities including stocks and, shares, pension and provident fund, participation term certificates and other negotiable and debt instruments for both eligible individual and institutional clients on a discretionary as well as non-discretionary basis as specified in Regulation 32; and
- (v) provide margin loans to individual and institutional investors;

(c) in case of project financing activities,-

- (i) make investment in projects through underwriting of public issue of stocks, shares and securities, short-term and long-term participation term certificates and term finance certificates of varying features;
- (ii) guarantee and counter-guarantee loans and obligations, including establishment of documentary credits; and
- (iii) open letters of credit for their corporate clients for the import of

machinery for installation, expansion, balancing, modernization and replacement;

(d) in case of corporate finance services,-

- (i) act as adviser and financial agent for companies in obtaining direct bank loans, syndicated loans, export credits, leases and project finances, both domestically and internationally;
- (ii) assist companies in private placement of debt and equity, domestically and abroad;
- (iii) act as adviser to companies in corporate or financial restructuring as well as in the preparation of resource mobilization plans;
- (iv) act as adviser to companies in mergers, acquisition and divestitures;
- (v) assist companies with cash management systems;
- (vi) prepare feasibility, market or industry studies for companies, both domestic and foreign;
- (vii) assist to raise equity for new and existing companies, by acting as financial agent;
- (viii) act as custodian for securities owned or held by clients pursuant to their instructions and provide each or any of the following services; custody of securities, placing or execution of orders for purchase or sale of securities, receipt of dividends and other income on securities, execution of voting and other rights in connection with securities, holding the securities on behalf of their clients, and transacting aforesaid activities through nominees, agents, or attorneys;
- (ix) act as nominees, agent, attorney, administrator, executor or trustee for clients;
- (x) act as trustee for collective investment schemes, private equity funds, venture capital funds, real estate investment trusts and debt instruments, if so approved by the Commission; and

(e) in case of general activities,-

- (i) raise funds through equity, foreign and local debentures both short and long term, commercial paper issued locally or abroad, sale of short and long term participation term certificates and term finance certificates;
- (ii) act as authorized seller for securities and certificates, denominated in local or foreign currency, issued by Federal or Provincial

Governments, statutory bodies, and state-owned corporations, including instruments of National Savings Schemes (NSS);

- (iii) provide safe deposit vaults to clients;
- (iv) handle payments and collections for clients;
- (v) extend secured loans and advances; and
- (vi) provide discounting services.

Comment [A4]: Deleted as the concept of liquid net worth has been omitted

28. Total investment in equities.- (1) An NBFC duly licensed to provide investment finance services shall not make total investment in shares, equities or scrips in excess of hundred per cent of its own equity and such NBFC shall not own shares, equities or scrips of any one company in excess of ten per cent of its own equity or of the issued capital of that company, whichever is lower. The shares will be valued at cost of acquisition for the purpose of calculating the exposure of the NBFC under this clause. The shares acquired in excess of ten per cent limit due to the underwriting commitments will be sold off or off loaded within a period of six months from the date of acquisition of such shares.

Explanation.- For the purpose of this clause the expression “share, equities or scrips” would include listed shares, Modaraba Certificates, units and certificates of collective investment schemes.

(2) The total investment in equity futures, on gross basis, shall not exceed the equity of the NBFC and exposure in a single eligible security for futures shall not exceed ten per cent of the total investment limit in futures. In case of delivery of shares, the NBFC shall observe investment limit as stipulated in sub-regulation (1).

Explanation.- For the purpose of this clause “gross basis” means all sales and purchases in the futures market and the shares, equities or scrips will be valued at cost.

29. Total investment in reverse repo and Continuous Funding System (“CFS” or by whatever name referred) in capital market.— Total investment in reverse repo and CFS shall not exceed two and a half times of the equity of the NBFC and exposure in a single eligible security for CFS shall not exceed ten per cent of the total investment limit in reverse repo and CFS at all times;

Provided that such reverse repo and CFS shall only be carried out in CFS eligible securities.

30. Underwriting commitments.- All underwriting commitments shall be fully backed by either available funds or firm standby lines of credit or other funding arrangements.

31. Conditions for margin loans.- The grant of margin loans to clients shall be in accordance with the following conditions:-

(a) the aggregate of margin loans granted by an NBFC duly licensed by the Commission to operate as an investment finance company shall not exceed fifty per cent of its equity;

(b) the margin to be maintained by the client with the NBFC shall not be less than thirty per cent of the loan amount outstanding calculated as the residual value obtained after deducting the loan amount outstanding from the market value of the portfolio;

(c) margin loans to a single client or associated company or undertaking shall not exceed ten per cent of the equity of the NBFC; and

(d) margin loans shall be approved in accordance with a pre-defined policy in writing duly approved by the board of directors for the purpose and shall not be granted to any employee, officer, director, or a shareholder having a beneficial ownership including that of close relatives of more than ten per cent in the paid-up capital of the NBFC whether directly or indirectly (through their close relatives, companies controlled by them, affiliates, subsidiaries, or by way of acting in concert with others).

32. Managing discretionary and non-discretionary client portfolio.- In managing discretionary and non-discretionary client portfolios, an NBFC duly licensed by the Commission to operate as an investment finance company shall,

(a) inform the Commission before commencement of business of managing portfolios on a discretionary and non-discretionary basis;

(b) accept investment requests only from eligible investors;

(c) exercise due diligence and prudence to achieve the investment objective of the discretionary and non-discretionary clients;

(d) organize its affairs in a manner that discretionary and non-discretionary client portfolios are managed separately from other activities, each investment or disinvestments decision being taken independently on its own merit; and

(e) only charge fees and costs as specified in the written agreement between the parties;

(f) disclose details separately for discretionary and non-discretionary portfolios by way of separate note to the annual and quarterly accounts such as the number of clients, total portfolio at cost as well as market value and fee earned; and

(g) comply with the guidelines, circulars or directions issued by the Commission from time to time relating to the business of managing discretionary and non-discretionary accounts.

Explanation.- In the event of any dispute, the onus of proof shall be on the NBFC to show that it complied with the clauses (a) to (g) of this Regulation.

Housing Finance Services

33. Terms and conditions for undertaking housing finance services.- (1) An NBFC licensed by the Commission to provide housing finance services may also carry out following activities or functions:

- (a) provide mortgage finance facility against the property for the purpose of constructing, purchasing or making any additions, alterations to or improvement in any property;
- (b) carry out surveys and valuations of land and properties;
- (c) arrange for the insurance of mortgaged property from the present approved insurance companies;
- (d) manage mortgage investments as agents;

(2) An NBFC licensed by the Commission to provide housing finance services shall carry out the housing finance services subject to the conditions mentioned below and any other conditions that may be specified by the Commission from time to time, :

- (i) invest at least seventy per cent of its assets in the business of housing finance, unless it is duly licensed by the Commission to undertake any other form of business in addition to housing finance services;

Provided that cash and bank balances, investments made under clause (f) of sub-regulation (3) of regulation 12 and investments made in unquoted shares of any company in terms of clause (h) of sub rule (2) of the Rule 7 shall be excluded to calculate investment in housing business for purposes of this clause;

- (ii) total investment of the NBFC in shares, equities or scrips shall not exceed fifty per cent of its own equity. The shares will be valued at cost of acquisition for the purpose of calculating the exposure of the NBFC under this clause.

Explanation.- For the purpose of this clause the expression “share, equities or scrips” would include listed shares, Modaraba Certificates, units and certificates of collective investment schemes.

- (iii) the NBFC shall not own shares, equities or scrips of any one company in excess of ten per cent of its own equity or of the issued capital of that company, whichever is lower.

- (iv) The maximum per party limit in respect of housing finance by the NBFC

shall be Rs.20 million.

(v). The total monthly amortization payments of all consumer loans inclusive of housing loan, should not exceed 60% of the net disposable income of the prospective borrower.

(vi) Facilities may be advanced for the purchase of land, construction of houses or renovation of an existing house against the security of land with the legal title in the name of the the customer.

(vii) The housing finance facility shall be provided at a maximum debt-equity ratio of 85:15.

(viii) The NBFC may provide mortgage loans for housing up to a period of twenty years from the date of grant of licence by the Commission.

(ix) The NBFC shall ensure that a charge is created over every house financed by it by way of an equitable or a registered mortgage.

(x) The NBFC shall appoint a valuer who has been approved by the Commission to value a property.

(xi) The NBFC shall appoint a lawyer to get the title documents to a property verified and the NBFC shall ensure that the lawyer submits a due diligence report to the NBFC in relation to verification of title of a property.

(xii) The management of the NBFC shall devise a mechanism to monitor conditions in the real estate market (or other relevant product market) at least on a quarterly basis and the NBFC shall ensure that its policies are aligned to current market conditions.

(xiii) The NBFC shall develop floating rate products for providing housing finance, thereby managing interest rate risk. The

(xiv) The NBFCs shall develop in-house systems to stress test their housing portfolio against adverse movements in interest rates and also maturity mismatches.

Part III

This part shall be applicable to an NBFC licensed to provide Venture Capital Investment and to Venture Capital Fund.

Venture Capital Investment

34. Terms and conditions for operating as a venture capital company.- Unless granted a general or specific waiver by the Commission, an NBFC licensed by the Commission to undertake venture capital investment shall,

(a) not expose more than forty per cent of its equity attributable to venture capital investment segment to any single person or group of companies;

Explanation: For the purposes of this Regulation group of companies shall mean companies controlled by the members of one family including close relatives ; and

(b) disclose in its accounts all investments in companies and group of companies attributable to the venture capital investment segment of the NBFC.

35. Private placement.- In addition to its equity attributable to the venture capital investment segment, an NBFC may receive funds for investment in venture projects through private placement of such securities as may be notified by the Commission from time to time.

36. Placement memorandum.- An NBFC duly licensed by the Commission to operate as a venture capital company shall, before soliciting placement of its securities, file with the Commission a placement memorandum which shall inter alia give details of the terms subject to which funds are proposed to be raised from such placements.

37. Eligibility conditions of a venture capital fund.- A venture capital fund shall not be registered by the Commission unless it fulfills the following conditions, namely:-

- (a) it is incorporated as a company under the Ordinance;
- (b) it is not engaged in any business other than that of investment in venture projects;
- (c) it has a minimum equity of fifty million rupees raised through private placement; and
- (d) for the purpose of managing its entire business, it has entered into a contract, in writing, with an NBFC duly licensed by the Commission to operate as a venture capital company and a copy of which has been filed with the Commission.

38. Condition for registration.- (1) No venture capital fund shall commence business unless it is registered by the Commission under these Regulations.

(2) For registration a venture capital fund shall,-

- (a) make an application, as set out in Form I, to the Commission providing information as sought in Annex thereto, along with all the relevant documents;
- (b) submit a bank draft payable to the Commission evidencing the payment of non-refundable application processing fee as specified in Schedule I; and
- (c) submit an undertaking that no change in the memorandum of association, other than increase in the authorised share capital shall be made without prior written authorization of the Commission and that all conditions for registration shall be complied with.

Comment [a5]: Export it to the Schedule.

(3) On being satisfied that a venture capital fund is eligible for the grant of registration and that it would be in the public interest so to do, the Commission may grant

registration as set out in Form II.

(4) Without prejudice to any other conditions under these regulations, the Commission may while granting registration impose any conditions, as it may deem necessary.

39. Terms and conditions of operation.- Unless granted a general or specific waiver by the Commission, a venture capital fund shall,

(a) not expose more than forty per cent of its equity to any single person or group of companies:

Explanation: For the purposes of this Regulation group of companies shall mean companies managed by the members of one family including close relatives ;

(b) disclose in its accounts all investments in companies and group of companies exceeding ten per cent of paid-up capital of venture capital fund;

(c) ensure that the maximum exposure of the venture capital fund to its directors, affiliated companies and companies in which any of the directors and their family members including close relatives hold controlling interest, shall not exceed ten per cent of the overall portfolio of venture capital; and

(d) not accept any investment from any investor, which is less than one million rupees.

40. Suspension of registration.- (1) The Commission may after making such enquiry and after obtaining such further information as it may consider necessary, suspend the registration of a venture capital fund by an order in writing.

Provided that no such order shall be made except after giving the venture capital fund an opportunity of being heard.

(2) Suspension of registration of a venture capital fund under sub-regulation (1) shall be initially for a period of sixty days, which may be further extended by sixty days if deemed appropriate by the Commission.

(3) The venture capital fund must rectify the conditions that prevailed at the time of suspension of registration within such time as the Commission may allow and thereafter apply to the Commission for restoration of registration.

(4) If the venture capital fund continues to operate under conditions which are deemed fit for continued suspension under sub-regulation (1) of this Regulation, the Commission may proceed for cancellation in terms of regulation 44 of these Regulations .

41. Private placement.- A venture capital fund shall raise and receive funds for investment in venture projects through private placement of such securities as may be notified by the Commission, from time to time.

42. Placement memorandum.- A venture capital fund shall, before soliciting placement of its securities, file with the Commission a placement memorandum, which shall inter alia give details of the terms subject to which funds are proposed to be raised from such placements.

43. Enquiry.- The Commission may cause an enquiry to be made, by any person appointed in this behalf, into the affairs of any venture capital fund.

44. Cancellation of registration.- (1) Where the Commission is of the opinion that a venture capital fund has contravened any provision, or has failed to comply with any requirement of any Rule, these Regulations or any provision of applicable laws or conditions imposed by the Commission or order passed by the Commission or direction made or given hereunder, the Commission may, if it considers necessary in the public interest so to do, by order in writing, cancel the registration of the venture capital fund;

Provided that no such order shall be made except after giving the venture capital fund an opportunity of being heard.

(2) Upon cancellation of registration, the functions and carrying on the business of the venture capital fund shall cease and the Commission may apply to move the Court for a winding up order in respect of the venture capital fund or take such other action against the venture capital fund, as the Commission may deem fit.

(3) Notwithstanding cancellation of registration under sub-regulation (1), the directors, chief executive, chairman and other officer of the venture capital fund shall not be absolved of any civil and criminal liability under the Ordinance, the Securities and Exchange Ordinance, 1969 (XVII of 1969), or any other law for the time being in force.

(4) Where the registration of the venture capital fund has been cancelled under sub-regulation (1), the Commission may, by an order in writing, appoint a person as an administrator to manage the affairs of the fund subject to such terms and conditions as may be specified in the order.

(5) The management of the affairs of the venture capital fund, shall vest in such an administrator on and from the date of the said administrator's appointment until a liquidator is appointed by the Court.

PART IV

This Part shall apply to an NBFC licensed to provide asset management services or investment advisory services solely or jointly as well as to the Collective investment Schemes managed by such NBFCs and to Investment Companies.

Asset Management Services or Investment Advisory Services

45. Terms and conditions to undertake asset management services .- (1) An NBFC licensed by the Commission to operate as an asset management company shall designate or appoint a qualified person as fund manager, who shall be responsible for management of not more than three collective investment schemes at a time, or such lesser number as

may be specified by the Commission, and who fulfills the terms and conditions mentioned in the fit and proper criteria specified by the Commission from time to time.

(2) Each asset management company shall have at least one investment committee and may appoint more than one investment committee for various funds or various asset classes and,-

- (a) the investment committee shall separately record its decisions for each fund;
- (b) the investment committee shall comprise relevant key personnel of the asset management company including the chief investment officer and designated fund manager, and shall have a minimum of three members. The investment committee shall be constituted and approved by the Board of Directors of the asset management company . A member of the investment committee shall not:
 - (i) hold office as member of the investment committee of a collective investment scheme managed by another NBFC;
 - (ii) hold any office including that of a director of another NBFC licensed to undertake asset management services; and
 - (iii) be engaged in brokerage services; and
- (c) the investment committee shall be responsible to the chief executive, who shall ensure that the committee functions effectively;
- (d) at least two-thirds of the investment committee members shall be present prior to taking any investment related decision or other decisions relating to the responsibilities of the investment committee. However, if the quorum is not present in the event of any emergency, the fund manager or the chief executive officer, in consultation with at least one other member of the investment committee, may take decisions and shall record in writing the decisions and the circumstances of the emergency and circulate the document to other members of the investment committee.
- (e) the investment committee shall:
 - (i) act with due care, skill and diligence in carrying out its duties and responsibilities;
 - (ii) ensure that investment decisions are consistent with the objectives and investment policy of the collective investment scheme;

- (ii) ensure that investments do not deviate from the constitutive documents or these regulations or directions of the Commission;
- (iii) develop and follow the internal investment restrictions and policies;
- (iv) review the performance of the collective investment scheme on a regular and timely basis;
- (v) ensure proper record keeping of meetings and investment decisions; and
- (vi) develop criteria for appointing a diverse panel of brokers and monitoring compliance thereof to avoid undue concentration of business with any single broker.

(3) An asset management company shall be eligible to act as an asset management company, of more than one collective investment scheme if it fulfils the conditions specified by the Commission which may include minimum rating of the asset management company, track record in asset management services, minimum rating and the performance of the collective investment schemes of which it has been or is an asset manager,.

(4) An asset management company shall appoint, for Shari'ah Compliant and Islamic collective investment schemes a Shari'ah and comply with the guidelines as may be specified by the Commission for this purpose.

(5) An NBFC duly licensed by the Commission to provide asset management services or registered as an investment company shall not,

- (a) acquire the management of a collective investment scheme, unless it has obtained the prior approval of the Commission in writing to do so;
- (b) pledge any of the securities held or beneficially owned by a collective investment scheme except as allowed under these Regulations;
- (c) accept deposits from a collective investment scheme;
- (d) make a loan or advance money to any person from the assets of the collective investment scheme;
- (e) participate in a joint account with others in any transaction on behalf of the collective investment scheme;
- (f) apply any part of asset of collective investment scheme to real estate ;

- (g) make any investment of the collective investment scheme with the purpose of having the effect of vesting the management, or control over the affairs, of investee company by the NBFC or its group;
- (h) enter into transactions with any broker, which exceed ten per cent of the commission paid by a collective investment scheme in any one accounting year; subject, however, that such broker shall not have a common director, officer or employee with the investment adviser or asset management company;
- (i) undertake brokerage services on stock exchanges or in the money market;
- (j) enter into underwriting or sub-underwriting contracts, except as specified in clause (b) of sub-regulation (1) of regulation 65, on behalf of the collective investment schemes being managed by it; and
- (k) maintain its own equity portfolio except for the investments made by such NBFC into the collective investment schemes or pension funds being managed by it or its subsidiaries licensed as NBFC under the Rules or as allowed in clause (h) of sub-rule (2) of the Rule 7 or as allowed by the Commission from time to time.

Provided that the existing NBFCs shall comply with this clause within twelve months of the notification of these Regulations.

46. Obligations of an NBFC licensed to operate as an asset management company.-

An NBFC licensed by the Commission to operate as an asset management company managing a collective investment scheme shall,-

(a) be obliged to manage the assets of the collective investment scheme in the interest of the unit or certificate holders in good faith and to the best of its ability and without gaining any undue advantage for itself or any of its related parties including connected persons and group companies or its officers;

(b) account to the trustee for any loss in value of the assets of the open-end or closed-end scheme where such loss has been caused by its negligence, reckless or wilful act or omission;

(c) be responsible for the acts and omissions of all persons to whom it may delegate any of its functions as manager as if they were its own acts and omissions;

(d) maintain at its principal office, proper accounts and records, to enable a complete and accurate view to be formed of the assets and liabilities and the income and expenditure of the open-end or closed-end scheme, all transactions for the account of the

closed-end scheme and amounts received by the open-end scheme in respect of issues of units and paid out by the open-end scheme on redemption of units and by way of distributions by the closed-end or open-end scheme;

(e) prepare and circulate the annual report, together with a copy of the balance sheet, income statement, cash flow statement and statement of movement in unit holders' fund or net assets or reserves and the auditor's report of the closed-end scheme within three months of closing of the accounting period, to the unit or certificate holders, the trustee, the Commission and stock exchanges, on which the units or certificates of the scheme are listed and the balance sheet and profit and loss account shall comply with requirements set out in –Schedule IV also disclosing in the annual report the following information, namely:-

- (i) total number of unit or certificate holders; and
- (ii) particulars of the personnel (executive, research and other) of the asset management company;

(f) within one month of the close of first and third quarters and within two months of the close of second quarter of the year of account of the open-end or closed-end scheme, prepare and circulate to the unit or certificate holders, the trustee, the Commission and stock exchanges, on which the units or certificates of the scheme are listed, balance sheet as at the end of that quarter, an income statement, a cash flow statement and a statement of changes in equity for that quarter, whether audited or otherwise:

Provided that the Commission, subject to any applicable conditions, may allow the asset management company to transmit the said quarterly accounts to the unit or certificate holders by placing them on the company's website. The asset management company shall, however, make available the printed copy to any certificate or unit holder, free of cost, as and when requested.

(g) maintain a register of unit or certificate holders of the open-end or closed-end scheme and inform the Commission and the trustee of the address where the register is kept;

(h) appoint, with the consent of the trustee, at the establishment of the open-end or closed-end scheme and upon any vacancy, an auditor, from the approved list of auditors circulated by the Commission from time to time, who shall be a chartered accountant and independent of the auditor of the asset management company, as the case may be, and the trustee and such auditor shall not be appointed for more than five consecutive years and contents of the auditor's report shall be in accordance with Schedule IV;

(i) be obliged to obtain a rating of the open-end or closed-end scheme, once the scheme becomes eligible for rating as per the rating criteria of the rating agency, and such rating shall be updated at least once every financial year and also published in the annual and quarterly reports of the closed-end scheme; and

47. Regulation of the business of investment companies. - No company shall

commence or continue business as an investment company unless it is duly registered with the Commission as a notified entity under Section 282 CA read with Regulation 49.

48. Eligibility for registration.- A company proposing to commence or continue business as an investment company shall be eligible for registration if it complies with the following conditions, namely:-

- (a) that such company is registered as a public company under the Ordinance;
- (b) that it is to function as an investment company with equity of not less than two hundred and fifty million rupees;
- (c) that no director, officer or employee of such company has been convicted of fraud or breach of trust ;
- (d) that no director, officer or employee of such company has been adjudicated as insolvent or has suspended payment or has compounded with his creditors; and
- (e) that the promoters and directors of such company are, in the opinion of the Commission, persons of means and integrity and have specialized knowledge of matters which the company may have to deal with as an investment company.

49. Registration.- (1) Any company which is eligible for registration under Regulation 48 as an investment company may make an application as set out in Form III to the Commission for registration as a notified entity under Section 282 CA read with this Regulation.

(2) An application under sub-regulation (1) shall, besides the other documents referred to in Form III, be accompanied by a receipt evidencing a payment of an application processing fee as specified in the Fee Schedule-I along with an undertaking or evidence as per clause (b) of Regulation 48.

(3) The Commission, if it is satisfied after such enquiry and after obtaining such further information as it may consider necessary,-

- (i) that the applicant is eligible for registration; and
- (ii) that it would be in the interest of the capital market so to do, may grant a certificate of registration to such company as set out in Form IV.

(4) In case an investment company fails to commence business within six months from the date of registration, its registration may be cancelled by the Commission, unless the period has been extended by the Commission on receipt of application submitted by the company before the expiry of six months.

50. Appointment of investment adviser.- (1) No investment company shall appoint any NBFC as an investment adviser except by a contract in writing setting out duties, rights and obligations of the parties and clearly providing for mechanism to enforce the terms of

the contract and the circumstances under which the agreement can be revoked;

Provided that any such appointment of investment advisor shall be subject to the prior approval of the Commission.

(2) The contract shall, initially or on renewal, be valid for a period not exceeding ten years and shall not be renewed or modified unless such renewal or modification has been authorized by the shareholders of the investment company in general meeting and approved by the Commission.

(3) The contract shall, *inter-alia* provide, for the consequential penalty or damages to be borne by the contracting parties in case of violations of any provisions or breach of contract.

(4) The contract shall, among other things, provide that the investment adviser shall bear all expenditure in respect of the secretariat and office space of the company and professional management, including all administrative, accounting and legal services, and shall also provide that the fee payable to the auditors and the custodian, taxes on income of the company, brokerage, stamp duty and any other duties or taxes connected with the sale or purchase of securities shall be payable by the investment company.

(5) A copy of the investment adviser contract shall be submitted to the Commission for approval.

(6) The investment company may, with the prior approval of the Commission, change its investment adviser.

51. Custody of assets.- (1) Every investment company shall place and maintain all assets owned or held by the company with a custodian appointed by it with the prior approval in writing of the Commission.

(2) The investment company shall settle with the custodian a scheme for the custody of assets, which shall, among other matters, provide for the circumstances in which the assets may be released from custody.

(3) The custodian shall, if any release of any asset from custody is contrary to the provisions of the Rules or these Regulations, report the matter to the Commission forthwith.

52. Conditions applicable to custodian.- (1) The custodian shall not be an NBFC that is licensed to undertake investment advisory or asset management services.

(2) The custodian shall not in any way be related to the investment adviser or investment company.

(3) A director or employee of the custodian shall not be involved in the affairs of investment adviser.

53. Maintenance of books of accounts and other documents.- (1) Every investment

company shall maintain such books of accounts and other records as shall depict a true and fair view of its state of affairs, including-

- (a) journals, cash books and other records of original entry forming the basis of entry in any ledger;
- (b) ledgers (or other comparable record) reflecting assets, liabilities, income and expenses;
- (c) ledgers (or other comparable record) showing at any time securities which are receivable or deliverable;
- (d) record of transactions with the bank;
- (e) register of transaction in securities; and
- (f) record of the meetings of the board of directors.

(2) The books of accounts and other records to be maintained under sub-regulation (1) shall be preserved for a period of not less than ten years.

54. Periodical reports to shareholders, etc.- (1) Every investment company shall transmit to its shareholders and the Commission,-

- (a) an annual report, together with a copy of the balance sheet and income statement, cash flow statement and statement of changes in equity and the auditor's report, not less than twenty one days before the date of the general meeting at which it is to be laid before the shareholders;
- (b) a quarterly report, within thirty days of the close of first and third quarter and within two months of the close of second quarter of the year of account of the investment company; and
- (c) the quarterly accounts may be posted on website instead of transmission through post to shareholders, after complying with such terms and conditions as the Commission may specify from time to time.

(2) Such report, so far as may be applicable, shall be in accordance with requirements laid down in clauses (e), (f) and (h) of Regulation 46 and shall contain a statement showing the securities owned at the beginning of the relevant period, securities purchased or sold during such period, and the securities held at the end of such period together with the value (at cost and at market), and the percentage in relation to its own assets and the paid-up capital of the company whose securities are owned.

(3) The profit and loss account of the investment company shall include a profit and loss account of the investment adviser in relation to the investment company.

(4) A copy of the annual report referred to in sub-regulation (1) shall, within the time specified therein, be furnished to the Commission also disclosing in the annual report the following:

- (a) total number of security holders;
- (b) particulars of persons holding five *per cent* or more of the securities of the investment company at any time during the year;
- (c) names and number of securities held by directors and officers of the investment company;
- (d) particulars of the key personnel (executive, research and other) of the investment company;
- (e) remuneration paid to the investment adviser;
- (f) particulars of the key personnel (members of investment committee, research and others) of the NBFC operating as investment adviser; and
- (g) fee paid to the auditors.

55. Appointment of auditor.- An investment company shall appoint an auditor, from the approved list of auditors circulated by the Commission from time to time, who shall be a chartered accountant provided that the auditor,-

(a) is not the auditor of the NBFC operating as the investment adviser or the custodian appointed by the investment company; and

(b) has not been the auditor of the same investment company for more than five consecutive years.

56. Appointment of trustee.- Every open-end or closed-end scheme for which registration is requested shall appoint a trustee with the approval of the Commission.

57. Conditions applicable to trustee.- (1) A trustee shall be,-

- (a) a scheduled bank licensed under the Banking Companies Ordinance, 1962 (LVII of 1962), which has minimum A+ rating from a credit rating company registered with the Commission, and has been in business for at least five years; or
- (b) a trust company, which is a subsidiary of a scheduled bank with minimum A+ rating from a credit rating company, registered with the Commission; or
- (c) a foreign bank operating as a scheduled bank in Pakistan and operating as trustee internationally; or

- (d) a central depository company approved by the Commission; or
- (e) an NBFC undertaking investment finance services which has minimum A+ rating from a credit rating company registered with the Commission:

Provided that the said NBFC is not licensed to undertake investment advisory or asset management services, and that such NBFC has been approved by the Commission to act as trustee; or

- (f) such other company or trust as may be approved by the Commission to act as trustee subject to such criteria as may be specified by the Commission from time to time.

(2) In exercising its authority under regulation 56, the Commission shall consider the availability of appropriate systems, business continuity plan, personnel, management and such other criteria, as may be specified by the Commission from time to time.

(3) The trustee shall arrange for an annual system audit by its auditors and provide the report to this effect to the Commission and the concerned asset management company or investment adviser, within three months of the close of the financial year.

58. Obligations of trustee of the open-end or closed-end scheme.- A trustee shall,-

(a) take into its custody or under its control all the property of the open-end or closed-end scheme and hold it in trust for the unit or certificate holders in accordance with the law and the provisions of the constitutive documents and the cash and registerable assets shall be registered in the name of, or to the order of, the trustee;

(b) be liable for any loss caused due to its acts or omissions or that of its agents in relation to any custody of assets or investment forming part of the property of the open-end or closed-end scheme;

(c) ensure that the sale, purchase, issue and transfer of units or certificates effected by the open-end or closed-end scheme and repurchase, redemption and cancellation of units effected by the open-end scheme are carried out in accordance with the provisions of the constitutive documents;

Provided that the above condition shall not be applicable in case of sale and purchase of certificates of closed-end scheme;

(d) carry out the instructions of the asset management company or investment adviser, as the case may be, in respect of investments unless they are in conflict with the provisions of these regulations or constitutive documents ;

(e) ensure that the investment and borrowing limitations set out in the regulations and constitutive documents and the conditions under which the open-end or closed-end scheme has been authorized are complied with;

(f) issue a report to be included in the annual and second quarter report of the collective investment scheme, to be sent to unit or certificate holders whether, in his opinion, the asset management company or investment adviser, as the case may be, has in all material respects managed the open-end or closed-end scheme in accordance with the provisions of the constitutive documents, the Rules and these regulations, and if the asset management company or investment adviser has not done so, the respects in which it has not done so and the steps that the trustee has taken in respect thereof;

(g) ensure that the asset management company or investment adviser, as the case may be, has specified criteria in writing to provide for a diverse panel of brokers at the time of offering of a scheme and shall also ensure that the asset management company or investment adviser has been diligent in appointing brokers to avoid undue concentration of business with any broker;

(h) ensure that units of an open-end scheme have been issued after realisation of subscription money; and

(i) ensure that the methodology and procedures adopted by the management company in calculating the value of units are adequate to ensure that the sale, issue, repurchase, redemption and cancellation prices are calculated in accordance with the provisions of the constitutive documents.

59. Retirement or removal of trustee.- (1) A trustee may, subject to prior approval of the Commission, retire from his office on appointment of a new trustee and the retirement shall take effect at the same time as the new trustee is appointed with the approval of the Commission or from the date of assumption of assets of the open-end or closed-end scheme by the newly appointed trustee, whichever is later.

(2) In circumstances where the Commission is of the opinion that trustee has been in violation of these regulations or the trust deed or found guilty of misconduct or failed to discharge its obligations under these regulations, it may remove the trustee after giving an opportunity of being heard.

(3) An NBFC duly licensed to undertake asset management or investment advisory services may, giving cogent reasons, apply to the Commission for change of the trustee by simultaneously proposing appointment of a new trustee.

(4) The Commission if satisfied with the circumstances and reasons for the change applied for in sub-regulation (3) may accord approval for appointment of a new trustee.

60. Trustee and the asset management company to be independent.- (1) The trustee shall not in any way be related to the asset management company, as the case may be.

Explanation.- For the purposes of this clause, the term independent means neither there shall be cross-shareholding between the asset management company and trustee nor common directorship therein.

(2) A director or employee of the trustee shall not be involved in the affairs of

asset management company..

61. Registration of open-end or closed-end scheme.- (1) No open-end or closed-end scheme shall be offered to the public unless the same is registered as a notified entity under Section 282 CA of the Ordinance read with this Regulation by the Commission.

(2) An application for registration of an open-end or closed-end scheme shall contain information as set out in Schedule V and shall be accompanied by the following information and documents, namely:-

- (a) the open-end or closed-end scheme's constitutive documents, contents of which have been set out in Schedule-II for closed-end scheme and Schedule-VI for open-end scheme;
- (b) the latest audited accounts, if applicable, of the NBFC licensed by the Commission to operate as the asset management company and resumes of its directors;
- (c) the trustee's latest audited accounts, if available;
- (d) letter of consent by the trustee for his appointment;
- (e) an undertaking from the NBFC licensed by the Commission to provide asset management services that it will invest or arrange the investment of:
 - (i) two hundred and fifty million rupees for a minimum period of two years or life of the collective investment scheme whichever is lower for each of its first open-end scheme or first closed-end scheme; and
 - (ii) one hundred million rupees, out of which at least fifty million rupees shall remain invested in the scheme for at least two years or life of the collective investment scheme whichever is lower, for each subsequent collective investment scheme; and
- (f) application fee as specified by the Commission in the Fee Schedule-I in the form of bank draft payable to the Commission or copy of paid challan form showing payment of fee in the designated bank branch in favour of the Commission.

62. Cancellation of registration and winding-up of open-end or closed-end scheme.-

(1) Following the registration of an open-end or closed-end scheme, its asset management company, shall give at least three months' notice to unit or certificate holders if it intends not to maintain such registration.

Provided that the registration of a scheme launched for a definite period shall stand cancelled on completion of its specified life.

(2) If the Commission considers that further continuation of the registration of the open-end or closed-end scheme will not be in the interest of unit or certificate holders, it may give a three months' notice to the trustee and the unit or certificate holders about the Commission's intention to cancel such registration:

Provided that registration shall not be cancelled without providing an opportunity of being heard to the asset management company or to the unit holders upon representation filed before the Commission by three fourths of the total number of the unit holders of a scheme, as the case may be.

(3) In case of cancellation of registration under this regulation or pursuant to sub-regulation (4) of regulation 75, the asset management company shall be required to wind up the collective investment scheme and refund the proceeds to the unit or certificate holders in such manner and within such time as may be specified by the Commission.

63. Invitation to invest and advertisements.- (1) Offering document and other invitations to the public to invest in a collective investment scheme, including public announcements, shall be submitted to the Commission for approval prior to their issue.

(2) The prospectus of a closed-end fund, in addition to complying with the provisions of the Ordinance, shall contain the information set out in Schedule-III. The offering documents of a collective investment scheme shall contain the information as set out in Schedule III and VII.

(3) Advertisements in respect of every collective investment scheme shall be in conformity with the guidelines on advertisement as may be specified by the Commission from time to time.

(4) Any invitation submitted for approval, which concerns the trustee must be accompanied by his written consent.

(5) The approval so granted may be varied or withdrawn by the Commission after giving an opportunity of being heard to the asset management company.

(6) Approval of an offering document or prospectus shall be valid for a period of sixty days from the date of approval provided that there is no change in the collective investment scheme or the approval has not been extended.

64. Investment policy and diversification.- (1) The NBFC duly licensed as asset management company shall clearly and concisely state investment policy of a closed-end or an open-end scheme in the offering document; and in the case of investment company in its prospectus.

(2) A collective investment scheme shall be categorized for the purpose of investment as specified by the Commission from time to time;

(3) A collective investment scheme set up with the objective of investment in equity securities shall not invest in unlisted equity securities unless an application for

listing of such securities has been accepted by the stock exchange:

Provided that a collective investment scheme may make total investments in a pre-initial public offering (Pre-IPO) up to fifteen percent of its net asset value, subject to the investment limits prescribed under these Regulations.

(4) Asset management company shall state in the constitutive document and specify in the offering document or an investment company shall state in its prospectus of the collective investment scheme, as the case may be, the type of securities it will invest in and the risks associated with such securities.

(5) The exposure of a collective investment scheme to any person shall not, at any time, exceed an amount equal to ten per cent of total net assets of the collective investment scheme or ten per cent of issued capital of that person, whichever is lower:

Provided that where exposure of a collective investment scheme exceeds the limits so specified because of corporate actions including taking up rights or bonus issue, and due to market price increase or decrease in net assets due to redemptions the excess exposure shall be regularized within three months of the breach of limits unless the said period of three months is extended up to another three months by the Commission on an application by the asset management company .

(6) Cumulative exposure by all collective investment schemes, managed by the same asset management company, to a single person shall remain below forty nine percent of issued capital of that person:

Provided that the asset management company shall comply with the conditions, including divestment by a collective investment scheme, as may be specified by the Commission from time to time.

(7) An asset management company authorized to invest abroad on behalf of collective investment scheme shall disclose in the constitutive document and observe country, security and issuer limits and valuation methodology as may be specified by the Commission from time to time.

(8) An asset management company shall not invest more than twenty five per cent of total net asset value of the collective investment scheme in securities of any one sector as per classification of the stock exchange, provided that this limit shall not apply to collective investment schemes categorized as sector specific funds.

(9) An asset management company shall not take exposure of more than,-

- (a) thirty five per cent of net assets of collective investment scheme in any single group; and
- (b) ten per cent of net assets of collective investment schemes at the time of taking exposure in listed group companies of the NBFC holding licence of asset management services and such exposure

shall only be made through the secondary market.

(10) An asset management company may invest in certificates or shares of a closed end fund managed by it up to twenty per cent of its issued capital from the secondary market with prior approval of the Commission and in accordance with the guidelines issued by the Commission from time to time.

65. Sale of securities and cost thereof.- (1) Securities representing the capital of a closed-end fund shall be offered to the public at par but no such offer shall be made unless,-

- (a) the investment adviser of the fund has made or has arranged to make an investment of the amount referred to in clause (e) of sub-regulation (2) of regulation 61; and
- (b) the offer has been underwritten by an underwriter or investment adviser of the closed-end fund with the prior approval of the Commission.

(2) A closed-end fund shall not sell any securities for any consideration other than cash.

66. Pricing, issue and redemption of units.- (1) In case of an open-end scheme, if an initial offer is made, no investment of subscription money shall be made until the conclusion of the first issue of units at the initial price.

(2) Offer and redemption prices shall be calculated on the basis of the open-end scheme's net asset value divided by the number of units issued and such prices may be adjusted by fees and charges, provided that the amount or method of calculating such fees and charges is clearly disclosed in the offering documents.

(3) There must be at least four regular dealing days per week subject to relaxation for a specific scheme as approved by the Commission.

(4) Any offer price, which the asset management company or the distribution company quotes or publishes, must be the maximum price payable on purchase and any redemption price must be the net price receivable on redemption.

(5) The maximum interval between the receipt of a properly documented request for redemption of units or certificates and the payment of the redemption money to the holder shall not exceed six working days unless redemption has been suspended.

(6) Where an open-end scheme deals at a declared price, and based on information available where such price exceeds or falls short of the current value of the underlying assets by more than five per cent, the asset management company shall defer dealing and calculate a new price as soon as possible.

(7) A permanent change in the method of dealing shall be made after expiry of one month's notice to unit holders and with the approval of trustee.

(8) A temporary change shall only be made,-

- (a) in exceptional circumstances, having regard to the interests of unit holders;
- (b) if the possibility of a change and the circumstances in which it can be made have been fully disclosed in the offering documents; and
- (c) with the approval of the trustee.

(9) Suspension of redemptions shall be provided for only in exceptional circumstances, having regard to the interests of unit holders.

(10) The asset management company shall immediately notify the Commission if redemption in units ceases or is suspended and the fact that redemption is suspended shall also be published immediately following such decision in the newspaper in which the scheme's prices are normally published.

(11) Where redemption requests on any one dealing day exceed ten per cent of the total number of units in issue, redemption requests in excess of ten per cent may be deferred to the next dealing day.

(12) Under the circumstances specified in the offering document and for reasons to be recorded in writing the asset management company may suspend sale of units and shall immediately notify the Commission, the trustee and the general public of such decision.

67. Limitations and prohibitions.- (1) An asset management company in relation to a collective investment scheme managed by it shall not,-

- (a) effect a short sale in a security whether listed or unlisted ;
- (b) purchase any security in a forward contract;
- (c) purchase any security on margin;
- (d) apply any part of its assets to real estate, commodities or commodity contracts;
- (e) acquire any security of which another asset management company managing a collective investment scheme is the issuer but this clause shall not apply in case of floatation of a collective investment scheme established with a specific investment objective of investing in other collective investment schemes or as specified in these regulations;

- (f) issue at any time, without the prior approval of the Commission in writing, a senior security which is either stock or represents indebtedness;
- (g) apply for de-listing from stock exchange, unless it has obtained prior approval of the Commission in writing to the scheme of de-listing;
- (h) invest in any security of a company if any director or officer of the investment adviser owns more than five per cent of the total amount of securities issued, or, the directors and officers of the investment adviser own more than ten per cent of those securities collectively;
- (i) if it is an investment company, appoint fifty per cent or more directors who represent interest of investment adviser; and
- (j) if it is an investment company, appoint or change its chief executive or any of its directors, excluding director nominated by the Federal Government or Provincial Governments, without approval of the Commission.
- (k) lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person.

Explanation.- Investment in sale and repurchase transactions involving government securities or such listed securities which are regulated by the stock exchanges shall not be attracted by clause (l) provided risk management parameters are disclosed in the constitutive and offering documents of the scheme with the prior approval of the Commission; and

- (l) borrow, except with the approval of trustee, for meeting redemption request and such borrowing shall not exceed fifteen per cent of the total net asset value of an open-end scheme at the time of borrowing and shall be repayable within a period of ninety days.

68. Transactions with connected person.- (1) An asset management company managing a collective investment scheme shall not without the prior approval of the Commission in writing, purchase from, or sell to, any connected person or employee of the asset management company or a collective investment scheme managed by it or a person who beneficially owns ten per cent or more of the equity securities of the collective investment scheme or asset management company, as the case may be.

(2) Direct transactions (other than those carried out on the trading system of the exchange) between collective investment schemes of the same asset management company, as the case may be, shall be notified to the Commission within two days of such transactions and shall be disclosed in quarterly and annual accounts of the collective

investment schemes.

(3) In case cash forming part of the collective investment scheme's assets is deposited with the trustee or the custodian, which is a banking company or an NBFC, return shall be paid on the deposit by such trustee or custodian at a rate that is not lower than the rate offered by the said banking company or NBFC to its other depositors on deposits of similar amount and maturity.

(4) All transactions carried out by an asset management company on behalf of the collective investment scheme shall be made as provided in the constitutive documents, and shall be disclosed in the collective investment scheme's annual report.

69. Expenses Chargeable to Collective Investment Schemes.- (1) All expenses incurred in connection with the incorporation and registration or establishment of a closed-end fund and the offer for sale of the securities of the fund and the distribution of such securities, including commission payable to the underwriter, shall be borne by the investment adviser and shall be reimbursable by the fund, subject to the audit of expenses, in equal amounts paid annually over a period of not less than five years or within the maturity date of the fund if the fund has life less than five years.

Provided that an investment adviser of a closed-end fund, the capital of which has already been issued, subscribed and listed, shall not be entitled to reimbursement of any expense other than that incurred in connection with incorporation and registration or establishment of the fund.

(2) All expenses incurred in connection with the establishment and authorization of an open-end scheme including execution and registration of the constitutive documents, issue, legal costs, printing, circulation and publication of the offering document, announcements describing the open-end scheme and all expenses incurred during the initial period shall be borne by the asset management company and shall be reimbursable by the fund subject to the audit of expenses over a period of not less than five years or within the maturity date of the fund, or any other time period as specified by the Commission.

(3) Notwithstanding the generality of sub-regulation (1) and sub-regulation (2), the following fees and charges shall be payable from the collective investment scheme-

- (a) remuneration of the asset management company ;
- (b) remuneration of both local and international trustee or custodian ;
- (c) in case of an investment company, directors' fee and remuneration for attending meetings;
- (d) listing fee payable to the stock exchange including renewals;
- (e) charges and levies of stock exchange, national clearing and settlement company and central depository company;

- (f) rating fee of collective investment scheme payable to approved rating agency;
- (g) auditors' fees and related expenses;
- (h) any fees payable to the Commission;
- (i) formation cost not exceeding one per cent of the pre-initial public offering capital in case of an open-end scheme and one percent of the paid-up capital in case of a closed-end fund or five million rupees whichever is lower;
- (j) brokerage and transaction costs related to investing and disinvesting of the assets of the collective investment schemes;
- (k) expenses incurred by trustee in effecting registration of all registerable assets in the name of the trustee;
- (l) legal and related costs incurred in protecting or enhancing the interests of the unit or certificate holders of the collective investment scheme;
- (m) bank charges and borrowing and financial costs;
- (n) hedging costs including forward cover, forward purchase or option purchase costs;
- (o) any printing costs and related expenses for issuing the collective investment scheme's quarterly, half-yearly and annual reports, etc.;
- (p) taxes, fees, cess, duties and other charges applicable to the collective investment scheme on its income or its properties, including taxes, fees, cess, duties and other charges levied by foreign jurisdiction on investments outside Pakistan; and
- (q) any other expense or charge as may be permitted by the Commission.

(4) The expenses referred to in sub-regulation (1) and sub-regulation (2) shall be reported to the Commission and the trustee giving their break-up under separate heads, as soon as the distribution of the securities is completed.

70. Remuneration payable to asset management company or investment adviser.-

An NBFC licensed by the Commission to operate as an asset management company, as the case may be, shall be entitled to be paid monthly in arrears, accrued remuneration duly verified by the trustee, during the first five years of collective investment scheme's existence, of an amount not exceeding three percent of the average annual net assets of the collective investment scheme and thereafter of an amount

equal to two per cent of such assets or such other amount as may be specified by the Commission from time to time:

Provided that an asset management company may charge performance based or fixed fee or the combination of both as per the guidelines issued by the Commission from time to time and such fee structure shall be disclosed in the offering document.

Explanation.- For the purposes of this regulation, the word average means the average of net assets calculated on daily, weekly or monthly basis during the year for announcing the price of units.

71. Annual fee.- An asset management company managing a collective investment scheme shall pay within three months of the close of its year of account, as annual fee to the Commission, chargeable to the fund of the collective investment scheme an amount equal to one tenth of one per cent of its average annual net assets calculated in accordance with these regulations or such other percentage as may be specified by the Commission from time to time.

72. Amount distributable to shareholders.- An asset management company managing a collective investment scheme shall distribute by way of dividend to its shareholders (unitholders) of the collective investment scheme not less than ninety per cent of its income received or derived from sources other than capital gains as reduced by such expenses as are chargeable to a collective investment scheme under these regulations.

73. Publication of net asset value of closed-end fund.- An asset management company managing closed-end fund shall furnish to the stock exchange, where the securities of the fund are listed, the Commission and any association of self-regulatory organization, or as directed by the Commission, within fourteen days of the last day of the preceding month, information about the net asset value of securities issued by it, as on last date of the preceding month.

74. Managing discretionary accounts.- Managing discretionary and non-discretionary client portfolio. In managing discretionary and non-discretionary client portfolios, an NBFC duly licensed by the Commission to operate as an investment advisor shall,-

(a) be required to inform the Commission that it intends to conduct the business of managing portfolios on a discretionary and non-discretionary basis;

(b) accept investment requests only from eligible investors;

(c) exercise due diligence and prudence to achieve the investment objective of the discretionary and non-discretionary clients;

(d) so organize its affairs that discretionary and non-discretionary client portfolios are managed separately from other activities, each investment or disinvestments decision being taken independently on its own merit;

(e) only charge fees and costs as specified in the written agreement between the parties;.

(f) disclose details separately for discretionary and non-discretionary portfolios by way of separate note to the annual and quarterly accounts such as the number of clients, total portfolio at cost as well as market value and fee earned; and

(g) comply with the guidelines or circulars relating to the business of managing discretionary and non-discretionary accounts issued by the Commission from time to time.

Explanation.- In the event of any dispute, the onus of proof shall be on the investment advisor to show that it complied with the conditions stated in clauses (a) to (g).

75. Conversion or cancellation or winding-up of closed-end fund.- (1) An asset management company managing a closed-end fund shall, upon expiry of five years from the date of launch of the fund, hold a meeting of the certificate holders, in case of a closed-end scheme, or shareholders, in case of an investment company to seek approval of the certificate holders or shareholders, as the case may be, to continue as a closed-end fund or convert into an open-end scheme or cancel the closed-end scheme or wind up the investment company, subject to applicable provisions of the Rules, these regulations and the Ordinance.

Provided that this regulation shall not apply to funds having five years or less than five years maturity period.

(2) The meeting of certificate holders or shareholders, as the case may be, shall decide on continuation or conversion or cancellation or winding up of the closed end fund by passing a special resolution of certificate holders or shareholders in a meeting and in case of continuation of the closed-end fund, the resolution among other things shall provide that those who are not in favour of continuation as closed-end fund shall be entitled to sell their holding to the fund at a discount not exceeding three per cent of prevailing NAV within thirty days of the resolution.

(3) Not later than fifteen days from the date of meeting of the certificates holders or shareholders, as the case may be, the closed-end fund shall make an application to the Commission for conversion or cancellation or winding up, as the case may be, accompanied with a copy of the special resolution:

Provided that in case of continuation as a closed-end fund a copy of the resolution shall be provided to the Commission within fifteen days from the date of the meeting.

(4) The Commission after ensuring the completion of formalities by the concerned NBFC and closed-end fund, as prescribed in the Rules, these regulations and the Ordinance or the conditions as specified by the Commission, shall allow the conversion or cancellation or winding up of the fund, as the case may be.

76. Relaxation and modification of regulations.- (1) The Commission may, on its own motion or on application of a NBFC, if it considers that it would be in the interest of the NBFC or a notified entity so to do, relax or modify such regulations or any part thereof or any requirements contained in these regulations subject to such conditions as it may deem fit.

(2) Provided that any such relaxation or modification mentioned in clause (1) above, shall be made public by the Commission by posting the same on its Web-site and shall be applicable to all such class of NBFCs or notified entities to which such relaxation or modification concerns.

FORM I
[see regulation 38]

**APPLICATION FORM FOR REGISTRATION
AS A VENTURE CAPITAL FUND**

Securities and Exchange Commission of Pakistan,
Government of Pakistan,
Islamabad.

Dear Sir,
We hereby apply for grant of registration to*..... under clause (a) of sub-regulation (2) of Regulation 38 of the Non-banking Finance Companies and Notified Entities Regulations, 2007.

2. Two copies of the memorandum and articles of association are enclosed. Necessary information required under Regulation 37 and 38 of the said Regulations has been annexed. We undertake to keep this information up-to-date at all times.

3. A receipt of rupees five hundred thousand (Rs. 500,000/-) being the processing fee, deposited in _____ on _____ is enclosed.
(Name of Bank)(Date)

Yours faithfully,
Name and Signature of the Secretary or a
director of the venture capital fund

*Name of the venture capital fund.

Information to be enclosed at the time of application for registration.

PART I

Please provide the following information in respect of directors, chief executive and chairman:

- (1) Name, former Name (if any).
- (2) Father's name.
- (3) Nationality.
- (4) Residential address.
- (5) Business address.

PART II

1. Whether the company has been incorporated as a public limited company under the Companies Ordinance, 1984.

Yes / No

2. If yes, whether copy of certificate of incorporation issued by CRO and two copies of memorandum and article of association have been enclosed with the application.

Yes / No

3. Whether processing fee amounting to Rs..... has been deposited in favour of the Securities and Exchange Commission of Pakistan in designated branch of the bank.

Yes / No

4. Feasibility report is enclosed.

Yes / No

FORM II
[see regulation 38]

**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
LICENCE TO CARRY ON THE BUSINESS OF A
VENTURE CAPITAL FUND**

Islamabad, the.....

The Securities and Exchange Commission of Pakistan, having considered the application for grant of licence and being satisfied that *.....is eligible for grant of registration and that it would be in the public interest so to do, in exercise of the powers conferred by sub-regulation 3 of Regulation 38 of the Non-banking Finance Companies and Notified Entities Regulations, 2007, hereby grants licence to *.....for a period of one year from.....to..... subject to the conditions stated herein below or as may be prescribed or imposed hereafter.

.....
(Signature of the officer)

*Name of the venture capital fund.

FORM III
[see Regulation 49]

**FORM OF APPLICATION FOR REGISTRATION AS AN INVESTMENT
COMPANY**

Islamabad, the ____20__.

To
The Securities and Exchange Commission of Pakistan,
Islamabad.

Sir,
We hereby apply for the registration of..... (name of investment company)
under Regulation 49 of the Non-banking Finance Companies and Notified Entities
Regulations, 2007.

2. Undertakings (in original) from the investment company and the investment adviser in
terms of clause (b) of Regulation 48 of the aforesaid regulations and four copies of each
of the following documents are enclosed, namely:-

- (i) memorandum and articles of association;
- (ii) investment advisory contract;
- (iii) custodian agreement; and
- (iv) underwriting agreement.

3. We hereby undertake to take all steps necessary to have the securities issued by us
listed on a stock exchange.

4. Necessary information required in the annex to this form is furnished. We undertake to
keep the information up-to-date at all times.

Yours faithfully,
Signature of the Secretary or
a director of the applicant company

Annex to Form III

1. Name, address and telephone number of the Company
2. Date and place of incorporation
3. Names and addresses of directors, distinguishing between promoter directors and other directors
4. Whether any director has been convicted of fraud or breach of trust.
5. Whether any director has been adjudicated as insolvent or has suspended payment or has compounded with his creditors.
6. Names and addresses of officers and employees.
7. Whether any officer or employee has been convicted for fraud or breach of trust.
8. Whether any officer or employee has been adjudicated as insolvent or has suspended payment or has compounded with his creditors.
9. Names of the directors, officers and employees of the investment company and those of the investment adviser thereof who are members of a stock exchange.
10. Director's interest, direct or indirect in any other investment company.
11. Previous experience of the promoters and directors in the investment field.
12. The financial standing of the promoters and directors (Attach proof, if any).
13. (a) Authorised capital of the company.
(b) Part of such capital proposed to be raised through public offer.
14. Name, address and telephone number of the investment adviser.
15. Name and address of the custodian.
16. Name and address of the underwriter.
17. Financial standing and resources of the underwriter.

FORM IV
[see Regulation 49]

**CERTIFICATE OF REGISTRATION AS AN INVESTMENT COMPANY
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Islamabad, the _____ 20__.

The Securities and Exchange Commission of Pakistan having considered the application for registration under sub-regulation (1) of Regulation 49 of the Non-banking Finance Companies and Notified Entities Regulations, 2007, by.....(Name of the Investment Company) and being satisfied that the said.....(Name of the Investment Company) is eligible for registration and that it would be in the interest of the capital market so to do, hereby grants, in exercise of the powers conferred by clause (2) of sub-regulation (3) of Regulation 49 of the Non-banking Finance Companies and Notified Entities Regulations, 2007, registration to.....(Name of the investment company) subject to the conditions stated herein below or as may be prescribed or imposed hereafter.

- 2. The draft agreement between..... (Name of the investment company) and(Name of the investment Adviser) is approved subject to the following conditions:--
- 3. The appointment of(Name of custodian) is hereby approved subject to the following conditions:-
- 4. The appointment of (Name of the investment adviser) is hereby approved subject to the following conditions:-

Signature of the officer.

FORM-V

FOR APPROVAL OF DIRECTOR/CHIEF EXECUTIVE

S. No	Details		
1.	Curriculum Vitae/Resume containing:		
a	Name: (former name if any):		
b	N.I.C # (attach a copy attested by company secretary)		Attached as Annexure No.
c	Latest photograph		Attached as Annexure No.
d	Father's/Husband Name:		
e	Nationality		
f	Age:		
g	Address:		
	i) Residential:		
	ii) Business:		
h	National Tax #:		
i	Present Occupation:		
j	Qualification(s)		
	i) Educational		
	ii) Professional		
k	Experience:		
2.	Number of share acquired/held		
3. a	Names of companies, firms and other organizations of which he/she is a director, partner, office holder or major shareholder.		
b	Names of companies, firms and other organizations of which he/she has been a director, partner, office holder or major shareholder during last 10-years.		
4.	CIB report issued by SBP (attach original latest CIB report) covering individual as well as group liabilities		Attached as Annexure No
5.	Date of Board of Directors' Meeting in which appointment of proposed director was approved. Attach copy of the minutes of the meeting of the Board of Directors. If the director is elected, then attach a copy of the minutes of the general meeting of the company.		Attached as Annexure No
6.	Affidavit under para 10 of the annexure to form-I of the Non-Banking Finance Companies (Establishment and		Attached as Annexure No

	Regulation) Rules, 2003 (attach in original).		
7.	A copy of Checklist as circulated by the SEC vide Circular No. 8 of 2003 dated 28-2-2003		Attached as Annexure No
8.	Names of persons related to the proposed director/Chief Executive in terms of rule 7(2)(a) of NBFCs Rules who are already on the Board of the NBFC or proposed to be appointed as such and their relationship		
9.	Bank Challan # _____ dated _____ (attach in original).		Attached as Annexure No

Appendix I

Borrower’s Basic Fact Sheets

BORROWER’S BASIC FACT SHEET – FOR CORPORATE

Date of Request. _____

(TO BE COMPLETED IN CAPITAL LETTERS OR TYPEWRITTEN)

1. BORROWER’S PROFILE:

Name										Address									
Phone#										Fax #					Email Address				
Office					Res.														
National Identity Card #										National Tax #					Sales Tax #				
Import Registration #					Export Registration #					Date of Establishment					Date of opening of A/C				

2. DETAILS OF DIRECTORS/OWNERS/PARTNERS:

Name										Address									
Phone#										Fax #					Email Address				
Office					Res.														
National Identity Card #										National Tax #									
Shareholding					Amount					% of Shareholding									

3. MANAGEMENT:

A) EXECUTIVE DIRECTORS/PARTNERS:																			
Name					Address					NIC #					Phone #				
1.																			
2.																			
B) NON-EXECUTIVE DIRECTORS/PARTNERS:																			
Name					Address					NIC #					Phone #				
1.																			
2.																			

4. CORPORATE STATUS:

Sole Proprietorship					Partnership					Public/Private Company									

5. NATURE OF BUSINESS:

Industrial					Commercial					Agricultural					Services					Any other				

6. REQUESTED LIMITS:

	Amount	Tenor
Fund Based		
Non-Fund Based		

7. BUSINESS HANDLED/EFFECTED WITH ALL FINANCIAL INSTITUTIONS DURING THE LAST ACCOUNTING YEAR

Imports	Exports	Remittances effected (if any)

8. EXISTING LIMITS AND STATUS:

	Amount	Expiry date	Status	
			Regular	Amount over-due (if any)
Fund Based				
Non-Fund Based				

9. ANY WRITE-OFF, RESCHEDULING/RESTRUCTURING AVAILED DURING THE LAST THREE YEARS:

Name of Financial Institution	Amount during 1 st year		Amount during 2 nd year		Amount during 3 rd year	
	Write-off	Rescheduled/restructured	Write-off	Rescheduled/restructured	Write-off	Rescheduled/restructured

10. DETAILS OF PRIME SECURITIES MORTGAGED/PLEDGED:

A) AGAINST EXISTING FACILITIES:				
Name of Financial Institution	Nature of Security	Total Amount	Rank of Charge	Net Realizable Value
1.				
2.				
B) AGAINST REQUESTED/FRESH/ADDITIONAL FACILITIES:				
Name of Financial Institution	Nature of Security	Total Amount	Net Realizable Value	
1.				
2.				

11. DETAILS OF SECONDARY COLLATERAL MORTGAGED/PLEDGED:

A) AGAINST EXISTING FACILITIES:				
Name of Financial Institution	Nature of Security	Total Amount	Rank of Charge	Net Realizable Value
1.				
2.				
B) AGAINST REQUESTED/FRESH/ADDITIONAL FACILITIES:				
Name of Financial Institution	Nature of Security	Total Amount	Net Realizable Value	
1.				

2.			
----	--	--	--

12.	CREDIT RATING (WHERE APPLICABLE):		
	Name Of Rating Agency	Rating	

13.	DETAILS OF ASSOCIATED CONCERNS (AS DEFINED IN COMPANIES ORDINANCE, 1984):		
	Name of Concern	Name of Directors	Shareholding
			% of Total shares capital

14.	FACILITIES TO ASSOCIATED CONCERNS BY THE CONCERNED FI:				
	Name of concern	Nature & Amount of limit	Outstanding as on -----	Nature & Value of Securities	Overdues
					Defaults

15.	DETAILS OF PERSONAL GUARANTEES PROVIDED BY THE DIRECTORS/PARTNERS ETC. TO FIs TO SECURE CREDIT:					
	Names of the Guarantors	Institutions/ persons to to whom Guarantee given	Amount of Guarantee	Validity Period	NIC #	NTN
						Net-worth

16.	DIVIDEND DECLARED (AMOUNT) DURING THE LAST THREE YEARS:		
	During 1 st Year	During 2 nd Year	During 3 rd Year

17.	SHARE PRICES OF THE BORROWING ENTITY:		Break-up value of the Shares in case of Private Limited Company
	Listed Companies		
	Current Price	Preceding 12 Months Average	

18.	NET-WORTH (PARTICULARS OF ASSETS OWNED IN THEIR OWN NAMES BY THE DIRECTORS/PARTNERS/PROPRIETORS):		
	Owner’s Name	Particulars of Assets	Market Value
			Particulars of Liabilities

19.	DETAILS OF ALL OVER DUES (IF OVER 90 DAYS):	
	Name Of Financial Institution	Amount

20. Details of payment schedule if term loan sought.

21. Latest Audited Financial Statements as per requirement of Regulation 2 to be submitted with the LAF (Loan Application Form).
22. Memorandum and Articles of Association, By-laws etc. to be submitted by the borrower along with the request.

I certify and undertake that the information furnished above is true to the best of my knowledge.

CHIEF EXECUTIVE’S/BORROWER’S

SIGNATURE & STAMP

COUNTER SIGNED BY:

AUTHORIZED SIGNATURE & STAMP

(NBFC OFFICIAL)

BORROWER’S BASIC FACT SHEET – FOR INDIVIDUALS

Date of Request. _____

(TO BE COMPLETED IN CAPITAL LETTERS OR TYPEWRITTEN)

1. BORROWER’S PROFILE:

Name												Address																		
Phone#												Fax #				Email Address														
Office						Res.																								
National Identity Card #												National Tax #																		
Father’s Name												Father’s National Identity Card #																		

2. PREFERENCES (AT LEAST TWO):

Name												Address											
Phone#												Fax #				Email Address							
Office						Res.																	

Schedule I
[see Rule 4, 5, 7A and Regulation 38, 49, 61, 71]

A) Application Fees under the Rules:

<u>FORM</u>	<u>SUBJECT OF APPLICATION</u>	<u>AMOUNT</u> <u>(RS.)</u>
Form I	Application for permission to form an NBFC	500,000
Form II	Application for licence to undertake or carry out an activity or function	250,000
Form IV	Application for renewal of licence to carry out an activity or function	250,000

B) Application Fees under the Regulations:

<u>FORM</u>	<u>SUBJECT OF APPLICATION</u>	<u>AMOUNT</u> <u>(RS.)</u>
Form I	Application for registration as Venture Capital Fund	500,000
Form III	Application for registration as an investment Company	1,000,000
	Application for registration of an open-end or closed-end scheme	1,000,000

C) Other Fees:

<u>HEAD OF FEE</u>	<u>AMOUNT</u> <u>(RS.)</u>
Monitoring Fee	250,000
Annual Fee	0.10% of average annual NAV

Schedule-II
[see regulation 61]

Closed-end Scheme Constitutive Document

1. Name of closed-end scheme.
2. Participating parties:

A statement to specify the participating parties including the investment adviser and trustee.
3. Governing law.
4. For the trust,___
 - (a) a statement that the deed is binding on each certificate holder as if he had been a party to it and so to be bound by its provisions and authorizes and requires the trustee and the investment adviser to do as required of them by the terms of the deed;
 - (b) a provision that a certificate holder is not liable to make any further payments after he had paid the purchase price of his certificates and that no further liability can be imposed on him in respect of the certificates which he holds;
 - (c) a declaration that the property of the closed-end scheme is held by the trustee on trust for the holders of the certificates pari passu according to the number of certificates held by each holder;
 - (d) a statement that the trustee will report to certificate holders in accordance with the rules and regulations; and
5. Role of investment adviser:
List of the obligations of the investment adviser in accordance with the rules, regulations and any additional obligations depending upon the nature of the scheme.
6. Change of investment adviser including-
 - (a) a statement of the manner in which the investment adviser may retire;
 - (b) a statement of the manner in which the investment adviser may be removed; and
 - (c) a statement as to how the new investment adviser shall be appointed.
7. Role of trustee.
A list of the obligations of the trustee in accordance with rules, regulations and any additional obligations depending upon the nature of the scheme.
8. Change of Trustee Including-
 - (a) a statement of the manner in which the trustee may retire;

- (b) a statement of the manner in which the trustee may be removed; and
 - (c) a statement as to how the new trustee shall be appointed.
- 9. Investment restrictions:
A statement of restrictions on the investment of the property of the closed-end scheme.
- 10. Any exceptions granted to investment restrictions.
- 11. Valuation of property method of determining the value of the assets and liabilities and the net asset value of the closed-end scheme.
- 12. Fees and charges:

The following must be stated, namely:-
 - (a) the maximum fee payable to the investment adviser out of the property of the closed-end scheme, expressed as an annual percentage;
 - (b) remuneration payable to trustee;
 - (c) formation cost to be amortized against the property of the closed-end scheme; and
 - (d) all other material fees and charges payable out of the property of the closed-end scheme keeping in view the provisions of regulations.
- 13. Transactions with connected persons: -

The following must be stated: -
 - (a) cash forming part of the property of the closed-end scheme may be placed as deposits in the name of the scheme with an institution licensed to accept deposits (scheduled commercial bank of good rating); and
 - (b) any transaction between the closed-end scheme and the investment adviser or any of their connected persons as principal may only be made with the prior written consent of the trustee.
- 14. Distribution policy and date:

A statement to determine distributable income and the approximate date(s) in the calendar year on which annual income, if any, will be distributed.
- 15. Annual accounting period:
The date in the calendar year on which the annual accounting period ends.
- 16. Audit:
A statement for the appointment of auditor of the closed-end scheme.
- 17. Modification of the trust deeds:
A statement of the means by which modifications to the trust deeds can be effected.

18. Termination of closed-end scheme:
A statement of the circumstances in which the closed-end scheme can go for winding up or will be terminated or liquidated.
19. Distribution of proceeds on winding up, liquidation or termination
A statement for the distribution of proceeds on liquidation, winding up or termination.

SCHEDULE-III
[see regulation 63]

**INFORMATION TO BE DISCLOSED IN THE OFFERING DOCUMENT
BY CLOSED –END SCHEMES**

Notice: - This list is not intended to be exhaustive. The trustee of the closed-end scheme or the investment adviser are obliged to disclose any information which may be necessary for investors to make an informed judgment.

Constitution of the closed-end scheme

1. Name, registered address and place and date of creation of the closed-end scheme, with an indication of its duration if limited.

Investment objectives and restrictions

2. Details of investment objectives and policy, including summary of the investment restrictions. If the nature of the investment policy so dictates, a warning that investment in the closed-end scheme is subject to abnormal risks, and a description of the risks involved.

Operators and principals

3. The names and registered addressed of the following parties, where applicable:
 - (a) the directors of the investment adviser;
 - (b) the trustee;
 - (c) foreign promoters, if any;
 - (d) the auditor;
 - (e) the registrar; and
 - (f) the legal adviser.
4. Details and note on the performance of the schemes under the management of the investment adviser.
5. Performance of the companies where the directors are holding similar office.

Characteristics of certificates

6. Minimum investment, if any.
7. A description of the different types of certificates.
8. It must be stated that no money should be paid to any intermediary except the certificate holder or his authorized representative.

Distribution policy

9. The distribution policy indicating the time period for distribution of dividend.

Fees and charges

10. The level of all fees and charges payable by the closed-end scheme, including management fee, advisory fee, trustee fee and preliminary and floatation expenses.

Taxation

11. Details of exemptions, taxes levied on the closed-end scheme's income and capital including tax, if any, deductible on distribution to certificate holders.

Reports and accounts

12. The date of the closed-end scheme's financial year.
13. Particulars of the reports to be sent to the certificate holders.

Warnings

14. The following statements or warnings must be prominently displayed in the offering documents,-
 - (a) if you are in any doubt about the contents of this offering document, you should consult your stock-broker, bank manager, legal adviser or other financial adviser; and
 - (b) a warning that the price of certificates and the income from them (where income is distributed) may increase or decrease.

General information

15. A list of documents concerning the closed-end scheme and the address where they can be inspected free of charge or purchased.
16. The date of publication of the prospectus or offering document.
17. A statement that the investment adviser accepts responsibility for the information contained in the prospectus or offering document as being accurate at the date of publication.
18. Details of closed-end schemes not authorized must not be shown in the offering document.

Termination and liquidation of closed-end scheme

19. A summary of the circumstance in which the closed-end scheme can be wound up, liquidated or terminated.

Distribution of proceeds on winding up, liquidation or termination

20. A statement for the distribution of proceeds on liquidation, winding up or termination.

SCHEDULE-IV
[see regulation 46]
**DISCLOSURE REQUIREMENTS FOR COLLECTIVE INVESTMENT
SCHEMES**

1. General

Annual report/Interim Report must contain Statement of Asset and Liabilities, Income Statement, Cash Flow Statement, Distribution Statement, Statement of movement in Unit Holder Fund , Auditor's Report, Report of the Trustee, Report of the Fund Manager and all the information required in this Schedule, Companies Ordinance, NBFC Rules, Code of Corporate Governance and as per the applicable IAS/IFRS

2. Statement of assets and liabilities.

The following must be separately disclosed, namely:-

- (i) total value of investments;
- (ii) bank balances;(iii) preliminary and floatation costs(iv) dividends and other receivable;
- (iii) bank loan and overdrafts or other forms of borrowings;
- (iv) Payable to Management Company/Investment Advisor
- (v) dividend payable;
- (vi) total value of all assets;
- (vii) total value of all liabilities; and
- (viii) net asset value per unit.
- (ix) number of units issued; and
- (x) Share holders Equity with authorized capital, issued capital and reserves. (for close end funds)
- (xi) Contingences and commitments

3. Income statement.

- (1) Total investment income net of withholding tax, broken down by category.
- (2) Total other income, broken down by category.
- (3) Element of income and capital gains.
- (4) An itemized list of various costs which have been debited to the fund including,-
 - (a) fees paid to the investment adviser/asset management company;
 - (b) remuneration of the custodian;
 - (c) remuneration of trustee;
 - (d) amortization of formation costs; director's fee and remuneration;
 - (e) safe custody and bank charges, auditor's remuneration;
 - (f) borrowing expenses, legal and other professional fees; and
 - (g) any other expense borne by the fund.
- (5) Taxes.
- (6) Amounts transferred to and from reserves.
- (7) Net income to be carried forward for distribution.

4. Distribution statement

- (i) Amount brought forward at the beginning of the period.
- (ii) Net income for the period.

- (iii) Interim dividend and date of distribution.
- (iv) Final dividend per share.
- (v) Undistributed income carried forward.

5. Statement of movements in reserves/Unit holder' Fund.

- 1. (Net asset value per share/unit as at the beginning of the period.
- 2. Net asset value per share/unit as at the end of the period.
- 3. Number of unit issued and the amount received upon such issue and total number of unit redeemed and the amount paid on redemption
- 4. Any item resulting in an increase or decrease in net asset value of the
- 5. Share/unit including, -
 - (i) surplus or loss on sale of investments;
 - (ii) exchange gain or loss;
 - (iii) unrealized appreciation or diminution in value of investments;
 - and
 - (iv) net income for the period less distribution.
- 6. Amounts transferred to and from the revenue account.

6. Notes to the accounts.

The following matters shall be set out in the notes to the accounts.

Statement in the Notes that the financial statements are prepared in accordance with applicable Approved Accounting Standards and applicable statutory requirements/the deed/any regulatory requirements.

For interim report, statement whether the financial statements are audited or unaudited.

Where unaudited financial statements are used, a declaration by the director(s) of the management company that the financial statements give a true and fair view of the fund.

(A) Principal accounting policies:

- (a) the basis of valuation of the assets of the fund including the basis of valuation of unquoted and unlisted securities;
- (b) the revenue recognition policy regarding dividend income and other income;
- (c) foreign currency translation, if any;
- (d) the basis of amortization of formation costs;
- (e) taxation; and
- (f) (f)Risk Management polices and hedging activities entity shall describe its financial risk management objectives and polices, including its policy for hedging each main type of forecast transaction for which hedge accounting is use.
- (g) Any other accounting policy adopted to deal with items which are judged material or critical in determining the transactions and in stating the disposition of the closed-end fund.

Note.- Any changes to the above accounting policies and their financial effects upon the accounts should also be disclosed.

(B) Transactions with connected persons:

Statement as to whether dealings with related parties have been transacted at arm's length basis. The following transactions should be disclosed, namely:-

- (i) Details of all transactions entered into during the period between the fund and the

investment adviser, or any entity in which these parties or their connected persons have a material interest; and

(ii) Name of any director of the investment adviser or any connected person if such a person becomes entitled to profits from transactions in shares or from management of the fund and the amount of profits to which such person becomes entitled.

(iii) The total number and value of units held by the management company and its related parties.

(C) Borrowings:

- (i)state whether the borrowings are secured or unsecured and the duration of the borrowings;
- (ii) Disclosure shall be made of all contingent liabilities showing separately underwriting commitments, uncalled liability on partly paid shares and other commitments with specifying details.
- (iii) If the free negotiability of any asset is restricted by statutory or contractual requirements, this must be stated.

(D)Unit holding /share holding pattern of fund

Category	No of shareholders/Investors	Shareholding/Investment amount	% of total
Individuals			
Associated Companies/Directors			
Insurance Companies			
Banks/DFIs			
NBFCs			
Retirement Funds			
Public Ltd Companies			
Others			

(E)Details of share holding/Investors with 5% or more holding

Name	No of shareholders/Investors	Shareholding/Investment amount	%
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(F)The basis on which management fees have been paid to the Asset Management/Investment Advisor and the computation thereof;

- Details of management fee sharing agreement if any
- Disclosure of basis for the fees and charges paid to the trustee.
-

(G)Disclosure of transactions with Top 10 brokers/dealers, as follows:-

- (i) Broker/dealer transactions by value of trade and percentage;
- (ii) The aggregate amount of brokerage fees/commissions paid by the fund as well as the amount of fees/commissions paid to each broker/dealer expressed in both value and percentage;

(H)Details of member of investment Committee with their qualification and experience

(I)Particulars of the personnel (executive, research and others) of the NBFC operating as investment adviser/Asset management Company;

- Name and qualification of fund manager and details of other fund managed by the same manager

(J) The date, names of persons attending and minutes of each meeting of the board of directors.

(K)Latest Credit Rating of the Fund and Management Company/Investment Advisor

7. Contents of the auditors ' report.

The report of the auditor shall state,-

- (i) Whether in the auditor's opinion the accounts prepared for that period have been properly prepared in accordance with the relevant provisions of the regulations;
- (ii) Without prejudice to the foregoing, whether in the auditor's opinion, a true and fair view is given of the disposition of the fund at the end of the period and of the transactions of the fund of the period then ended;
- (iii) if the auditor is of the opinion that proper books and records have not been kept by the fund or the accounts prepared are not in agreement with the fund's books and records, that fact; and
- (iv) if the auditor has failed to obtain all the information and explanations which, to the best of his knowledge and belief, are necessary for the purpose of the audit, that fact.

8. Fund Manager Report

- (i) Description of the fund category and type.
- (ii) Statement of fund's investment objective(s).
- (iii) Explanation as to whether the fund has achieved its stated objective(s).
- (iv) Statement of benchmark(s) relevant to the fund.
- (v) Comparison of the fund's performance during the period compared with the said benchmarks
- (vi) Description of the strategies and policies employed during the period under review in relation to the fund's performance.
- (vii) Disclosure of the fund's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable).
- (viii) Analysis of the fund's performance:-
- (ix) Based on changes in total NAV and NAV per unit since the last review period; or
- (x) Since commencement (in the case of newly established funds).
- (xi) Disclosure on the market(s) that the fund has invested in, including:-
- (xii) Review of the market(s) invested in during the period; and
- (xiii) Statement of the returns on the investments by market(s) and by instruments.
- (xiv) Disclosure on distribution (if any), comprising:-
 - Particulars of income distribution or other forms of distribution made and proposed during the period; and
 - Statement on effects on the NAV before and after distribution is made.

- (xv) Description and explanation of any significant changes in the state of affairs of the fund during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements.
- (xvi) Breakdown of unit holdings by size.
- (xvii) Disclosure on unit split (if any), comprising:-
- (xviii) Details of unit split exercise carried out during the period; and
- (xix) Statement on effects on the NAV per unit before and after the unit split exercise.
- (xx) Disclosure of circumstances that materially affect any interests of the unit holders.
- (xxi) Disclosure If the management company and/or its delegate receives any soft commission (i.e. goods and services) from its broker(s)/dealer(s) by virtue of transactions conducted by the fund, disclosure of the following:-
 - Identification of the goods/services received;
 - and Manner in which the goods/services received were utilised.

For Index Funds only

- Statement on the characteristics and general composition of the index and, where applicable, concentration in any economic sectors and/or issuers.
- Comparison and explanation of the fund's performance compared with the actual index performance over the relevant period.

9. Trustee Report

1. Statement of opinion whether the management company has managed the fund in accordance with the following:-
 - limitations imposed on the investment powers of the management company and the trustee under the deed, Guidelines, the Act and other applicable laws;
 - valuation/pricing is carried out in accordance with the deed and any regulatory requirement; and
 - creation and cancellation of units are carried out in accordance with the deed
 - and any regulatory requirement.
2. Statement on the shortcoming(s) that may have impact on the decision of the existing or the potential unit holders remaining or investing in the fund; and
3. Disclosure of the steps taken to address the shortcoming(s) and/or to prevent the recurrence of the shortcoming(s).
4. c) Where distribution of returns is made, confirmation statement by Trustee that the distribution is tied to and reflect the objective(s) of the funds.

10. Investment portfolio.

- (i) number or quantity of each holding together with the description and market value;
- (ii) the total investment stated at cost.
- (iii) the value of each holding as a percentage of the total investments; and
- (iv) statement of movements in portfolio holdings since the end of the preceding accounting period.

(v)The carrying amount of investments (where applicable) categorised as follows:-

- fixed income and other debt securities;
- quoted and unquoted equity securities;
- derivatives (e.g. futures, options);
- other collective investment funds;
- foreign investments with details of type of instruments
- any other investments;
- liquid assets itemised into broad categories; and
- significant items included in other assets.

11. Performance Table.

Note: Not compulsory for Interim Report.

(i) A comparative table covering the last three financial years depicting the following:-

- (a) total net asset value; and
- (b) net asset value per share or certificate.
- (c) at the end of each financial year.
- (d) Selling price for units.
- (e) Repurchase price for units.
- (f) Highest/lowest selling and repurchase prices.

Note:

Figures should be shown as ex-distribution

(The portfolio composition of the fund, (e.g. Distribution among industry sectors, markets and category of investments).

(g) Total return of the fund, and the breakdown into capital growth and income distributions.

(h) Disclosure on distribution (if any), comprising the following:-

- Distribution per unit (gross and net) for interim and final distribution, shown separately; and
- Highlighting the distribution dates.

(i) Average annual return of the fund measured over specific periods to the date of the report, for one year, two years and three years, or from end of offer period (must disclose launch date)

g) Statement that past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.

(h)Weighted average portfolio duration in case of income and money market fund

Schedule V
[see regulation 61]
INFORMATION TO BE CONTAINED IN THE APPLICATION FOR
AUTHORIZATION OF A COLLECTIVE INVESTMENT SCHEME

Details of the scheme:-

1. Name of the scheme.(with an explanation on the meaning of the name chosen if it is not self explanatory)

Scheme type

Scheme Category

2. Structure of the scheme.

Any distinctive feature(s) of the proposed scheme

3. Subscription date and place.

4. Dealing; daily or weekly or other.

5. Investment objectives.

a) Investment Strategy

b) Asset Allocation

c) Benchmark

6.Details of opportunities for investment in the market

Type of Instruments	Availability of Investment Instrument as at XX/XX/20XX*
Equities	(No. of counters, market capitalization etc)
Debt Securities	No of Issues, amount of outstanding etc)
Money Market Instruments	
Other Please	

*Please indicate source of date for the respective type of investment

7. Details of the parties to the scheme:-

. The investment adviser/Asset Management Company:

(a) Name.

(b) Registered or business address.

(c) Name of the ultimate holding company, if any.

(d) The resumes of the directors and most recent audited financial

(e) Previous approval of the Commission to manage authorized closed-end, open-ended schemes and investment companies.

Following details of existing fund of the management company/Advisor

a) Details of investors/Unit Holders

(Fund wise details)

Type of investor	No of investors	Amount of investment	% of total NAV
Banks			
DFIs			
NBFCs			
Pensions and Gratuity Fund			
Other Corporate investors			
Individual			

Investor			
Total			

b) Details of Unit Holders/share holders with more than 10% holding
(Fund wise details)

Name of Investors	Number of unit hold	Amount of Investment	% of toal NAV or share holding	Core Investor (Yes or No)

c) Details of Investment of Banks, DFIs, and NBFCs
(Fund wise details)

Name of Investors	Number of unit	Amount of Investment	% of toal NAV or share holding	Core Investor (Yes or No)

d) Comparison of performance of existing funds of Asset/Management Company with its peer in industry (for at least last two years)

Name of Fund	Type of Fund	Total Net Asset Value	Growth of net asset value last 1 year	Growth of net asset value in last 1 year of peer group

(peer means average of same type of funds)

- e) Product distinction between the proposed scheme and the existing schemes currently being managed by the Asset management Investment Advisor

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8. The trustee:

- (a) Name.

(b) Registered or business address.

(c) Name of the ultimate holding company, if any.

(d) Previous approval of the Commission as trustee of authorized closed-end and open-ended schemes. If no, names of the directors and most recent audited financial report.

8. For the trustee and investment adviser:

- (a) Which, if any, of these companies are connected persons?

(b) Name anyone who holds appointments, as director or officer, with more than one of these companies.

9. Distribution company:

- (a) Name.

(b) Registered or business address.

(c) Name of ultimate holding company.

A marketing plan for the proposed fund which in the opinion of the Asset

management/Investment Advisor necessary to enable the fund to reach a viable size.

- a) Viable size of the fund
- b) Marketing strategy
- c) Target market or group of investors
- d) Prospective marketing resources and distribution channels
- e) Minimum level of subscription of the fund as well as basis for determining the minimum level

10. The auditor:

- (a) Name.
- (b) Registered or business address.

11. The principal broker:

- (a) Name.
- (b) Registered or business address.
- (c) The approximate percentage of the scheme's transactions in value of securities carried out by the principal broker within the latest financial year of the closed-end scheme.
- (d) Whether the trustee, the directors of the closed-end scheme or the investment adviser is a connected person of the principal broker?

12. Legal Adviser:

- (a) Name.
- (b) Registered or business address.

SCHEDULE – VI

[see regulation 61]

**CONTENTS OF THE CONSTITUTIVE DOCUMENTS
OF UNIT TRUST SCHEMES**

1. Name of scheme.
2. Participating parties:

A statement to specify the participating parties including the asset management company (management company) and trustee.
3. Governing law.
4. For unit trusts,-
 - (a) a statement that the deed is binding on each holder as if he had been a party to it and so to be bound by its provisions and authorizes and requires the trustee and the management company to do as required of them by the terms of the deed;
 - (b) a provision that a holder is not liable to make any further payments after he had paid the purchase price of his units and that no further liability can be imposed on him in respect of the units which he holds;
 - (c) a declaration that the property of the scheme is held by the trustee on trust for the holders of the units *pari passu* according to the number of units held by each holder. (This may be modified as appropriate for schemes offering income and accumulation units.);
 - (d) a statement that the trustee will report to unit holders in accordance with the regulations; and
 - (e) a statement of the objective of scheme and outlines of investment policy of the scheme.
 - (f) A statement of the objective of the scheme and outline of investment policy of the scheme;
5. Role of management company:

A statement of list the obligations of the management company in accordance with the rules.
6. Change of management company:
 - (a) a statement of the manner in which the management company may retire;

- (b) a statement of the manner in which the management company may be removed; and
- (c) a statement as to how the new management company shall be appointed.

7. Role of trustee:

A list of the obligations of the trustee in accordance with rules and any additional obligations depending upon the nature of the scheme.

8. Change of Trustee:

- (a) a statement of the manner in which the trustee may retire;
 - (b) a statement of the manner in which the trustee may be removed;
- and
- (c) a statement as to how the new trustee shall be appointed

9. Investment restrictions:

A statement listing restrictions on the investment of the deposited property and any exceptions granted to investment restrictions.

10. Borrowing restrictions:

- (a) a statement of exceptions to borrowing limits, if any; and
- (b) a statement about any exceptions to borrowing limits depending upon the nature of the scheme, if any.

11. Valuation of property and pricing:

The following rules on valuation of property and pricing must be stipulated,-

- (a) the method of determining the value of the assets and liabilities of the property of the scheme and the net asset value accordingly;
- (b) the method of calculating the issue and redemption prices; and
- (c) the method of pricing and the circumstances under which it can change.

12. Dealing, suspension and deferral of dealing:

The following must be stated,-

- (a) the circumstances under which the dealing of units can be deferred or suspended;
- (b) the maximum interval between the receipt of a properly documented request for redemption of units and the payment of the redemption money

to the holder not to exceed six working days; and

- (c) the circumstances under which the dealing may be suspended.

13. Fees and charges:

The following must be stated,-

- (a) the maximum percentage of the initial charge payable to the management company out of the issue price of a unit;
- (b) the maximum fee payable to the management company out of the property of the scheme, expressed as an annual percentage;
- (c) remuneration payable to trustee;
- (d) formation cost to be amortized against the property of the scheme; and
- (e) all other material fees and charges payable out of the property of the scheme.

14. Transactions with connected persons:

The following must be stated,-

- (a) cash forming part of the property of the scheme may be placed as deposits with the trustee or an institution licensed to accept deposits;
- (b) money can be borrowed from the trustee or any other institution provided that the charges are not higher than the normal bank charges; and
- (c) any transaction between the scheme and the management company or any of their connected persons as principal may only be made with the prior written consent of the trustee.

15. Distribution policy and date:

A statement about distributable income and the approximate date in the calendar year on which annual income, if any, will be distributed.

16. Annual accounting period:

The date in the calendar year on which the annual accounting period ends.

17. Audit

A statement about the audit and appointment of auditors of the scheme.

18. Base currency:

A statement of the base currency of the scheme.

19. Modification of the constitutive documents:

A statement of the means by which modifications to the constitutive documents can be effected.

20. Termination of scheme:

A statement of the circumstances in which the scheme can be terminated.

21. Distribution on liquidation, winding up or termination of scheme:

A statement explaining the manner in which the proceeds of the scheme shall be distributed on liquidation, winding up or termination.

SCHEDULE – VII

[see regulation 63]

INFORMATION TO BE DISCLOSED IN THE OFFERING DOCUMENT BY UNIT TRUST SCHEMES

Notice:- This list is not intended to be exhaustive. The directors of the schemes or the management company are obliged to disclose any information which may be necessary for investors to make an informed judgment.

1. Constitution of the scheme:

Name, registered address and place and date of creation of the scheme, with an indication of its duration if limited.

2. Investment objectives and restrictions:

Details of investment objectives and policy, including summary of the investment and borrowing restrictions. If the nature of the investment policy so dictates, a warning that investment in the scheme is subject to abnormal risks, and a description of the risks involved.

3. Operators and principals:

The names and registered address of the following parties, where applicable,___

- (a) the directors of the asset management company;
- (b) the trustee;
- (c) foreign promoters, if any;
- (d) the distribution company;
- (e) the auditor;
- (f) the registrar; and
- (g) the legal adviser.

4. Details and note on the performance of the schemes under the management of the investment adviser.

5. Performance of the companies where the directors are holding similar office.

6. Characteristics of units:

- (a) minimum investment, if any;
- (b) a description of the different, type of units;
- (c) frequency of valuation and dealing, including days;
- (d) application and redemption procedures;
- (e) the mode of the unit price announcement;
- (f) procedure for subscribing/redeeming/conversion of units;
- (g) the maximum interval between the request for redemption and the payment of the redemption proceeds;

- (h) a summary of the circumstances in which dealing in units may be deferred or suspended; and
- (i) it must be stated that no money should be paid to any intermediary except the unit holder or his authorized representative.

7. Distribution policy:

The distribution policy indicating the time period for distribution of dividend as stock or cash depending on tax laws and interest of unit holders.

8. Fees and charges:

- (a) the level of all fees and charges payable by an investor, including all charges levied on subscription and redemption and conversion, and
- (b) the level of all fees and charges payable by the scheme, including management fee, advisory fee, trustee fee and preliminary and floatation expenses.

9. Taxation:

Details of exemptions, taxes levied on the scheme's income and capital including tax, if any, deductible on distribution to unit holders.

10. Reports and accounts

- (a) The date of the scheme's financial year; and
- (b) Particulars of the reports to be sent to the unit holders;

11. Warnings

The following statements or warnings must be prominently displayed in the offering documents,-

- (a) if you are in any doubt about the contents of this offering document, you should consult your stock-broker, bank manager, legal adviser or other financial adviser.
- (b) a warning that the price of units and the income from them (where income is distributed) may go increase or decrease.

12. General information

- (a) a list of constitutive documents and the address where they can be inspected free of charge or purchased;
- (b) the date of publication of the offering document;

- (c) a statement that the asset management company accepts responsibility for the information contained in the offering document as being accurate at the date of publication;
- (d) details of schemes not authorized must not be shown in the offering document.

13. Termination of scheme

A summary of the circumstance in which the scheme can be terminated.

14. Distribution of proceeds on winding up, liquidation or termination

A statement for the distribution of proceeds on liquidation, winding up or termination.

Schedule VIII

FIT AND PROPER CRITERIA

DEFINITIONS

(1) “**Executive Director**” means a paid employee or executive in the concerned NBFC or employee or executive in a company / group where sponsor shareholders of the NBFC have substantial interest.

(2) “**Key Executive**” means key executives of the NBFC and includes, inter alia, the following functional responsibilities:-

- a. Any executive, acting as second to Chief Executive Officer including Chief Operating Officer or by whatever name called.
- b. Chief Financial Officer/Head of Accounts/ Head of Finance
- c. Head of Internal Audit
- d. Head of Information Technology
- e. Head of Credit/ Risk Management
- f. Head of Human Resource.
- g. Head of Operations
- h. Head of Marketing
- i. Head of Research
- j. Head of Treasury/ Chief Investment Officer
- k. Head of Law/ Company Secretary/ Compliance Officer
- l. Investment Analyst
- m. Fund Manager
- n. Any other functional responsibility which the Commission may include from time to time

(3) Words and expressions used but not defined here shall have the same meaning as assigned to them in the Companies Ordinance, 1984 or the Securities and Exchange Ordinance, 1969 or Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 or Non-Banking Finance Companies And Notified Entities Regulations, 2007.

APPLICATION AND SCOPE

The **“Fit and Proper Criteria” (FPC) in relation to NBFC** is applicable on the following persons:

- (i) Sponsors and Promoters who apply for an NBFC license,
- (ii) Investors acquiring strategic control/ major stake in an existing NBFC
- (iii) Proposed Directors of NBFC
- (iv) Proposed Chief Executive (CE) of NBFC
- (v) Key Executives of NBFC.

(2) All the above named categories of the persons excluding the Key Executives of NBFC shall obtain prior approval of the Commission and the Directors and CE shall not assume the charge of their respective offices until their appointments have been approved by the Commission. The CE shall be full time employee of NBFC. All the requests for seeking approval of the Commission shall be submitted by the respective NBFC along with the requisite information as given in Annexure -I & II.

(3) NBFC must ensure while appointing Key Executives that they qualify the Fit and Proper Test in letter and spirit. The Key Executives shall be full time employees of NBFC and their appointment shall not require approval of Commission. However, while appointing a Key Executive information on prescribed format at Annexure-III shall be submitted to the Commission within seven days of assumption of the charge of the post by the incumbent. The accuracy of the submitted information may be checked on post facto basis by Monitoring & Inspection Wing of the Commission during onsite inspection.

(4) The fitness & propriety of any person will be assessed taking into account all the relevant factors including but not limited to the following broad elements:

- (a) Honesty, Integrity, Diligence, Fairness ,Reputation and Track Record
- (b) Financial Soundness
- (c) Competence and Capability
- (d) Conflict of Interest
- (e) Others

(5) The last three broad elements may not be considered while assessing the fitness & propriety of the following persons:

- (i) Sponsors and Promoters who apply for an NBFC license.
- (ii) Investors acquiring strategic control/ major stake in an existing NBFC

(6) Fit & Proper Test is continuous in nature and NBFCs shall ensure

compliance with the FPT in letter and spirit. The FPT is being introduced to promote corporate governance in the non-bank financial sector. All persons subject to FPT should immediately submit any change in the information already submitted through the Company Secretary of the NBFC to Specialized Companies Division.

(7) Any violations or circumvention of these FPT shall be dealt with under the provisions of the Ordinance.

ASSESSMENT OF FITNESS AND PROPRIETY

(1) Honesty, Integrity, Diligence, Fairness, Reputation and Track Record

Honesty, integrity, diligence and fairness, reputation and track record are qualities that are demonstrated over time. These attributes demand a disciplined, on-going commitment to high standards of behavior and honesty.

In determining a person's honesty, integrity, diligence, fairness, reputation and track record, the Commission or the hiring authority at an NBFC shall consider all relevant factors, including but not limited to the following:

- (i) Has not been convicted/ involved in any criminal/ civil/ administrative offence, particularly an offence relating to dishonesty, fraud/ forgery, financial crime or other criminal acts or been involved in any acts of misfeasance or serious misconduct;
- (ii) Has not been associated with any illegal activity especially illegal deposit taking;
- (iii) Has not been subject to any adverse findings or any settlement in civil/criminal proceedings particular with regard to investments, financial/business misconduct, fraud, formation or management of a corporate body etc. by the Commission, other regulatory bodies (within or outside Pakistan), professional bodies or government bodies/ agencies;
- (iv) The person, or any business in which he has controlling interest or exercises significant influence, has not been investigated, disciplined, suspended or reprimanded by a regulatory body or a professional body or a court of law.
- (v) Has not contravened any of the requirement and standards of the Commission, or the equivalent standards/ requirements of other regulatory bodies (in and outside Pakistan), professional bodies or government bodies, which are of the nature and/or significance that may have affected his fitness and propriety;
- (vi) Has not been demoted, dismissed, or asked to resign, from employment by any financial institution, or has not been removed by any regulator or government body, in the capacity of employee, director, chairman or key executive of the company/ firm or any other position of trust.
- (vii) Has not been involved with (management or conduct of the affairs of) a company/ firm whose registration/ license has been revoked or cancelled or gone into liquidation or other similar proceedings due to mismanagement of affairs, financial misconduct or malpractices;

- (viii) Has not been involved with a company/firm or other organization that has been refused registration, authorization, membership or a license to conduct a trade, business or profession, or has had that registration, authorization, membership or license revoked, withdrawn or terminated;
- (ix) Has not been refused the right to carry on a trade, business, or profession as a result of the removal of relevant licence, registration or other authority mentioned at criterion (viii),
- (x) Has not been disqualified, under the Companies Ordinance, 1984 or any other legislation or regulation, from acting as a director or serving in a managerial capacity of an NBFC or a company;
- (xi) Has been fair, truthful and forthcoming in his dealings with customers, superiors, auditors and regulatory authorities;
- (xii) Has not at any point of time shown strong opposition or lack of willingness to maintaining effective internal control systems; and
- (xiii) Has not been involved in any plea bargain with any government agency such as National Accountability Bureau.
- (xiv) Has, in case of sponsors and promoters who apply for an NBFC license or Investors acquiring strategic control/ major stake in an existing NBFC, requisite disclosed and verifiable financial resources.
- (xv) Has, in case of sponsors and promoters who apply for an NBFC license or Investors acquiring strategic control/ major stake in an existing NBFC, an established and proven track record of successfully running a business enterprise for 3 to 5 years, preferably a public listed company.

(2.) Financial soundness

In order to demonstrate his/ her capacity to ensure safety and soundness of an NBFC, including the balancing of risks and rewards, and protect the interests of depositors, unit/ certificate holders, shareholders and other stakeholders, a person must demonstrate, to the satisfaction of the Commission or in case of Key Executives to the hiring authority in the NBFC, that he/ she has managed his/ her own financial affairs properly and prudently.

In determining a person's financial soundness, the Commission or NBFC shall consider all relevant factors, including but not limited to:

- (i) Whether all relevant financial statements/record including wealth statements/ income tax returns/ assessment orders are available.
- (ii) whether the person has been subject of any adverse judgment or award in Pakistan or elsewhere, that remains outstanding or was not satisfied within a reasonable period;
- (iii) whether the person has been in default of payment of dues owed to any financial institution and/or default in payment of any taxes in an individual capacity or as Proprietor of a sole proprietorship concern, Partner in a partnership firm, Director, Chairman, President or Chief Executive in any private or public limited company which has defaulted in payment of its dues to financial institutions/tax authorities;;
- (iv) whether the person has made any arrangements or composition with his creditors, filed for bankruptcy, been adjudged bankrupt, had assets sequestrated, or been involved in proceedings relating to any of these; and
- (v) whether the person has been declared a defaulter by any stock exchange.

(3) Competence and Capability

(a) While assessing the competence and capability of the proposed Directors on the Board of an NBFC, the Commission shall take into account all the relevant considerations including, but not limited to:

- (i) should be individuals having management/business experience of at least five years at a senior level in an active capacity;
- (ii) should be professionally qualified and have demonstrated knowledge in the field of banking, mutual funds, accounting, internal audit, law and Information Technology etc.;
- (iii) should not be minors or of unsound mind; and
- (iv) should have their names borne on the register of national tax payers except where such person is a non-resident.

(b) The CE must demonstrate his competence and ability to understand the technical requirements of the business, inherent risks and management processes required to conduct its operations effectively, with due regard to the interests of all stakeholders. In determining competence, and capability of the CE, the Commission shall take into account all relevant considerations including, but not limited to:

- (i) should have a minimum experience of seven to ten years in a senior management position, preferably in the regulated financial services sector.

- (ii) should have demonstrated, through his qualifications and experience, the capacity to successfully undertake the cognate responsibilities of the position;
- (iii) should have never been diagnosed as being mentally ill or unstable;
- (iv) should have a sound knowledge of the business and responsibilities he/she will be called upon to shoulder.

(c) The Key Executives must be qualified professionals possessing relevant experience and degrees relating to the job/ assignment. The NBFC while determining the competence and capability of a key executive may also take into account the factors enumerated at 2 b (ii) to 2 b (iv).

(4) Conflict of interest

(a) In order to safeguard the interest of the depositors, unit/ certificate holders, shareholders and other stakeholders of an NBFC, each of its directors, chief executive and chairman of the Board of Directors shall satisfy the following conditions:

- (i) is not a director in any other NBFC engaged in a similar business. This condition shall not apply to the nominees of the Federal or Provincial Governments on the board of any NBFC
- (ii) is not serving as Chief Executive, Chief Financial Officer, Chief Internal Auditor, Advisor, Research Analyst or a Trader (by whatever name/designation called) in a stock brokerage house or or in any company/entity owned and controlled by a member of Stock Exchange.
- (iii) is not a member of stock exchange, or in control of more than 20% shareholding, directly or indirectly through his/her family members, of a brokerage house; and
- (iv) The directors should avoid conflict of interest in his/her activities with and commitments to other organizations.

Provided that the Commission, on being satisfied that there exists an adequate and transparent arrangement between a NBFC and the associate undertaking so as to avoid conflict of interest, may waive the requirements of clauses i to iii to such extent as it may deem necessary.

(b) Incase of Key Executives, the NBFCs must ensure that no Key Executive shall head more than one functional area that give rise to conflict of interest within the organization. For example the departments of Audit and Accounts shall not be headed

by the same person. Further, a key executive shall not hold directorship in his/ her personal capacity: (a) in a business concern which is also a client of the NBFC, and (b) in any other financial institution.

(5.) Others

- (i) Not more than 25% directors of the same family are permitted to be on the Board of an NBFC.
- (ii) No member/office bearer of any political party or member of Senate, National/Provincial Assembly/Local bodies shall be appointed/recommended for appointment as member of Board of Director and/or Chief Executive/ Key Executive of an NBFC.
- (iii) At least one-third of the directors of NBFC shall be independent directors.



Annexure A

**PHOTOGRAPH
passport size**

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

**PROFORMA FOR SPONSORS AND PROMOTERS WHO APPLY FOR AN NBFC
LICENSE, INVESTORS ACQUIRING STRATEGIC CONTROL/ MAJOR STAKE IN
AN EXISTING NBFC, PROPOSED DIRECTORS AND PROPOSED CHIEF
EXECUTIVE**

Personal Details

Full Name	Parents and Spouse Names Father Name: Mother Name Spouse Name	
Date of Birth (dd-mm-yyyy)	Place of Birth (Town/City, Province, Country)	
Nationality	How was nationality acquired Birth <input type="checkbox"/> Naturalisation <input type="checkbox"/> Marriage <input type="checkbox"/>	
Religion	Marital Status: Single <input type="checkbox"/> Married <input type="checkbox"/> Divorced <input type="checkbox"/>	
National Identity Card Number: Old: New:	Passport Number:	
National Tax Number	Current Residential Address	
Permanent Residential Address	Telephone Number: Residential: Office: Mobile Phone	
Email Address	Fax Number	
Has there been change of name or have you ever changed names? Yes <input type="checkbox"/> No <input type="checkbox"/> <i>(if 'Yes' provide full details below)</i>		
Previous Name	Date of Change	Reason for Change

Academic Qualification

Qualification & year	Name & Address of Degree Awarding Institution	Grade

Professional Qualification

Qualification	Name & Address of Degree Awarding Institution	Date of Completion

Trainings

Details of the trainings	Name of Training Institute	Duration Along with dates

Existing Employment

Present Designation	Present Department
Official Address	

Positions held during the last 10 years (along with name and address of company/ institution/ body where appointment held, nature of company/ institution/body and dates of appointment)

Relationship with other Directors

Name of Director	Relationship

Nature of Directorship Executive ☐ Non-Executive ☐

Status of Directorship Shareholder ☐ Nominee Director ☐

Number of Shares Subscribed/held _____

Nominated by _____ (name of shareholder)

Personal Net Worth (Certified copy of Wealth Statement may be enclosed) _____

List of companies / firms other than the Non-Banking Finance Company in which directors and their family members viz. spouses, children and parents serve(d) as directors, chief executive, partner, proprietor or major shareholders holding 20% or more shares as per following format:

Name of the director and his /	Occupation / Profession/	NTN	CNIC or Passport No.	Name of associated company /	Name of the Financial Institution with which company/ firm (as per
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her family Members	Trade			firm, position held & % of Shareholding	column 5) have dealings with:
1	2	3	4	5	6

National Tax Number of the company/ firm.	Nature of Business of the company/ firm	Asset base of the company/ firm as reflected in the latest audited accounts of the company/ firm	Dividend declared by the company in the immediately preceding three years
7	8	9	10

References

Names & addresses of three respectable persons (not relatives) who have been closely associated with you during the last five years

Signature

*use additional sheets if required

Annexure B

AFFIDAVIT

(On Non-Judicial Stamp Paper)

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____ do hereby state on solemn affirmation as under:-

1. that the deponent fulfills the entire fit and proper test in letter and spirit
2. the deponent hereby confirm that the statement made and the information supplied in the attached questionnaire and the proforma and the answers thereof are correct and that there are no other facts that are relevant for "Fit and Proper Test"
3. that the deponent undertake that the Securities and Exchange Commission of Pakistan may seek additional information from any third party it deems necessary in view of assessing "Fit and Proper Test"
4. that the deponent undertake to bring to the attention of the Securities Exchange Commission of Pakistan any matter which may potentially affect my status as being someone fit and proper as and when it crops up; and
5. that whatever is stated above is correct to the best of my knowledge and belief and nothing has been concealed therein.

DEPONENT

The Deponent is identified by me

Signature _____
ADVOCATE
(Name and Seal)

Solemnly affirmed before me on this _____ day of _____ at _____ by the Deponent above named who is identified to me by _____, Advocate, who is known to me personally.

Signature _____
OATH COMMISSIONER FOR TAKING AFFIDAVIT
(Name and Seal)

QUESTIONNAIRE FOR ACCESSING “FIT & PROPER TEST”

Please answer the following questions by entering a tick (✓) in the appropriate box. If answer of any of these questions in YES and need explanation, use a separate sheet with proper reference to the question.

	Yes	No
1. Have you ever been convicted/ involved in any criminal/ civil/ administrative offence, particularly an offence relating to dishonesty, fraud/ forgery, financial crime or other criminal acts or been involved in any acts of misfeasance or serious misconduct?	<input type="checkbox"/>	<input type="checkbox"/>
2. Have you ever been associated with any illegal activity especially illegal deposit taking?	<input type="checkbox"/>	<input type="checkbox"/>
3. Have you ever been subject to any adverse findings or any settlement in civil/criminal proceedings particularly with regard to investments, financial/business, misconduct, fraud, formation or management of a corporate body etc by SECP, other regulators, professional bodies or government bodies/agencies?	<input type="checkbox"/>	<input type="checkbox"/>
4. Have you ever contravened any of the requirement and standards of the Commission, or the equivalent standards/ requirements of other regulatory bodies (in and outside Pakistan), professional bodies or government bodies, which are of the nature and/or significance that may have affected your fitness and propriety?	<input type="checkbox"/>	<input type="checkbox"/>
5. Have you ever been involved with a company or firm or other organization that has been refused registration/licence to carry out trade, business etc?	<input type="checkbox"/>	<input type="checkbox"/>
6. Have you ever been involved with a company/firm whose registration/licence has been revoked or cancelled or gone into liquidation or other similar proceedings?	<input type="checkbox"/>	<input type="checkbox"/>
7. Have you ever been debarred for being Chief Executive, Chairman, Director or Sponsor of a company, especially financial institutions?	<input type="checkbox"/>	<input type="checkbox"/>
8. Have you ever been demoted or dismissed or asked to resign/resigned in Pakistan or elsewhere in order to avoid legal or disciplinary action?	<input type="checkbox"/>	<input type="checkbox"/>
9. Have you ever resigned from a professional or regulatory body in Pakistan or elsewhere in order to avoid legal or disciplinary action?	<input type="checkbox"/>	<input type="checkbox"/>
10. Have you ever been disqualified/ removed by regulators/Government bodies/ agencies?	<input type="checkbox"/>	<input type="checkbox"/>
11. Have you ever been in default of payment of dues owed to any financial institution in individual capacity or as proprietary concern or any partnership firm or in any private/ public limited company?	<input type="checkbox"/>	<input type="checkbox"/>
12. Do you have, in case of sponsors and promoters who apply for an NBFC license or Investors acquiring strategic control/ major stake in an existing NBFC, the requisite disclosed and verifiable financial resources.	<input type="checkbox"/>	<input type="checkbox"/>
13. Do you have, in case of sponsors and promoters who apply for an NBFC license or Investors acquiring strategic control/ major stake in an existing NBFC, established	<input type="checkbox"/>	<input type="checkbox"/>

and proven track record of successfully running a business enterprise for 3 to 5 years, preferably a public company, in regulated financial services sector.

- | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| 14. Have you ever been in default of taxes in individual capacity or as proprietary concern or any partnership firm or in any private/ public limited company? | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. Have you ever been associated as director and/or chief executive with the corporate bodies whose corporate and tax record, including custom duties, central excise and sales tax has been unsatisfactory? | <input type="checkbox"/> | <input type="checkbox"/> |
| 16. Have you entered into any agreement with any other person (natural or legal) which will influence the way in which you exercise your voting rights or the way in which you otherwise behave in your relationship with the authorized entity? | <input type="checkbox"/> | <input type="checkbox"/> |
| 17. Do you have, in case of Chief Executive, a minimum experience of seven to ten years in a senior management position in the regulated financial services sector? | <input type="checkbox"/> | <input type="checkbox"/> |
| 18. Have you ever been diagnosed as being mentally ill or unstable? | <input type="checkbox"/> | <input type="checkbox"/> |
| 19. Are you a director on the Board of Directors of any other Non-banking Finance Institution(s) holding similar license? | <input type="checkbox"/> | <input type="checkbox"/> |
| 20. Are you serving as Chief Executive, Chief Financial Officer, Chief Internal Auditor, Advisor, Research Analyst or a Trader (by whatever name/designation called) in a stock brokerage house or in any company/entity owned and controlled by a member of Stock Exchange? | <input type="checkbox"/> | <input type="checkbox"/> |
| 21. Are you a member of stock exchange, or in control of more than 20% shareholding, directly or indirectly through his/her family members, of a brokerage house? | <input type="checkbox"/> | <input type="checkbox"/> |
| 22. Have you been or are you working as consultant or adviser of the NBFC in which you intend to become a director? | <input type="checkbox"/> | <input type="checkbox"/> |
| 23. Are you employee of the NBFC? | <input type="checkbox"/> | <input type="checkbox"/> |
| 24. Are you employee of a company/entity/organization where sponsor shareholders of NBFC have substantial interest? | <input type="checkbox"/> | <input type="checkbox"/> |
| 25. Are you a member/office bearer of any political party or member of Senate/National/Provincial Assembly/Local Body? | <input type="checkbox"/> | <input type="checkbox"/> |
| 26. Any other information that is relevant for the purpose of the Commission and needs to be mentioned? | <input type="checkbox"/> | <input type="checkbox"/> |

Signature: _____

Name: _____

Position: _____

Date: _____



PHOTOGRAPH
passport size

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

PROFORMA –FITNESS & PROPRIETARY OF KEY EXECUTIVES

Personal Details

Full Name	Parents and Spouse Names Father Name: Mother Name Spouse Name	
Date of Birth (dd-mm-yyyy)	Place of Birth (Town/City, Province, Country)	
Nationality	How was nationality acquired Birth <input type="checkbox"/> Naturalisation <input type="checkbox"/> Marriage <input type="checkbox"/>	
Religion	Marital Status: Single <input type="checkbox"/> Married <input type="checkbox"/> Divorced <input type="checkbox"/>	
National Identity Card Number: Old: New:	Passport Number:	
National Tax Number	Current Residential Address	
Permanent Residential Address	Telephone Number: Residential: Office: Mobile Phone	
Email Address	Fax Number	
Has there been change of name or have you ever changed names? Yes <input type="checkbox"/> No <input type="checkbox"/> (if 'Yes' provide full details below)		
Previous Name	Date of Change	Reason for Change

Academic Qualification

Qualification & year	Name & Address of Degree Awarding Institution	Grade

Professional Qualification

Qualification	Name & Address of Degree Awarding Institution	Date of Completion

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Trainings

Details of the trainings	Name of Training Institute	Duration Along with dates

Current employment details

Designation	Date of Assumption of the current position	RESPONSIBILITIES (Please provide details of the duties and responsibilities)

Previous EMPLOYMENT HISTORY COVERING AT LEAST TEN PREVIOUS YEARS (start with the most recent position)

1 Employer Name: _____ Nature of Employer Business: _____ Employer's Address: _____ Employer Contact Number: _____ Your Job Title: _____ Brief description of duties and responsibilities: _____ _____ Date of Appointment: _____ Date of Leaving : _____ Reasons for Leaving: _____ _____

Have you ever been convicted of any offence?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If Yes, please state the nature of offence and the penalties imposed	
Have you ever been censured or penalized by any financial regulator (local or foreign)?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If Yes, please state reasons for adverse findings and amount of penalty imposed (if any)	
Have you ever been dismissed form employment?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If Yes, name of the employer and reason for dismissal	

References

Name(s) & designation(s) of the direct supervisor (one grade up) under whom you have served during the last five years

Names & addresses of three respectable persons (not relatives) who have been closely acquainted with you during the last five years

Signature & Stamp of concerned official

use additional sheet if required

No. SEC/SCD/NBFCD- ED/586/2007

(Abdul- Rehman Qureshi)
Advisor/Secretary