

Press Release

SECP Proposes Changes in NBFC Regulations, 2008

Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 350 (I)/2011 dated 5th May, 2011 has proposed certain amendments in the NBFC & Notified Entities Regulations, 2008 (the “Regulations”) and have also placed these amendments on its website to solicit comments from the public and concerned quarters.

While allowing operational flexibility to fund managers, measures have also been introduced to foster investor protection. It is a step forward by the regulator for a more conducive regulatory framework to help the industry participants to avail growth opportunities.

The significant amendments encompass:

1. Replacement of seed capital requirements with minimum fund size to offer flexibility to fund managers in launching new mutual funds;
2. Restricting annual equity brokerage paid by a mutual fund to a single broker to 10% of its total brokerage expense, for promoting competitive brokerage services. Besides minimizing concentration risk posed to mutual funds, such measures are also aimed at encouraging other financial market participants to avail diversified brokerage services rather than routing bulk transactions through single or a few brokers;
3. Empowerment of unit holders for decisions on material aspects of a mutual fund including transfer of its management rights;
4. Enhancement of role of Trustees of mutual funds to ensure better safeguarding of unit holder interests and prohibiting them from investing in mutual funds for which they act as trustee;
5. Imposition of 5% cap on investment by a single unit holder in a mutual fund with the objective to contribute towards broadening the investor base; and
6. Removal of minimum lease period for any lease to provide operational flexibility to Leasing Companies.

SECP, as part of its continuous efforts for development of the capital markets has proposed the amendments in accordance with international best practices and are aimed at encouraging the growth of mutual funds.

Any suggestions / comments on the proposed amendments in the Regulations may be submitted before 21st May, 2011 at NBFC.Comments@secp.gov.pk or at below address:

Director NBFC-II
Specialized Companies Division
Securities and Exchange Commission of Pakistan
5th Floor, NIC Building, 63- Jinnah Avenue, Blue Area
Islamabad, Pakistan
Fax: +92 (51) 9218590