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SECP Holds Seminar on Voluntary Pension System



Dr. Salman Shah, Adviser to the Prime Minister on Finance and Economic Affairs, addressing the conference on Voluntary Pension System.

The Securities and Exchange Commission of Pakistan (SECP), in collaboration with the World Bank, organised a one-day seminar, “Voluntary Pension System – Prospects and Future Challenges” in Islamabad.

Adviser to the Prime Minister on Finance and Economic Affairs, Dr. Salman Shah inaugurated the well-attended seminar. He offered full support to the new private pension system and noted that this timely step would cater to the needs of the old age Pakistani population. In his opening remarks, the Chairman SECP, Dr. Tariq Hassan said that in Pakistan, there were not many current tools for retirement savings and the few available were under-utilized. He said that having

retirement benefits dependent on the same firm that paid salaries was a violation of basic investment principles. To address this issue, he said that the governments all over the world were moving quickly towards voluntary pension system (VPS) and the initiative of the SECP in this regard was extremely useful.

During the course of the seminar, presentations were made by experts on asset management, insurance, and pensions that highlighted various aspects of the private pension system. Mr. Richard Hinz of the Social Protection Unit, World Bank, appreciated the SECP for evolving an excellent private pension system in a short span of time.

Ms. Anne Maher, Chief Executive Director of the Pension Board, Ireland talked about Ireland's experiences, in particular, and those of Europe, in general. Mr. Robert Palacios, World Bank, talked about growth of pensions funds in Asia and operational frameworks of certain countries such as India, Thailand, and Hong Kong. Other speakers at the seminar were Mr. Naseem Beg, Chief Executive, Arif Habib Investment Management Limited; Mr. Samee-ul-Hassan, Consulting Actuary, Akhtar Hassan (Pvt.) Ltd.; and Dr. Susan Thomas, Professor, Indira Gandhi Institute of Development & Research. They touched upon various aspects of VPS, international best practices such as those in India, reforms in Pakistani pension system, and impact on the socio-economic condition of the people.

SECP Prepares Draft Rules for Real Estate Investment Trusts

The SECP has prepared draft Rules for Real Estate Investment Trusts (REITs). In recognition of international and regional financial market developments and in order to modernize Pakistan's financial sector, the SECP has been working on the potential of introducing REITs in Pakistan as a new investment and saving vehicle.

The formulation of the draft REIT's regulatory framework is a significant milestone in this regard. The draft REITs Rules have been developed by the SECP in light of international best practices and feedback from a task

force constituted by the SECP. The SECP anticipates that REITs have the potential to become a valuable investment vehicle for the public at large, by routing savings through a collective investment scheme structure into the real estate market. The idea is to make real estate accessible as an investment avenue to the average household investor.

REITs are envisaged to be closed-end trusts with tax treatment similar to that of mutual funds and modarabas in Pakistan in terms of tax exemptions. Retail investors would obtain the

benefit of a diversified real estate portfolio under professional management with publicly traded shares on the stock exchanges. The investments of REITs shall be concentrated in income-generating properties and/or property development activities, the returns of which shall be substantially transferred to the holders of REIT securities. It is expected that REITs will have a profound impact on the development of real estate market in Pakistan. These rules will be sent to the Ministry of Finance for notification after seeking public comments.

Corporate Laws Review Commission Holds First Meeting

The first meeting of the Corporate Law Review Commission (CLRC) was held at the SECP's head office in Islamabad under the chairmanship of Chief Justice of Pakistan (Retd.) Muhammad Ajmal Mian. The meeting was attended by the Chairman SECP, Dr. Tariq Hassan, Ms. Musharraf Hai, Mr. Sohail Hassan, Mr. Tehsin Iqbal, Mr. Qazi Jamil, Senator Khalid Ranjha, and Mr. Abdul Hameed Chaudhry.

The primary objective of the CLRC is to assess the adequacy of the Companies Ordinance, 1984 and its relevance to the sustained development of a liberalized, deregulated, efficient and cost effective



Chief Justice of Pakistan (Retd.) Muhammad Ajmal Mian chairing meeting of the CLRC in Islamabad.

corporate sector. The CLRC would proceed with the identification of issues that need to be addressed while

reviewing the Companies Ordinance. To this end, the CLRC is to examine emerging norms in the company law across various jurisdictions and invite comments from stakeholders, including representative bodies of lawyers and accountants, business community and from the general public.

The CLRC has agreed to work on a concept paper, which will identify the future direction for the corporate sector with the objective of encouraging corporatization, allowing for the progressive development of the corporate sector and enhancing corporate compliance.

SECP Represented in IOPS Meetings

The SECP has been reelected as a member of the Executive Committee of the International Organization of Pension Supervisors (IOPS) for the next two years and Vice-Chair of its Technical Committee for the next three years. The Chairman, SECP, Dr. Tariq Hassan attended the meetings of the Technical Committee and the Executive Committee as well as the Annual General Meeting (AGM) of IOPS in Paris.

The SECP has assisted the Executive Committee to reformulate the Articles of Association of IOPS. The amended Articles proposed by SECP were adopted unanimously at the AGM. The SECP also assisted in the development of the IOPS website and this developmental role was duly acknowledged by the IOPS Secretariat during the meetings.

The Technical Committee of IOPS drafts the principles and standards for pensions, which serve as an international benchmark. As a part of the Technical Committee, the SECP participated in the development of the Core Principles of Private Pension Supervision. An Exposure Draft of the Principles, recommended by the Technical Committee, has been adopted by the members at the AGM. The Exposure Draft will be put up on the IOPS Website for public review and IOPS will undertake a consultation process during the next four months. The outcome of this process will be discussed in the forthcoming meetings of the Technical Committee in March and June and the draft will be finalized by November next year. The final draft is likely to be adopted in the IOPS AGM of 2006.

The SECP is a founding member of IOPS, which is a standard-setting body for private pension supervisors.

Listed Companies asked to Provide Adequate Information to Shareholders

The SECP directed listed companies to provide adequate information to shareholders in cases of disposal of complete undertakings or sizeable parts thereof.

Directors of companies are required under Section 196(3)(a) of the Companies Ordinance, 1984 to take consent of shareholders in the general meeting before making a deal to sell, lease, or dispose of the undertakings, or their sizeable part, and to provide a statement of all material facts concerning the proposed sale or lease or disposal of assets.

It had been observed that listed companies, while proposing to sell the entire undertaking or parts thereof, did not make adequate and material disclosures to the shareholders. In addition, some companies had been seeking authorization for sale of entire undertakings without identifying their future course of action. The SECP's direction to listed company emphasizes on the disclosure of information to ensure that shareholders make informed decisions and that the transactions are undertaken in a transparent manner. This would ensure compliance with the relevant provision of the Companies Ordinance in its true spirit.

SECP Launches its Revamped Website

The SECP unveiled its new-look, revamped website. The new website is more informative and user friendly. Easier and focused navigation has been ensured through added features. The new website incorporates separate portals for all the departments of the SECP. Besides, information on each of the sectors under the SECP's purview and functional information also been made available.

The website provides an online Name Reservation System that would greatly facilitate companies seeking registration with SECP. The SECP would further improve upon the structure and contents of the website for its final launch in January 2006.

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