

Press Release

SEC Notifies Voluntary Pension System Rules

Islamabad, February 25, 2005: The Securities and Exchange Commission of Pakistan (SEC) has notified Voluntary Pension System Rules, 2005. The Rules have been finalized after seeking comments of the stakeholders and provide for a new Voluntary Pension System (VPS) in the country.

Under the VPS, asset management companies and life insurance companies would be licensed to act as pension fund managers. In addition, life insurance companies would be authorized to offer annuity plans at the retirement age of the participants. All Pakistani nationals, over 18 years of age, having a valid National Tax Number and who are not employed in any position entitling them to benefits under any approved occupational pension scheme shall be eligible to contribute to the pension funds authorized by the SEC. Pension fund managers will maintain separate pension accounts for each participant. The participant would be allowed to transfer the balance in his individual pension account maintained with a pension fund manager to another pension fund manager. Balance in the pension fund would be invested in accordance with the criteria laid down by the SEC from time to time. At the age of retirement, i.e. between sixty and seventy years or earlier (in case a participant develops disabilities), the participants would be allowed to withdraw 25 percent of the amount in his individual pension account and the remaining amount would be used to buy an annuity contract from a life insurance company of his choice. All other withdrawals would be subject to deduction of withholding tax and other conditions laid down in the Income Tax Ordinance.

The SEC has constituted an Advisory Committee to develop guidelines and give its input on implementation process of the VPS. The committee is headed by Commissioner Specialized Companies Division, SEC, Mr. Salman Ali Shaikh and includes representatives from Mutual Funds Association of Pakistan, life insurance companies, Pakistan Society of Actuaries, Central Depository Company, Ministry of Finance and EOBI. First meeting of the Advisory Committee was held on Wednesday, February 23, 2005 in Karachi.

Life insurance companies and asset management companies willing to offer pension products can apply to the SEC for licensing as authorised pension fund managers under these Rules. The companies are encouraged to complete all formalities for licensing/authorization of their products well ahead of the launch of 1 July 2005.

The Rules have been notified in the Gazette of Pakistan under S.R.O.88(1)/2005 and also placed on the SEC's website, www.secp.gov.pk