



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

International Affairs, Communication & Coordination (IACC) Department

PRESS RELEASE

FOR IMMEDIATE RELEASE

Finance Minister appreciates SECP's initiatives

Karachi, January 21, 2012: The Federal Minister for Finance upon invitation of the Securities and Exchange Commission of Pakistan (SECP) had a visit to the Karachi Stock Exchange, today.

The Minister highlighted various financial and economic reforms undertaken by the Government of Pakistan over the last few years. While appreciating the SECP's initiative for improving liquidity in the market, enhancing investor education and awareness and the brokers' capacity to trade, he announced the approval of SECP's proposal on revamping of Capital Gains Tax (CGT) submitted to the FBR last week. The SECP had been in dialogue with the Ministry of Finance and the FBR on the rationalization of CGT. The following solutions have been agreed upon for a more balanced and investment friendly CGT approach:

- In view of the official but undocumented gains accrued prior to the imposition of CGT an investment window will be provided till June 30, 2014 whereby investors will be able to invest in the stock market such undocumented gains. This will allow investors to invest in the stock market. Legal and operational changes to give effect to this would be made by April 01, 2012.
- Rate of CGT shall be frozen at the existing 10% on securities held for six months and 8% on securities held for a year till June 2014.
- Subject to certain minimum holding period, which will be worked out between FBR and SECP, highest value of an investor's portfolio till June 2014 shall be treated as income generated from the capital markets.
- To provide ease of calculation and documentation to individual investors, the National Clearing Company shall act as a withholding agent to deduct and deposit the CGT from investors' transactions. SECP and FBR, along with other capital market service providers, would work out exact details so that necessary legal and operational changes are made by the target date of April 01, 2012.
- Lastly, transaction/turnover tax under section 233A(1) will be abolished.

The revamping of CGT would address the concerns of market players in terms of low trading volumes and is in line with the Government's objective of documenting all incomes and sectors of the economy. This will also lead to generating additional tax revenue for the Government's exchequer.

The Finance Minister emphasized upon the need for demutualization of the stock exchanges to improve the governance structure in line with international best practices and assured of his personal efforts in expediting the pending Demutualization Law, Securities Act and

Futures Trading Act. He mentioned that promulgations of these laws are essential for taking the Pakistani capital markets to the next level of development.

In addition to the revamping of CGT, the Chairman SECP announced various additional measures for supporting activity in the stock market. This includes allowing individual investors to participate in the Margin Trading System as financiers, re-composition of cash margin requirement from 25% to 15% and remaining to be acceptable in eligible securities. Also, in order to enhance brokers capacity to execute business, the SECP will allow additional business limit and clearing of approximately Rs. 50 million per member of Karachi Stock Exchange against collateral of Rs. 10 million per member from the Clearing House Protection Fund (CHPF). The CHPF of the three stock exchanges will be transferred to the National Clearing Company and maintained as three separate pools of funds to execute the above arrangements.

Shakil Ahmad Chaudhary

Head, Internal and External Communication
Securities and Exchange Commission of Pakistan
NIC Building, 63 Jinnah Avenue, Islamabad
Tel: 921-4005 or 921-4009 ext. 378
Fax: 920-6459
Cell: 0302-855-2254
email: shakil.chaudhary@secp.gov.pk