

PRESS RELEASE

PRUDENTIAL REGULATIONS FOR CONSUMER FINANCE

Islamabad – 9 January 2006: The Securities and Exchange Commission of Pakistan (SECP) has issued Prudential Regulations, which come into immediate effect, for Consumer Finance for Non-Banking Finance Companies (NBFCs). The objective behind the issuance of these regulations is to provide new avenues to investment banks, leasing companies, housing finance companies and discount houses in order to enhance diversification and broaden their product range. The regulations include comprehensive operational guidelines and various risk management measures which have to be adopted by NBFCs initiating consumer financing.

The NBFC sector as a whole has grown over the last year. This change is largely attributed to introduction of regulatory reforms aimed at development of NBFCs and enhanced supervision by the SECP. With the introduction of consumer financing, not only will the financial health of the NBFC sector improve, owing to product diversification, but the end consumer will also benefit in terms of increased product choices and outreach. This measure will particularly improve the financial and competitive standing of NBFCs engaged in investment finance and leasing, which had been facing severe competition from the banking sector.

The new set of prudential regulations has been circulated to all concerned quarters and has also been placed on SECP's website www.secp.gov.pk.