

SECP Grants Certificate of Registration to Four Asset Management Companies to Act as Pension Fund Managers

Islamabad – January 8, 2007: To introduce a robust and flexible pension system in the country, the Securities and Exchange Commission of Pakistan (SECP) has launched the Voluntary Pension System by issuing Certificates of Registration to four Asset Management Companies to act as Pension Fund Managers.

The SECP developed the legal framework for private pensions in the country through notification of the VPS Rules, 2005. International best practices were followed and reforms in the neighboring countries were taken into account while developing these rules. World Bank experts on private pensions during their visit to Pakistan appreciated the VPS framework and stated that it was a model for other emerging markets.

Under the VPS, all Pakistani nationals over the age of 18 years (salaried or self-employed) who have a valid National Tax Number are eligible to participate in the forthcoming pension schemes.

The VPS is based on several tax incentives which makes it attractive to the participants. Necessary amendments through Finance Acts, 2005 & 2006, were made in the Income Tax Ordinance, 2001 to allow tax incentives to the participants, employers (if contributing on behalf of the participants) and the pension fund managers under the VPS. Under the new system those individuals who are not covered under any pension scheme would also be able to save for their old/retirement age by making tax free contributions into the pension fund. The tax incentives in private pension system will enhance both savings and investment.

The VPS has one considerable advantage over similar defined benefit systems – portability. People will not only have the option and flexibility over the amount and type of their investment, but their savings would stay with them even if they change jobs. The participants would also have the option to change their pension fund manager if they are not satisfied with their performance.

After the launch of VPS, the SECP will ensure effective monitoring as well as regular inspections. In the longer term future, the SECP seeks to consolidate all the private pension schemes in close liaison with CBR and technical assistance of the World Bank to ensure the local adoption of international best practices.

Introduction of the Voluntary Pension System would increase the savings rate and play a crucial role in the growth of the financial markets in the country. These long term funds will enhance the stability and reduce the volatility of both the capital and money markets.