



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Strategy, Development and External Relations Department

Press Release

Modaraba companies allowed to charge management fee out of the net annual profit

ISLAMABAD, December 3: In consultation with non-banking financial institutions (NBFIs) and the Modaraba Association of Pakistan, the SECP has allowed the modaraba management companies to charge the management fee out of the net annual profit of the modaraba.

In the 1995 circular the modaraba companies were barred from charging the management fee off operating profit of the modaraba unless the accumulated losses of the modaraba, if any, are wiped off. In order to bring the charging of management fee in line with the Islamic concept of modaraba, the Registrar Modaraba, SECP, has withdrawn the said restriction by issuing a new circular on November 30.

According to the latest circular, modaraba companies may charge the prescribed management fee out of the net annual profit of the modaraba on the basis of annual audited accounts provided that not less than 90% of its total profits in the year as reduced by the amount transferred to a mandatory reserve are distributed to the certificate holders of the modaraba.

The circular further clarifies that the management fee shall be charged only once on the profit of a modaraba, i.e., the portion of profit carried forward should not again be subject to deduction of management fee.

The ~~said~~ latest circular (Circular No. 15 dated November 30, 2011) has been placed on the SECP website (http://www.secp.gov.pk/circulars/pdf/Cir_2011/Cir15.pdf).

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