



Securities and Exchange Commission of Pakistan Internal & External Communication Unit

PRESS RELEASE ***FOR IMMEDIATE RELEASE***

SECP's MAJOR INITIATIVE – PRIVATE EQUITY & VENTURE CAPITAL FUND REGULATIONS, 2008

ISLAMABAD – AUGUST 19, 2008: The Securities and Exchange Commission of Pakistan (SECP) continuously strives to offer financial products to the investors which are tailored to suit the prevailing market conditions and various segments according to their risk appetite. After Real Estate Investment Trusts (REITs) another development in this regard is the introduction of Private Equity and Venture Capital Funds ("PE&VCF").

The Commission has approved the regulatory framework for registration and regulation of PE&VC Funds in Pakistan. These regulations are the result of a comprehensive consultative process that started about two years back and includes extensive market dialogue with domestic as well as international stakeholders.

Private equity can play a vital role in transformation of the local economy by providing growth capital to the local corporate sector particularly the SME sector besides patronizing entrepreneurship and fuelling the privatization process. Private equity will unlock the hidden value of the private companies by providing capital and managerial skills for growth and expansion.

To foster the growth of these investment vehicles in Pakistan significant incentives have already been provided by the Federal Government on the fiscal side in the Finance Act 2008. These include tax-free status for the fund up to 2014. Reduced capital gains tax rate of 10% as against 35% on sale of assets and shares of a private company to a PE&VC Fund. It is expected that the conducive regulatory framework combined with the tax incentives provided by the government for PE&VCF will attract large amounts of foreign direct investment in the country.

The PE&VCF will be an unlisted closed-end unit-trust fund open only to high-net worth individuals and institutions. The fund will provide equity for seed/start-up capital, expansion, buyout as well as turn around although primarily to private companies, however, it can venture into privatization deals as well. The management company or the FMC will be an NBFC licensed by the Commission to undertake the PE&VC Fund Management Services with a paid-up capital requirement of Rupees thirty (30) million. The promoters, directors and key executives of the FMC will have to comply with the fit and proper criteria made part of these regulations by the Commission. The minimum fund size has been fixed at Rupees two hundred and fifty (250) million. The minimum number of investors has been fixed at five with a minimum subscription amount of Rupees ten (10) million per investor that can only be

raised through private placement. The fund is not allowed to list and has a maximum fixed life of fifteen years.

The PE&VC Funds established outside Pakistan have been offered the benefit of registering with the Commission to avail the tax advantages. Foreign funds not raising money locally will be subject to minimal regulation while those raising money locally are subject to same level of regulation as are the local funds....*Ends*

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