



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

International Affairs, Communication & Coordination (IACC) Department

PRESS RELEASE

FOR IMMEDIATE RELEASE

SECP revises investment policy for pension funds

Islamabad, January 21: In view of re-composition of sectors by the Karachi Stock Exchange (KSE), the Security and Exchange Commission of Pakistan (SECP) has revised the investment limits for pension funds under the Voluntary Pension System. The re-composition led to over-exposure of pension funds' investments in some of the merged sectors. Therefore, revision in investment policy has been introduced to help pension funds diversify their portfolio by managing the concentration risk.

In order to promote savings, the SECP had allowed launch of both conventional as well as Shariah-compliant pension funds. A pension fund normally comprises three sub-funds, i.e., equity, debt and money market fund. Over the past few years, Shariah-compliant pension funds have gained popularity. However there is a shortage of short-term Shariah-compliant instruments. In order to meet the need for Shariah-compliant money market sub-funds, overall weighted average time to maturity for such sub-funds as well as time to maturity for each Shariah-compliant government securities in portfolios of these funds has been substantially enhanced to enable them to improve both the credit quality and yield of their investments.

The SECP believes that these measures would further encourage savings and promote pension funds to contribute to the growth of capital markets in Pakistan. The amendments can be viewed at the following web link:

http://www.secp.gov.pk/circulars/pdf/Cir_2011/Cir03.pdf

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