



**Securities and Exchange Commission of Pakistan**  
**Internal & External Communications Department**

***PRESS RELEASE***

**FOR IMMEDIATE RELEASE**

**SECP PRESCRIBES VALUATION METHODOLOGY AND PROVISIONING CRITERIA FOR DEBT SECURITIES HELD BY CIS**

**ISLAMABAD – JANUARY 09, 2009:** The Securities and Exchange Commission of Pakistan (SECP) has prescribed valuation methodology and provisioning criteria for debt securities held by Collective Investment Schemes (CIS).

With effect from January 10, 2009, the value of debt securities held by Collective Investment Schemes (CIS) shall be determined in accordance with the methodology prescribed by SECP. MUFAP, based on the prescribed methodology, shall determine and disseminate the values of different debt securities on a daily basis and announce on its website.

Owing to dormant debt securities market coupled with recent liquidity crunch, fair valuation of debt securities based on market traded data became unviable. Therefore, the traded volume based pricing mechanism for determining the fair value of debt securities had become ineffective.

However, to determine the daily true and fair Net Asset Value (NAV) of CIS, it is imperative to find out the fair valuation of debt securities held by CIS. In order to derive the fair valuation, MUFAP after thorough review of international best practices submitted a valuation methodology and provisioning criteria for debt securities. The Commission after refining the proposed methodology through a series of consultative meetings, has prescribed the same vide its Circular No. 1 of 2009 dated January 6, 2009 for mutual fund industry. The said Circular is available at SECP website. The said circular supersedes SECP's earlier directive issued vide Circular No. 26/2008 dated the 5<sup>th</sup> November, 2008 regarding valuation of Debt securities.

Adoption of the valuation methodology is aimed at bringing consistency across the mutual fund industry and is expected to lead to fair price discovery of debt securities.

*Sd.*

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