

Feb 06, 2 002 **SEC Notifies Amendments in Leasing Companies
(Establishment and Regulation) Rules, 2000**

The Securities and Exchange Commission of Pakistan (SEC) has notified the amendments in the Leasing Companies (Establishment and Regulation) Rules 2000. The draft amendments have been notified in the Official Gazette, circulated to all concerned quarters and are also available at the SEC website <http://www.secp.gov.pk> to solicit public opinion. Comments from the public, in respect of the proposed amendments, are invited and the time frame for receipt of comments is fourteen (14) days, i.e. up to February 20th, 2002.

The amendments aim to make Leasing Companies (Establishment and Regulation) Rules more comprehensive, practicable and more in line with the Non-Banking Financial Institution (NBFI) Rules of business, prescribed by the State Bank of Pakistan (SBP). The amendments have been formulated after extensive discussions with Leasing Association of Pakistan (LAP) and objections and suggestions received before February 20th 2002 will be considered by SEC before final promulgation of the amendments with the Ministry of Finance.

Following are the main amendments proposed:

1. Limit of all facilities to be disclosed by a leasing company in its accounts has been reduced from thirty to twenty percent of its equity.
2. The portion of rule 7(1)(viii)(d) which requires that leasing companies should ensure that lessee has paid its utility bills has been deleted as checking of utilities bills is seen as an impediment in their smooth operations by majority of leasing companies. However, the section relating to tax payee status of lessee is being retained as it supports the efforts being made by the government for documentation of the economy as well as to assist the leasing companies themselves in the process of evaluating the credit worthiness of their clients.
3. To restrict the exposure to a single person/group by a leasing company, the exposure limit has been re-defined as 30% of unimpaired capital and reserves instead of 20% of net investment in lease finance.
4. To allow leasing companies to invest in projects of warehouses, hospitals and educational institutes, limit subject to maximum of 20 % of the overall leased portfolio of the company has been proposed.
5. To provide relief to the leasing companies with paid up share capital below the stipulated level of Rs. 200 million, relaxation has been given in the form of statutory reserves and other free reserves available for distribution as bonus shares to be considered as a part of capital to meet the requirement of Rs. 200 million.
6. Time limit for overdue (past due) profit to be put in a suspense account has been reduced to 90 days.
7. A new rule has been proposed, that will enable the Commission to accommodate genuine requests for relaxation of certain requirements/conditions proposed by leasing companies and obviate the need to amend rules every now and then.
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