



Securities and Exchange Commission of Pakistan

Internal & External Communications Department

PRESS RELEASE

FOR IMMEDIATE RELEASE

SECP INTRODUCES TRANSPARENT, COMPREHENSIVE PROCEDURE FOR CLOSED-END SCHEME TO BUY-BACK ITS OWN CERTIFICATES

ISLAMABAD – May 04, 2009: The Securities and Exchange Commission of Pakistan (SECP) vide circular No. 14 of 2009 has introduced a transparent and comprehensive procedure for closed-end scheme to buy-back its own certificates. The requirements for repurchase and resale have been framed in line with best international practices to ensure that repurchase and resale are made in a fair and transparent manner for the benefit of the scheme and its unit holders.

All the closed-end schemes formed under a trust structure (except capital protected schemes or those with limited life) are eligible to repurchase/resale their certificates up to a maximum of 20% of the issued capital. Eligibility criteria for repurchase also requires certificates of the scheme are trading at a discount to Net Asset Value (NAV). As majority of the closed-end schemes trade at a discount to their Net Asset Value, repurchase of certificates is expected to provide an effective mechanism to rationalize such discounts.

Salient features of the procedure for repurchase include the following:-

- (i) Approval of at least 3/4th majority of Board of Directors of (Asset Management Company (AMC) for repurchase / resale of certificates of scheme
- (ii) Comprehensive repurchase program encompassing eligible discount range for repurchase, repurchase period, justification for repurchase, sources of funds, maximum number of certificates to be repurchased, etc
- (iii) Public announcement of repurchase program in at least two daily newspapers having wide circulation for information of investors and dissemination to all existing unit holders through courier or registered mail
- (iv) Repurchase/re-sale of certificates only through automated trading system of stock exchanges
- (v) Appointment of independent purchase agent for transparent repurchase, and
- (vi) Re-sale price not to be lower than weighted average repurchase price.

The AMC managing the scheme, its directors, employees and trustee of the scheme have been barred from selling or purchasing certificates of the scheme under repurchase/re-sale program.

Through a separate Circular No. 13 of 2009, the Commission has required all (Asset Management Companies (AMCs) to formulate comprehensive provisioning policy duly approved by the BOD prior to making any provision against non-performing exposure of collective investment schemes. The said measure has been implemented to ensure fair determination of Net Asset Value (NAV) backed by approved provisioning policy with



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proper rationale and adequate disclosure to the unit holders, prospective investors and the trustee. Upon implementation, the AMCs are required to disseminate the said policy through their websites.

Both the Circulars are available on the SECP website, www.secp.gov.pk

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