

Press Release

SEC Grants Exemptions to Facilitate Non-Banking Finance Companies

Islamabad – September 15, 2005: On representation of the industry associations and various non-banking finance companies (NBFCs), the Securities and Exchange Commission of Pakistan (SEC) has modified the Financial Indicators of Borrowers as prescribed in the Prudential Regulations for NBFCs in order to bring them in line with the regulations of the State Bank of Pakistan.

NBFCs can now relax, in exceptional cases, the current assets to current liabilities ratio of the borrower up to 0.75:1 if they are satisfied that appropriate risk control measures have been put in place at the time of allowing fresh exposure/enhancement/renewal. Earlier, this ratio could only be relaxed below the level of 1:1 up to an exposure of Rs. 3 million.

In another attempt to facilitate the NBFCs, the SEC has decided to grant exemption to all the NBFCs from compliance with the disclosure requirements pertaining to loans and advances as laid down in the Fourth Schedule of the Companies Ordinance, 1984. According to the previous requirement NBFCs were required to state, in respect of loans and advances other than those to the suppliers of goods or services, the name of the borrower and terms of repayment if the loan or advance was material, together with the particulars of collateral/security. The exemption has been granted with effect from the financial year ending on 30 June 2005 or onwards.