

Press Release

SECP Reviews Employees' Provident Fund (Investment in Listed Securities) Rules

Islamabad, September 30, 2005: The Securities and Exchange Commission of Pakistan (SEC) has reviewed and proposed amendments in the Employees' Provident Fund (EPF) Rules, 1996 to allow EPFs to invest in index funds. This was done keeping in view features of index funds, international practices as well as advantages and risks associated with investment in index funds.

The revised Rules provide that for the purpose of investment by a provident fund in listed securities, the company shall have exhibited return on equity 25% higher than last auction cut-off rate of 5-year Pakistan Investment Bonds (PIB). This condition would replace the existing condition for making investment in listed securities that the company has paid not less than 15% dividend to its shareholders during the last three consecutive years. Maximum investment cap of an EPF in unit trust is kept at 50% including the maximum limit of 30% for investment in listed securities.

In addition, closed-end index fund has been defined and explained. The total investment in index funds has been restricted up to 10% of the provident fund. Moreover, investment in index fund by an EPF has also been restricted up to 5% of the fund size. EPF can be invested only in those index funds and/or unit trusts, which have been issued "A" grade credit rating by a Credit Rating Company.

Under the proposed, revised Rules, close-end funds have been required to provide information regarding investment of provident fund to the SEC, as prescribed by the SEC from time to time.

The revised rules have been notified in the official gazette and posted on the SEC's website, www.secp.gov.pk to solicit comments and suggestions by 6 October 2005.