



**Newsletter**

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**Chief Editor  
Bushra Aslam**

**Editor  
Shakil Chaudhary**

**Graphic designers  
Nida Masnoor Khan  
Mehreen Rafiq**

# Islamic finance/banking

By Mohammad Sabir Ali Khan

Islam provides guidance on every aspect of our life individually and collectively. It is not a religion in the ordinary sense of the word, but a complete system of life. While other religious codes provide guidance only for the relations between man and his creator, Islam guides man in his relationship with God and gives him the norms, which govern his temporal existence, since Islam is concerned with the spiritual, political, social economic, moral and all other material aspects of the human being.

## Definition and basis of Islamic finance:

“A financial service principally implemented to comply with the main doctrine of Islamic law/Sharia”.

In turn, the main sources of Sharia are the Holy Quran, Hadith, Sunna, Ijma, Qiyas and Ijtihad. The Quran is the book of revelations given to the Prophet Muhammad (S.A.W.); Hadith is the narrative relating the deeds and utterances of Prophet Muhammad (S.A.W.); Sunna refers to the habitual practice and behavior of Prophet Muhammad (S.A.W.) during his lifetime; Ijma is the consensus among religion scholars about specific issues not envisaged in either the Quran or the Sunna; Qiyas is the use of deduction by analogy to provide an opinion on a case not referred to in the Quran or the Sunna in comparison with another case referred to in the Quran and the Sunna; and Ijtihad represents a jurist's independent reasoning relating to the applicability of certain Sharia rules to cases not mentioned in either the Quran or the Sunna.

## Islamic finance status and future potential

The growth of Islamic finance industry was a

was remarkable in the last decade. In certain parts of the world, its growth is extraordinary. According to Ernst & Young's World Islamic Banking Competitiveness Report 2014–15, published in December 2014, for the first time in history, in 2013 the combined profit of participation banks crossed the \$10 billion mark. By 2019, collective profits could touch \$37 billion as the industry continues its double-digit annual growth. Participation banking assets with commercial banks in Qatar, Indonesia, Saudi Arabia, Malaysia, the UAE and Turkey (QISMUT) are set to cross \$753b in 2014 and will represent 82% of the international participation banking assets. By 2019, they are expected to represent a \$1.8 trillion participation banking industry.

In Malaysia, for example, participation banking is still growing approximately two times faster than conventional counterparts. In Indonesia, the participation banking sector is currently growing at super-normal speed, while Turkey is aspiring to build a 15% market share by 2023.

Trade finance, mobile payment solutions and regulatory compliance are three factors that have a significant impact on the industry performance and would help narrow the performance gap that exists between participation and traditional banks.

Digital banking is the future, with customers of participation banks showing tremendous interest as they are increasingly active online. Banking is set to evolve towards technology-based, service-driven value propositions.

Banks should invest in analytics, to build rich insights into customers' delights and pain points and personalize user experience. But customers do not just want their bank to have a digital

presence; they want it be tailored to their lifestyle relationships and connections. They also consider service excellence and capabilities to be the most differentiating factors. A different audience requires a different (and high-impact) brand and communication strategy. Eliminating operational silos, leveraging customer insights to improve channel performance and risk management are the keys to mainstream profitability.

In Pakistan, the largest Islamic bank is Meezan Bank, which is fast assuming mainstream prominence. Growth of Islamic banking in the country has been over 30% in the last few years, which is certainly above the average global growth rate of Islamic banking and finance. If this trend continues, then one should expect that in the next three years Islamic banking assets will at least double from its current size of Rs926 billion.

The newly unveiled Islamic banking strategy by the State Bank of Pakistan attempts to double the number of Islamic banking branches from 1,200 in the next four years, and to increase its market share from 10% to 15%.

## Need of Islamic banking and finance education and trainings

Islamic banking faces an increasing problem of human resource with the start of the perspective to open Islamic banks. According to a careful estimate, 50,000 Islamic financial professionals are needed in Islamic financial industry. The need of human resource is growing indeed but the human resources are not growing in line with the opening of Islamic banks. It is a fact that a person cannot become an Islamic banker just by studying a few books or one week training. This required many things. In order to become an Islamic banker, one needs to spend life in



so that Islamic banking can work in accordance with Islamic principles. We need suitable people and it will take time to the problem to be solved, the human capital can be trained in this field in accordance with the demand. Education will indeed raise standards in Islamic finance.

### Education of Islamic banking

According to a careful estimate, around 40 universities all over the world are running bachelor's, postgraduate and doctoral level programs on Islamic banking and finance. They are annually producing approximately 5,000 professionals. The demand is 10 times higher. There is an immediate need to increase this number. This is an excellent opportunity for Pakistan.

There are ten Pakistani institutions offering master's level programs in Islamic banking and finance. They include Karachi University, Jamia-tur-Rasheed, Karachi, Dadabhoy Institute of Higher Education, University of Management and Technology, KASBIT, Sheikh Zayed Islamic Center, International Islamic University, Islamabad, and PAF Karachi Institute of Economics and Technology. We need to increase the number of such institutions.

### Approaches to producing quality human resource

In order to produce quality human resource for Islamic banking and finance industry, these approaches and techniques can be used:

- University degree programs
- Specialized trainings and workshops
- Distance learning programs
- Publications, webinars and other media

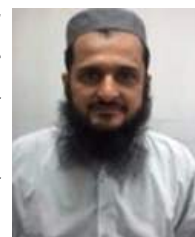
As stated earlier, different universities and colleges are providing education in the field of Islamic banking and finance. There is a need of more institutions providing education in this field with the aim of enabling students to fully understand Islamic banking and concepts of Islamic finance. In addition, training is an effective tool for Human Resource Development (HRD) as well as for achieving the goals of an organization. Islamic banking is a Sharia-based interest-free banking system. It has to operate in a way that benefits society as a whole. Its features and functional procedures are quite distinctive than that of the traditional banking system. In order to achieve the objectives of the Islamic banking and to face the challenges of coming times, the job of Islamic banking is becoming more complicated and more technical day by day. The personnel

of Islamic banks require special attitude, skill and knowledge, which can be developed through proper training. It is obvious that a large number of appropriately trained employees would result in increased output and reduced costs, further resulting in maximum utilization of human resources, which will ultimately benefit the entire nation.

Many institutions are providing distance learning program on Islamic banking and finance. Through this mode, people can be educated in a flexible and convenient manner. As Muslims live all over the world, so we can educate the Muslims and finance professional globally through distance learning programs. In addition, publications can also be used as a medium to educate the masses about the latest news and updates on Islamic banking and finance.

We are sure that Islamic banking system can be strengthened in better way by promoting Islamic finance/banking education and trainings.

*The writer is working as senior support executive in the Company Registration Office, Karachi. He is a finalist of IC-MAP.*





# Retirement planning mistakes

By Aamir Qureshi

How does the perfect picture of your post-retirement look like? A grandmotherly woman and a grandfatherly man strolling in a park? Well, that may have once been an accurate picture of post-retirement life, but it certainly isn't today. Nowadays the retirees are enthusiastic and look forward to an excitement-filled life!

Warren Buffet, one of the most celebrated investors in the world, emphasizes: "You know that retirement is coming. It isn't as though it just shows up one day and takes you by surprise, so you need to get ready for it".

You retire from work, not from life. That is why one of the prime concerns for those approaching retirement is maintaining their current lifestyle in their later years. So, plan your retirement rightly to lead your golden years with joy and financial independence. The key is to ensure that retirees have ample money to fund their essential needs and other post-retirement interests such as travelling.

Let us face the facts. According to Brooks Hamilton, one of the oldest pension consultants in the US, over 90% people in any retirement plan will retire in poverty or run out of money before death. Shocking! Isn't it? Let us look at the mistakes people tend to make for this high failure rate and how we can avoid them:

## Mistake 1: No retirement planning

If you haven't already set specific, measurable financial objectives in writing and implemented a step-by-step plan to achieve them, then you're setting yourself up for disappointment. You can't get to where you want to go if you don't know where to go. How can you take control of your retirement planning? Create a plan. Determine what you will need to retire. Even if retirement is a long-term goal, make a calculated estimate. You can estimate what you will have available by looking at your existing investments and retirement income sources. Then, calculate what you need to

save annually to meet your retirement goal. Your written financial plan does not have to be overly complicated.

## Mistake 2: Not saving enough

Nobody wants to be told to save more. But the reality is: you are either saving for retirement today, or you are consuming your retirement today. The reality is retirement planning isn't a decision of whether or not to consume, but when to consume.

**Rule of thumb:** The rule of thumb is to save at least 10% of your annual income. It could instantly become 20% if your employer matches your contribution (100% return in no time without including investment return. What more do you want?). Bear in mind that every day counts and is affecting your retirement income.

## Mistake 3: Not saving early enough

Many people mistakenly believe they'll have plenty of time for retirement planning once they marry, buy a home, buy a car, and so on. It is a serious mistake because when you're 20 years old, you think retirement is 40 years off, so you wait until you're 30. But when you are 30, you are married and have kids, so you are spending more money. So, you tend to wait for the next 10 years and then next 10 years. By that time, too much time has been lost and your retirement savings may be affected considerably. Most financial gurus preach that the most valuable asset you have for retirement planning is time. Even Einstein teaches that "Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it." The more time you have until retirement, the easier your financial goals are to accomplish. It will only get harder because you will have less time to save. Remember that a secure retirement will result from doing a lot of little things right over a long period of time. Get started

now.

## Mistake 4: Not being in control of your asset allocation

Most of the people rely on investment advice from the sales persons of the pension fund managers or follow the asset allocation of other colleagues. But remember it is your pension account so get into the driver's seat. According to Brooks Hamilton, almost 20% of the people don't make market returns because they don't invest well enough. Choosing the right investment allocation based on your financial goals, age, risk tolerance, and time horizon can make a major difference in your retirement savings. Most people do not allocate enough to equities due to the fear of a crash in the stock market. The problem with this strategy is you're virtually guaranteed to lose purchasing power over time on these "super safe" investments due to low returns that can end up being negative returns after factoring in taxes and inflation. To me, it doesn't make any sense if you are between 25 and 40 years and hold 30% stocks 70% fixed income allocation in your pension account. Investing in equities is important to get a handsome retirement saving in your kitty. You must balance your fear and greed by balancing with risk and reward. It is a mistake not to take any risks because most people have a long investment time horizon – may be more than 20 years. However, one must review the asset allocation and possibly allocate more in fixed income as you start getting older.

## Conclusion

Many people make the mistake of not taking retirement planning seriously enough. You have to start saving early, save enough and seek knowledge of pension funds and investments (in general) to make wise investment decisions for your retirement. After retirement, the rest of your life could be the best of your life, if you properly plan your retirement.

You owe it to your family. You owe it to yourself.



*The writer is deputy director in the SCD's supervision department. He has done his MBA, specializing in finance. He is based in Karachi.*

# Dichotomy of corporate ethics – insight into workplace biases

By Kanwal Aisha

An ideal workplace calls for equal rights, opportunities, and responsibilities regardless of race, gender, religion, national origin, age, physical or mental disability. This ideal corporate environment demands exemplary behaviors at workplace, but unfortunately “where there is brain there is a bias”. This causes an imbalance. Employer and employee, both bring along some sort of baggage, including biases and prejudices which permeate at all levels in the workplace causing detrimental effects to the diversity and inclusiveness of the workforce.

Bias is an inclination for or against one person or group, especially in a way considered to be unfair. Biases are conscious or unconscious, which are shaped up by one's backgrounds, experiences, culture, lifestyle, personal preference, or unconsciously accepted stereotypes. A bias also has implicit and explicit forms of expression. Research across many countries has found that a group's place in the social structure predictably determines the assessments, which in turn determine unconscious emotional responses and ultimately leads to a discriminatory behavior. Sometimes no one in particular is biased, but the policies or procedures of an organization are biased.

The impact created by workplace biases is far greater because it results in unfair and unequal treatment among workforce. Such preferential treatment also leads to workplace discrimination, which is a violation of human rights. This causes a waste of human talent, producing detrimental effects on productivity and economic growth. Discrimination generates socio-economic inequalities that undermine social cohesion and solidarity and slows poverty reduction. The dilemma is that people are often unaware of their unconscious biases and hence, do not admit that their decisions are based on instincts. Rather than addressing this issue, as it is difficult to gauge, organization primarily focus on promoting business practices that could act as a measure to uphold ethical and moral ethics at workplace such as recruiting people from diverse background to impart a message of fair play.

Bias at work is a form of employment discrimination that could occur in a number of situations. This can include suggesting preferred candidates in a job, excluding potential employees during recruitment, denying certain employees compensation or benefits, paying equally qualified employees in the same position different salaries, discriminating when assigning disability leave, maternity leave, or retirement options, denying or disrupting the use of company facilities, discrimination when issuing promotions or lay-offs.

Furthermore, a prevalent form of bias occurs when the management falls into a trap by doing favor to a certain person or certain group, ignoring other group without necessarily being aware of its consequence. Such management behavior is common everywhere in any organization and is referred to as favoritism, nepotism or cronyism. Often such a group is called “circle of influence”. It is called a circle of influence because those persons who are treated special and considered closed to the top management can also influence the management and other people. Unfortunately, the management is not always aware of its consequence to the other employees and the organization. Undeniably such preference creates jealousy and may lead to conflict that may affect the performance of other employees and the performance of the organization as a whole. This is a huge obstacle to the professional growth of some individuals in the workplace today as bias and discrimination still have a powerful impact on the workplace and are a serious moral issue facing our society.

Elimination of this behavior requires serious efforts and awareness at all levels. It is imperative is to understand the extent the workplace is affected by unconscious bias. The corporate world has come a long way in recent decades to curb such biases. For example, on June 1, 2015, the U.S Supreme Court decide in favor of a Muslim woman regarding discrimination in the hiring process. She was denied a job because she wore a headscarf. The company, Abercrombie & Fitch, had unsuccessfully argued the scarf clashed with its dress code, which called for a “classic East

Coast collegiate style.” Similarly, settlements also have been made against job segregation and lack of promotional opportunities at workplace in developed countries where anti-discrimination laws are in place.

In the U.S., the Equal Employment Opportunity Commission (EEOC) is responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or an employee because of the person's race, color, religion, sex (including pregnancy, gender identity, and sexual orientation), national origin, age, disability or genetic information. Similarly, in New Zealand, the Equal Employment Opportunities Trust leads private and public sector employers to promote awareness of the business benefits of equal opportunities at the workplace. Despite decades of activism, legislation and human resources programs to counter it the issue still persists. The Asia and Pacific region continues to experience traditional forms of bias, such as those based on gender and ethnic origin and is increasingly confronted with new forms of discrimination brought about by structural economic reforms, economic openness and greater movement of people.

Self-awareness is the first step towards eliminating workplace bias. People must be aware of their values and do not seek to impose them upon others. On the other hand, the employers also must understand the culture and identify the possible avenues where biases could arise. Employers can work towards creating environment that allows for a great deal of exchange among participants, establish and encourage positive and appropriate relationships with people from culturally diverse backgrounds, establish a standard of conduct; formulate an advisory group help devise a plan for a series of events that will draw attention to discrimination. Hence, the employer should aim at eradicating workplace biases to create a balanced, diverse, and inclusive workforce.



*The writer is management executive in the Insurance Division. She did her master's in banking and finance at Queen Mary University, London. She is ACCA qualified and is currently pursuing her CFA.*

# Awards ceremony for top 25 companies



Pakistan Stock Exchange organized an awards ceremony to honor 25 companies for corporate excellence. Prime Minister Nawaz Sharif graced the occasion. Finance Minister Muhammad Ishaq Dar, the Sindh Governor Dr Ishratul Ebad Khan, the Sindh Chief Minister Murad Ali Shah, the SECP Chairman Mr. Zafar Hajizi, the State Bank Governor Ashraf Mahmood Wathra and the PSX Chairman Muneer Kamal, the PSX MD Nadeem Naqvi also attended the event.

The Prime Minister said that because of our policies, Pakistan is making rapid progress. The foreign exchange reserves and the stock exchange have reached the highest level. The Finance Minister said that the economy has been revived, and has been placed on the right track. Mr. Zafar Hijazi congratulated the management of the top companies that had secured the awards owing to their exemplary performance. It is indeed commendable that adherence to standards and corporate excellence is being awarded which will serve to encourage recipients of this award and also incentivize other companies to perform better. The importance of good governance and corporate

The Securities and Exchange Commission of Pakistan (SECP), with the assistance of GIZ Regulatory Framework for Promotion of Pro-Poor Insurance Markets in Asia (RFPI ASIA), has prepared a strategic framework for microinsurance development. The framework was unveiled at a Multi Stakeholder Dialogue (MSD), which was organized in Islamabad to consult with various public and private stakeholders engaged in microinsurance. The dialogue was aimed at developing a way forward on the approach to microinsurance development and secure the ownership and commitment of public and private stakeholders. It also developed possible business concepts around microinsurance implementation and to form feasible public-private partnerships.





# SECP's awareness seminar on Draft Companies Bill, 2016



The Securities and Exchange Commission of Pakistan (SECP) organized a national level seminar on the draft Companies Bill, 2016 on September 5, 2016 in Karachi. The event was chaired by Senator Mohammad Ishaq Dar, Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization as the Chief Guest. The Finance Minister while addressing the participants of the event, appreciated the work done by SECP and congratulated the Chairman SECP Mr. Zafar Hijazi in initiating and working towards conclusion of a long expected law which would be beneficial not only for the SECP and the stakeholders but would also have a positive impact on the economy of Pakistan. The Minister said that Pakistan has achieved economic turnaround, the GDP achieved a 4.24 percent growth in 2015, the highest in the last seven years. He also emphasized the need for a continued review of the corporate laws administered by SECP and advised the top management at SECP to continue with reforms in accordance with the best international practices and not hesitate in bringing positive changes. The Finance Minister/Senator Mr Ishaq Dar terming it a historical occasion, he sought firsthand views and consensus of the gathering for immediate promulgation of the Companies Bill, 2016 by way of an Ordinance. Mr. Dar accentuated on the need to detach politics from economy. Maximum reforms were introduced in

the last three years by the various regulators i.e. Securities and Exchange Commission of Pakistan, State Bank of Pakistan and Federal Bureau of Revenue. He apprised the participants briefly about the performance of the key indicators of the economy during the last 3 years extending to cover i.e. inflation, GDP, interest rate, SBP reserves and import cover. Mr. Dar emphasized that Pakistan has enormous potential for growth and the key lies in dedication and will. Mr. Dar pledged his all-out support to the Securities and Exchange Commission of Pakistan and other prudential regulators. He also highlighted on the macro-economic stability achieved by coping with the challenges such as dwindling economy, energy crisis and combating extremism. Mr. Dar apprised the gathering that in order to attract foreign investment, it is important for Pakistan's presence in the international markets, i.e. bond market and sukuk markets. In conclusion, he urged upon the participants for magnanimity in working towards raising the sovereignty of the country and making Pakistan into self-reliant state. Hafiz Muhammad Yousuf, President, Institute of Chartered Accountant on behalf of the fraternity, consultants and other industry professionals appreciated the personal interest and support of the Finance Minister throughout the consultative dialogue

process at different forums and assured of his continued support to the Commission in its efforts for improving the governance framework.

The seminar was attended by leading professionals related with the corporate sector, eminent lawyers, chartered accountants, cost and management accountants, office bearers of chambers of commerce and industries, businessmen and other professional and business institutes and bodies.

Mr. Masood Naqvi, Chartered Accountant, former Partner, KPMG, former President, ICAP, Hafiz Muhammad Yousuf, President ICAP and Mr. Saeed Ahmed, Deputy Governor, State Bank of Pakistan speaking at the event, briefly highlighted the key features of the draft Companies Bill, 2016.

The seminar focused on bringing awareness about the important features of the Draft Bill and to share the vision of SECP. The major focus of this Draft Companies Bill is the facilitation to the corporate sector and other stakeholders as well as strengthening of the regulatory frame work, maximum emphasis on the use of technology, abolish unnecessary requirements, protection of the interest of shareholders, a softer regime for the companies having no stake of the general public. There is more focus on facilitation to and regulation of Public Sector Companies and protection of interest of creditors.



The main features highlighted at the seminar included the introduction of use of technological advances by allowing communication between company and its members and the company and the registrar through electronic means, passing of resolution by members through circulation, minimum regulatory requirements for single member companies, added responsibilities for the directors and auditors, additional safeguards for the creditors and investors and improved regime for winding up proceedings.

One of the most significant changes, in line with the other jurisdiction, is that except for the pro-

hibited and specialized businesses, the companies shall be allowed to engage in all the lawful businesses. A simple one page memorandum having principal line of business and prohibitory clauses shall be introduced. One of the big problems of the corporate sector was to allow the appointment of additional director in mid-term, it has been catered. It has also been addressed. Keeping in view the importance of Islamic Finance, the concept of "Shariah compliant company" and "Shariah compliant security" is being introduced. The enabling provisions for the purpose are being added in the new law.

In an increasingly global world, new concepts have been adopted such as specie dividend, mediation and reconciliation, complete regime for the valuation of assets, shifting of jurisdiction to approve the amalgamation of companies, compromises and arrangements from Court to SECP, no approval requirement for amalgamation of wholly owned subsidiaries, e-intermediaries for filing the returns of the companies having no IT infrastructure, qualification requirement for the auditor having the paid up capital of less than Rs.3 million and removing redundant and unnecessary obligations contained in the Companies Ordinance, 1984.





# CFA Society gives away excellence awards to best institutions and individuals



The 13th Annual Excellence Awards ceremony hosted by the CFA Society Pakistan was held in Karachi to recognize the best institutions and individuals of the financial industry. Mr. Syed Murad Ali Shah, the Sindh chief minister was the chief guest) and Mr. Muhammad Zafar-ul-Haq Hijazi, chairman, Securities and Exchange Commission of Pakistan (SECP), was the guest of honor the chief minister congratulated CFA Society Pakistan on holding events which encourage industry to improve on their professional standards.

Mr. Hijazi appreciated the role of CFA Society and stressed on the need to invest in the highest standards of practice. He said at SECP we have always believed firmly in achieving excellence at every

level within the organization but also in bringing discipline and high standards of quality among the market participants as that can only develop investor confidence. And also in collaboration with other financial regulators we are launching key initiatives to extend outreach of these sectors across all segments of the population, he added.

Mr. Ashraf Bava, president of CFA Society, spoke about the efforts of the CFA Society Pakistan in making a positive impact on the investment community in the country later the awards were announced in various categories such as banks, corporate finance, investor relations, and brokerage firms with their winners and runners-up. The distinguished personalities who attended the cer-

emony included president UBL Bank, Mr. Wajahat Hussain, president, Bank Islami, Irfan Siddiqui, president, Meezan Bank, Mr. Hasan Bilgarami, president, Bank Islami, Mr. Junaid Ahmed, president and CEO, Dubai Islamic Bank, Mr. Jehangir Siddiqui, chairman, JS Group.

CFA Society Pakistan (CFA Pakistan) is a member society of the CFA Institute, which is a global organization of analysts, portfolio managers and financial professionals, and administers the prestigious Chartered Financial Analyst (CFA) program worldwide. CFA Institute comprises of more than 100,000 individual voting members and 144 member societies in 68 countries across the world that believe in setting a higher standard for the investment profession.



# MOU inked between SECP and a Chinese company for investment in Gwadar



The Securities and Exchange Commission of Pakistan (SECP) has signed an MOU with the China Overseas Ports Holding Company Pakistan (Private) Limited (COPHC) to set up a facilitation centre in Gwadar free zone, which will extend assistance to investors to do business in Pakistan. On this occasion, the Gwadar port and free zone, business initiative and consultative seminar was graced by Federal Minister for Ports and Shipping, Mir Hasil Khan Bizenjo.

The MOU's objective is to facilitate coordination and cooperation between the two entities through the establishment of a facilitation centre by the SECP, which will play the role of a bridge between the SECP's registration offices and the potential investors on matters relating to the registration of companies and post-incorporation activities in Pakistan.

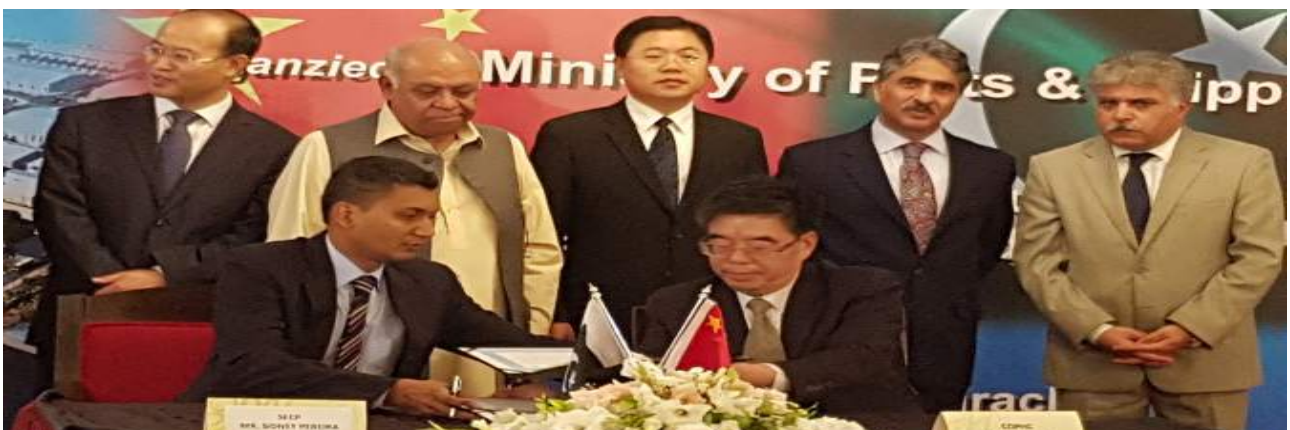
Mr Sidney Pereira, additional registrar, SECP, and Mr. Zhong Bao Zhong, chairman, COPHC, signed the MOU. Mr. Bizenjo, Mr. Dostain Khan Jamaldini, chairman, Gwadar Port Authority, Mu Yongpeng, acting consul general of China in Karachi, and Khalid Pervez, secretary, ports and shipping, witnessed the signing ceremony which was held at a local hotel, here in Karachi.

The SECP has instituted numerous radical reforms, encouraging corporatization, i.e., substantial reduction in registration fee, providing complimentary certified copies, offering incorporation of a company within one day, reducing the fast track registration time from four hours to two hours only, accepting payment of fee through online transfer of funds and credit card and issuing digital signature from NIFT electronically.

Speaking on the occasion, the guests highlighted

that COPHC is a concession holder at Gwadar port engaged in the construction, development and operations of Gwadar port and Gwadar free zone. The government has transferred 637 acres of land for free zone which, will be developed in a phased manner starting with state-of-the-art commercial centre, complete infrastructure such as roads, drainage, water treatment and supply, electricity, gas and telecommunication network, warehousing facilities, built in offices, built-in light industrial units, and developed plots will be offered to prospective investors.

This move comes in the backdrop of the recent announcement by the government of incentivized package under the Finance Act 2016 for industrialists and entrepreneurs who are vying to venture in the Gwadar free zone. The development of this zone is envisaged to attract local and foreign direct investment.





# SECP, ICAP sign MOU to promote investor education and awareness



The Securities and Exchange Commission of Pakistan (SECP) and the Institute of Chartered Accountants of Pakistan (ICAP) signed an MOU to establish cooperation for spreading investor education and awareness through investor awareness sessions for the students and members of ICAP.

The MOU was signed at the SECP Head Office in Islamabad as part of SECP's investor education program launched under the brand name "Jama-Punji". The MOU was signed by the SECP chairman, Mr. Zafar Hijazi, and ICAP president, Hafiz Mohammad Yousaf. The ICAP contingent included Ms. Farzana Munaf, Executive Director – Legal and Membership Affairs, along with the council mem-

bers Mr. Muhammad Maqbool, Mr. Nazir Ahmad Chaudhri, Mr. Rashid Ibrahim and Mr. Israr Khan, Senior Manager, while senior SECP officials were also in attendance. The Director/15tive efforts between the regulator and the professional accounting bodies like ICAP to develop a more aware and vibrant financial ecosystem in Pakistan. He said Chartered Accountants must play a more active role in developing the ethical and professional standards in the Accounting profession.

The Chairman stressed that qualified professionals like members of ICAP can consider the possibilities of professional growth by entering the capital markets as an investment advisor and this

area should be made part of seminars and sessions targeted under the cooperation arrangement between the two institutions. Commemorative plaque was presented to the President ICAP by the SECP. Under the MoU, SECP will be holding regular seminars in collaboration with ICAP at all their Centers on a continuing basis and the main focus of the sessions will be on financial planning, investing, capital markets, mutual funds, insurance and other non-banking financial institutions. In the end the President ICAP Hafiz Mohammad Yousaf thanked the Chairman SECP and expressed his keen interest in developing a long term association in this regard.





# SECP prepares strategic framework for microinsurance development



The Securities and Exchange Commission of Pakistan (SECP), with the assistance of GIZ Regulatory Framework for Promotion of Pro-Poor Insurance Markets in Asia (RFPI ASIA), has prepared a strategic framework for microinsurance development. The framework was unveiled at a Multi Stakeholder Dialogue (MSD), which was organized in Islamabad to consult with various public and private stakeholders engaged in microinsurance. The dialogue was aimed at developing a way forward on the approach to microinsurance development and secure the ownership and commitment of public and private stakeholders. It also developed possible business concepts around microinsurance implementation and to form feasible public-private partnerships.

Commissioner Insurance, Mr. Fida Hussain Samoo, highlighted the regulatory reforms instituted recently. The Code of Corporate Governance, 2016, Bancassurance Regulations, 2015, Micro-insurance Rules, 2014, Takaful Rules, 2012, Small Dispute Resolution Committees are a few of the major reforms that have been introduced to strengthen the regulatory regime, he said. The SECP focuses on low-income people because they face a number of vulnerabilities such as illness, accidents, disability, deaths and natural disasters. Dr. Antonis Malagardis, Program Director (RFPI ASIA), emphasized the need for a clear definition of microinsurance and cited examples of inclusive insurance in development from South America, Africa and Asia. He said that among the 380 million policyholders of microinsurance worldwide almost half of them live in Asia with product credit life followed by personal accident and property insurance. Health and agriculture are catching up in terms of num-

bers since they are the most complex products so they need a particular attention by the regulators and the key market players. In the last 15 years the industry in Pakistan has experienced much development with regulated players.

Mr. Tariq Bakhtawar, of the SECP, said that regulatory impact assessment (RIA) is the outcome of the ongoing engagement with RFPI ASIA.

Talking about MEFIN, he said Pakistan is leading Technical Working Group on Knowledge Management. Syed Nayyar Hussain said that the SECP had conducted a diagnostic study, in collaboration with the World Bank, in 2012 and SEC (Microinsurance) Rules were promulgated in 2014.

The SECP is revising the regulatory framework in general and especially for microinsurance while recognizing the concept of "proportionality". Group discussions were conducted and product development activity was carried out by Dr. Malagardis on the product development by participants. Distinguished guests from State Bank, Commerce Ministry, Pakistan Telecommunications Authority, National Disaster Management Authority, Pakistan Microfinance Network, Pakistan Microfinance Investment Company, MFIs, Telenor, and Insurance Association of Pakistan shared their thoughts on regulatory framework and business models.

Mr. Nasar-us-Samad Qureshi, CEO, Alfalah Insurance, agreed to work jointly to promote microinsurance. Mr. Ahmed Kamal emphasized the need for the use of studies on cost cuttings in different sectors of the economy. Mr. Muhammad Imad Uddin, additional director, SBP, underlined the need for joint efforts by all regulators and the insurance sector.



## The Limited Liability Partnership Bill, 2016, introduced in National Assembly

The Parliamentary Secretary Rana Muhammad Afzal Khan on behalf of the Finance Minister Senator Muhammad Ishaq Dar has introduced "The Limited Liability Partnership Bill, 2016" (LLP Bill) which was forwarded to Finance Division by the Securities and Exchange Commission of Pakistan (SECP) as another initiative for the corporatization of economy and provision of "new corporate business form" in Pakistan. The SECP prepared the LLP Bill after extensive consul-

tation sessions with all the relevant stakeholders. The LLP Bill provides for establishment of "new corporate business form" that will enable professional expertise and entrepreneurial initiative to combine, organize and operate in an innovative and efficient manner. In Pakistan, this need has long been recognized for businesses which require a framework that provides flexibility suited to requirements of small and medium enterprises

and service sector. The Services sector is playing a major role in the national economy and there is a growing diversity in the range of services being offered. The services sector will also find this form very useful. The advantage of the LLP form would be that it will not impose detailed legal and procedural requirements intended for large widely held companies on such enterprises.

## SECP explains its regulatory role in the real estate sector

A section of the press has carried a statement of the Association of Builders and Developers (ABAD) about the SECP's role proposed in the draft Companies Bill for regulating the real estate sector. The statement is completely misplaced. The SECP does not in any manner intends to regulate the business of real estate per se, but its focus is to ensure that the companies registered with the SECP having real estate as their principal line of business, operate under certain rules and regulations in order that they gain confidence of the public.

## SECP has notified the Listed Companies (Buy-Back of Shares) Regulations, 2016

The Securities and Exchange Commission of Pakistan (SECP) has notified the Listed Companies (Buy-Back of Shares) Regulations, 2016. The regulations shall be applicable to buy-back of own shares by listed companies. The regulations provide for either cancellation of the purchased shares or retaining the same as treasury shares. The earlier framework for buy-back did not provide for retaining the purchased shares as treasury shares, rather the purchased shares had to be can-

celled. Buy-back of own shares by listed companies is normally undertaken for stabilizing the market price of their shares particularly when the market is passing through a bearish phase. The regulations have been finalized after obtaining public comments and holding consultation sessions with key stakeholders. The regulations encompass the eligibility criteria for buy-back, like maintaining the minimum paid-up capital and free float, authorization of the purchase with the ap-

proval by the members of the purchasing company by way of special resolution, the purchase methods, appointment of the manager to purchase, procedure for setting the purchase price, restrictions, rights and privileges of the treasury shares, limitation on treasury shares, compliance with the applicable international financial reporting standards relating to the treasury shares, disposal of treasury shares and maintaining record thereof.

## SECP approves amendments to regulations for licensing and operation of central depository

In order to promote good corporate governance and enhance public confidence, the Securities and Exchange Commission of Pakistan (SECP) in consultation with the CDC and other participants, has proposed amendments to the Central Depositories (Licensing and Operations) Regulations, 2016. A central depository is one of the most important capital market infrastructure institutions that functions as custodian of public assets. The proposed amendments to the regulations are aimed at providing clarity with respect to process of appointment of independent directors. The fit and proper criteria applicable to a central depository, its substantial shareholders, directors and senior management officers is further augmented.

## SECP issues new regulatory regime for credit rating agencies

In line with its efforts to strengthen the capital market and as part of subsidiary legislation under the Securities Act, 2015, the Securities and Exchange Commission of Pakistan has accorded its approval to the Credit Rating Companies Regulations, 2016. The regulations introduce a new regulatory regime for the CRCs on the best international practices, and have removed the shortcomings in the existing CRC re-

gime.

Earlier comprehensive consultation sessions were held with all key stakeholders. The regulations were finalized after these consultation sessions. In addition to incorporating feedback that had been received earlier during public consultation. The new regulatory regime introduces various new requirements and strengthens the existing requirements for

the CRCs to help achieve the objectives of investor education. It also ensures continuity of business of the existing CRCs through a phased implementation of certain new requirements. A significant aspect of the new regulatory regime is the introduction of detailed licensing regime for the CRCs with fit and proper criteria for promoters, chief executives, directors and senior management officers.

# SECP disposes of 53 show-cause proceedings against companies in July

The Securities and Exchange Commission of Pakistan (SECP) disposed of 53 show-cause proceedings initiated against companies, their directors and auditors for violating various provisions of the Companies Ordinance, 1984.

The SECP also initiated 45 fresh show-cause proceedings against the erring management and companies' auditors for vari-

ous violations of the ordinance. These violations pertain to failure to comply with legal provisions in respect of holding annual general meetings (AGMs), filing of interim accounts for listed companies, delay in deposit of provident fund amount, discharge of duties by auditors, presenting false statement in the accounts, advancing loans to associated companies without prior approval of general meeting and granting financial as-

sistance by a listed company for purchase of shares of its holding company.

The SECP also concluded 3 proceedings for initiating inspection and investigation against two listed companies under sections 231 and 265 of the ordinance, respectively and appointed inspectors with directions to submit their report within 60 days about the company affairs.

## SECP launches its new dynamic, bilingual website

The Securities and Exchange Commission of Pakistan (SECP) launched its new fully-featured bilingual (English and Urdu) website [www.secp.gov.pk](http://www.secp.gov.pk). The redesigned website offers quick and robust information to public, investors, stakeholders and the media to better understand SECP and its regulatory regime. "We believe that this new site will allow our visitors to have a very informative experience as we continue to grow and assert our regulatory authority", said the SECP Chairman Zafar Hijazi. The new website has a clean, uncluttered design, improved functionality and enhanced rich content

focused on the SECP's mission to facilitate development of modern and efficient corporate sector and capital market, based on sound regulatory principles. The website has extensive content related to formation of a new company, licensing regime for profit organizations, capital markets, insurance and non-banking financial companies, latest market data and information and complete range of laws, rules, regulations that the SECP governs. Besides, the latest notifications, circulars, directives enforcement action and orders of the Appellate Bench could be seen on the website. Furthermore, the visitors

can lodge complaints online, search/verify registered companies and log in to the SECP's eService, Virtual One Stop Shop (VOSS) and Jamapunji portal. The Urdu section of the website provides comprehensive information on company formation, compliance requirements, licensing procedures and Urdu versions of laws, rules, regulations and guidebooks. It is worth mentioning here that the SECP has translated all of its laws, except the Companies Ordinance, 1984, which is being replaced.

## SECP holds investor awareness seminar

The Securities and Exchange Commission of Pakistan (SECP) organized a seminar for the senior students and employees of A.F. Ferguson & Company at the Islamabad Club. In his message to the participants, the SECP chairman, Mr. Zafar Hijazi, said: "My vision is to make a paradigm shift in Pakistani society from its current consumption mode to adopting savings and investment as a culture and norm. This is only possible when the individual takes charge of his/her money matters to make informed investment decisions and the key to this is to embed

investor education at all levels in our learning experiences. Ms. Khalida Habib, director, Investor Education and International Relations Department, welcomed all the guests. She reiterated the SECP's commitment to implement an agenda of improving the financial capabilities of investors and protecting them. She said that the support of industry in the SECP's investor education program will indeed go a long way to develop financial literacy among the people and also stressed on how fundamental the notion stands in the practical world of investment

to sustain soundly. Mr. Zulfikar Ali, from CFA Society Pakistan, gave a presentation on financial planning, informing the audience about necessary steps for successful financial plans. Mr. Faheem Sardar talked about the importance and macro plus micro structure of our capital markets. Mr. Salman Haider Sheikh spoke about mutual funds and what an investor needs to know. Mr. Akram Qureshi elaborated on the procedures encompassing company incorporation.

## SECP registers 386 companies in July

The Securities and Exchange Commission of Pakistan (SECP) during the month of July 2016 registered 386 new companies. Around 85 percent of them have been registered as private limited companies, while around 12 percent were registered as single member companies. Three percent were registered as public unlisted, non-profit associations and foreign companies. The trading sector took the lead with the incorporation of 61 of companies, followed by services with 45, construction with 42, I.T. with 37, tourism with 23, engineering with 14, real estate development and auto and allied with 13 each, textile with 12, food and beverages with 11, fuel and energy and pharmaceutical with 10 each. Ninety-five companies were registered in other sectors. Moreover, 5 foreign companies were also registered by the CRO in Islamabad, Karachi and Lahore.

## SECP organizes seminar on voluntary pension system

The Securities and Exchange Commission of Pakistan (SECP), as part of its investor education initiative, organized a seminar on voluntary pension system (VPS) at its head office on Wednesday for senior human resource professionals. In order to promote a culture of savings and investments and to facilitate a post-retirement income stream for individuals in a regulated environment, the SECP introduced the VPS rules in 2005. The VPS is a tax-advantaged, self-contributory pension scheme open to all adult Pakistanis with CNICs. Employed as well as self-employed individuals can voluntarily contribute to a pension fund during their working life to provide regular income after retirement. VPS operates on a decentralized market-based approach, offering flexibility in terms of the contribution rates as well as investment choices to serve the investors' growing needs. VPS is an SECP-regulated product and it offers a viable savings vehicle for investors and the public.



# Corporate governance rules for public sector companies being improved

The Securities and Exchange Commission of Pakistan has issued the draft of amendments to the Public Sector Companies (Corporate Governance) Rules, 2013, to obtain feedback from the stakeholders and the public. Based on the implementation experience as well as feedback received from the line ministries of public sector companies and other stakeholders, it was deemed necessary to introduce certain amendments to the rules to facilitate compliance and ensure to good corporate governance principles. The public sector companies

are significant economic players delivering critical services in important economic sectors. With the approval of the federal government, the SECP issued these rules in 2013. The rules were aimed at improving the governance of PSCs through a range of measures, including empowering the board of directors, facilitating the government to exercise its ownership function, strengthening the internal control mechanism, etc. The provisions which have been proposed to be amended or added to the rules includes introduction of criteria for sound and

prudent management of public sector companies, change in the proportion of independent directors on the boards from a majority to a minimum of one-third, specifying additional grounds for removal of non-performing directors, revision of criteria for appointment of chairman and chief executive, requirement for the government to enter into performance contracts with directors at the time of their appointment, optimization of fit and proper criteria for the directors, etc.

## SECP prescribes standardized benchmarks for collective investment schemes

The Securities and Exchange Commission of Pakistan has directed all asset management companies to use standardized benchmarks for collective investment schemes intended for better comparison of the performance against their benchmarks. As per regulatory requirement collective investment schemes are required to disclose the benchmark in their performance

reports and other publications/communications where return is published. Category wise standardization of benchmark will enable and facilitate the investors to instantly compare the performance of different schemes within a category offered by different asset management companies against the benchmark return.

These standardized bench-

marks for each category of collective investment scheme are prepared in consultation with the Mutual Fund Association of Pakistan after taking into consideration international best practices. Asset management companies are directed to make amendments in the offering documents and fund manager reports within one month of this direction.

## SECP prepares strategic framework for microinsurance development

The Securities and Exchange Commission of Pakistan (SECP), with the assistance of GIZ Regulatory Framework for Promotion of Pro-Poor Insurance Markets in Asia (RFPI ASIA), has prepared a strategic framework for microinsurance development. The framework was unveiled at a Multi Stakeholder Dialogue (MSD), which was organized in Islamabad to consult with various public and private stakeholders engaged in microinsurance. The dialogue was aimed at developing a way forward on the approach to

microinsurance development and secure the ownership and commitment of public and private stakeholders. It also developed possible business concepts around microinsurance implementation and to form feasible public-private partnerships. Commissioner Insurance, Mr. Fida Hussain Samoo, highlighted the regulatory reforms instituted recently. The Code of Corporate Governance, 2016, Bancassurance Regulations, 2015, Micro-insurance Rules, 2014, Takaful Rules, 2012, Small Dispute Resolution Committees

are a few of the major reforms that have been introduced to strengthen the regulatory regime, he said. The SECP focuses on low-income people because they face a number of vulnerabilities such as illness, accidents, disability, deaths and natural disasters. Dr. Antonis Malagardis, Program Director (RFPI ASIA), emphasized the need for a clear definition of microinsurance and cited examples of inclusive insurance in development from South America, Africa and Asia.

## Dar to chair SECP's seminar on Companies Bill

The Securities and Exchange Commission of Pakistan (SECP) is organizing a national level seminar on the draft Companies Bill, 2016, on Monday, September 5, at a hotel in Karachi. The event shall be chaired by Senator Mohammad Ishaq Dar, the Minister for Finance. Mr. Zafar Hijazi, the SECP chairman, Mr. Saeed Ahmed, deputy governor, State Bank, Hafiz Muhammad Yousuf, the ICAP president, Mr. Masood Naqvi, a well-known chartered accountant and former ICAP president, shall highlight the salient features of the draft Companies Bill, and give their insights on the changes being proposed through it. After its approval by the parliament, the Bill will replace the Companies Ordinance, 1984. It has been drafted after a long process of consultations with experts and stakeholders.

## Government grants tax neutrality to sukuk

In a landmark decision, the federal government, on the recommendations of the Securities and Exchange Commission of Pakistan, has accorded tax neutrality to sukuk by allowing certain tax exemptions that were earlier available only to conventional securitization issues. The amendments to the tax law have been notified through an ordinance. The difference in the tax treatment of conventional TFCs and sukuk rendered the issuance of sukuk unviable. The amendments to the tax law now provide the same tax exemptions bringing the issuance of sukuk on a par with their counterparts in terms of the costs entailed. This measure is a great boost for the Islamic financial industry and its overall growth and development.

# SECP holds seminar on investor awareness and financial literacy

The Securities and Exchange Commission of Pakistan, under its initiative of educating investors, organized a seminar for the students and employees of A.F. Ferguson and Company at Lahore. It was a daylong event, full of insights from experienced professionals. In his message, the SECP chairman said: "My vision is to make a paradigm shift in Pakistani society from its current consumption mode to adopting saving and investment as a culture and norm. This is only possible when

the individual takes charge of his/her money matters to make informed and considered investment decisions for this investor education is so essential. Ms. Khalida Habib, director/head, Investor Education and International Relations Department, reiterated the SECP's commitment to improving financial capabilities of investors and she said the support of industry in this task will indeed go a long way to develop financial literacy among the people. Ms. Rabia Fida, from

CFA Society Pakistan, told the audience about necessary steps to be taken for their financial plans. Mr. Asif Baig Mirza talked about the importance and macro plus micro structure of our capital markets. He elaborated on different important concepts and procedures about the capital markets. Mr. Shahid Ghaffar, managing director, National Investment Trust, spoke about mutual funds and the basics that an investor needs to know of.

## SECP, SBP chiefs meet to take important regulatory decisions

As part of its quarterly sessions, the coordination committee of the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan met in Islamabad on Wednesday. The SECP Chairman, Mr. Zafar Hjaz and the SBP Governor, Ashraf Mahmood Wathra along with their teams attended the meeting. The committee was briefed on the main features of the eight point agenda items and

decisions were taken. During the meeting, the SBP appreciated the SECP's efforts in relation to the progress on the Companies Bill, 2016, which also includes enhancing disclosure for the real estate companies. However, in order to improve the regulatory regime a joint SECP-SBP committee was constituted to make recommendations for effective regulation of the real estate sec-

tor to the federal and provincial governments. The issue of maintaining financial stability was discussed and it was decided that the SECP would share its financial stability set-up with the SBP so that both institutions can learn from each other experiences. Both institutions have set up departments for financial stability related issues and coordination.

## SECP introduces cooling-off rights for individual unitholders of collective investment schemes

The Securities and Exchange Commission of Pakistan (SECP) has directed all asset management companies (AMCs) to provide a right to individual unitholders to obtain a refund of their first time investment (cooling-off right) in an open end collective investment scheme (CIS). The refund may be obtained within three business days commencing from the date of issuance of investment report to the unitholder (cooling-off

period). The requirements stipulate that the cooling-off right, cooling-off period and procedure to exercise such right shall be adequately disclosed in the investment form signed by the unitholder at the time of purchase of units. Further, the refund for every unit held by the unitholder shall be an amount equal to net asset value per unit applicable on the date the cooling-off right is exercised along with any sales load paid by the

unitholder. The refund proceeds shall be paid within six business days of receipt of written request from the unitholder. In order to provide investors with key information about a fund in a simple and accessible format prior to making an investment decision, the AMCs are required to ensure that the investor is either provided with the latest Fund Manager Report for existing CIS or a basic fact sheet in case of new CIS.

## SECP's "Youth Investment Week" at PSX to promote investor education

The Securities and Exchange Commission of Pakistan's "Youth Investment Week" is going on at the Pakistan Stock Exchange (PSX) in Karachi. It has been arranged in collaboration with the PSX and the National Clearing Company Pakistan Limited (NCCPL). In this connection, live thematic theater on savings and investment for the students of Karachi-based universities at the Pakistan Stock Exchange (PSX) has been going on since September 21. It will end on September 27. The theatre as a medium of social change, through visual performing arts is widely accepted tool for cognitive learning and educating the masses. While implementing its investor education program, the SECP is especially focusing on youth and students to inculcate the culture of saving and investment in them from their student days.

## SECP holds financial awareness seminar

The Securities and Exchange Commission of Pakistan under its initiative of educating the current and potential investors, organized a seminar for the trainees and employees of A.F. Ferguson and Company at the ICAP House in Karachi. Ms. Khalida Habib, director/head, Investor Education and International Relations Department, she read out the message of the SECP chairman, stating: "our mission" is to make a paradigm shift in Pakistani society from its current consumption mode to adopting saving and investment as a culture and norm. This is only possible when the individual takes charge of his/her money matters to make informed investment decisions and key to this is to embed investor education at all levels in our learning experiences."

# Hijazi briefs Dar on amending insurance regulatory framework

Mr. Zafar-ul-Haq Hijazi, the SECP chairman, in a meeting gave the Finance Minister, Muhammad Ishaq Dar, an overview of the insurance industry and briefed him on the amendments required to improve the insurance regulatory framework. The amendments are expected to improve the financial soundness of insurance companies and help develop robust and financially stable insurance sector in which the interests of policyholders are fully protected. The proposed framework aims

at providing conducive regulatory environment to encourage market development, strengthen the regulatory framework to ensure alignment with the Insurance Core Principles (ICP) of the International Association of Insurance Supervisors (IAIS). Considering the importance of the proposed improvements, Mr. Dar advised the replacement of the Insurance Ordinance, 2000, with a new law. "This will improve the international image of Pakistan's insurance industry."

He further advised the SECP to start a nationwide consultation with stakeholders in this regard. Mr. Hijazi said that the SECP would hold stakeholders' consultation in October 2016. The meeting was informed that the updated version of Draft Companies Bill, 2016, had been submitted to the Ministry of Finance after extensive consultations. The Finance Minister directed the relevant officers that the proposed law may be processed as per the described procedure.

## SECP urges for increasing retail penetration of mutual funds

The Securities and Exchange Commission of Pakistan (SECP) has impressed upon the Mutual Funds Association of Pakistan (MUFAP) to focus on increasing the retail penetration of mutual funds. In a meeting with the MUFAP representatives, the SECP chairman, Zafar Hijazi, pointed out that participation of retail investors in the mutual funds industry constitutes a relatively small proportion and almost 66% of total AUMs are

held by corporates and other institutions. He said that inadequate branch network outside major cities and lack of appropriate distribution network was the main causes of this limited outreach. The need of the hour is to take the industry forward, and to tap into the small retail level investors instead of completely concentrating on institutional clients. The asset management companies need to make focused efforts to ex-

pand their outreach to major cities of the country. The SECP chairman said that the SECP would observe the efforts being made by individual AMCs to increase retail outreach and facilitation shall be provided to only those AMCs that will make serious efforts to augment retail participation. The SECP asked the AMCs to submit their comprehensive plans to increase the industry's retail base of mutual funds.

## SECP initiated 22 show-cause proceedings in September

During the month of September, the Securities and Exchange Commission of Pakistan (SECP) initiated 22 fresh show-cause proceedings against the erring management and companies' auditors for various violations of the 1984 Ordinance. These violations, among others, comprise failure to comply with legal provisions in respect of filing of interim accounts for

listed companies, delay in deposit of provident fund amount, deficient discharge of duties by auditors, incorrect or false statement given in the accounts etc

The Corporate Supervision Department has decided to adopt direct and targeted approach to identify the non-compliances by the companies thereby infringing upon the

rights of the shareholders. During the last month the department appointed inspectors to inspect all the records and books of accounts of one company and advised the inspectors to furnish report on material and unusual transactions, non-compliances and any evasions relating to the affairs of the company

## SECP enhanced compliance with global securities regulatory standards

The SECP being firmly committed to implementing review recommendations of IOSCO Assessment Committee as its top priority agenda is pleased to say that significant progress has been achieved to implement reforms in Pakistan's legal, regulatory and supervisory architecture, endorsing our pledge to bring Pakistan's markets in line with international standards. The Pakistani capital markets have achieved several key milestones after the last assessment. The key milestones which will contribute towards improved assessment rating in upcoming IOSCO assessment includes. SECP Amendment Act, 2016: The amendments to the SECP Act, the foremost of the actionable areas which involved changes to the powers and functions of the SECP has been enacted. This is a remarkable achievement as all amendments, including changes to the composition of policy board, SECP's role in addressing systemic risk, fast track disposal of cases, enhancing powers of the SECP to help foreign regulators' requests and establishment of Audit Oversight Board



## SECP overhauling modarabas' regulatory framework

In his resolve to promote the Islamic modes of doing business, inter alia, Islamic financial services, Mr. Zafar-ul-Haq Hijazi, chairman, Securities and Exchange Commission of Pakistan (SECP), envisaged to promote modarabas as pure Islamic financial institutions. In this regard, the entire regulatory framework for modarabas was reviewed and the Commission approved the concept paper for structural reforms to implement the concept of "modaraba" in its true spirit as enshrined in the Shariah. The proposed amend-

ments, inter alia, include introduction of the concept of unlisted modarabas to facilitate new entrants and to help the Islamic financial services industry grow. A new concept of fundraising through issuance of term equity certificates has been introduced to resolve the issue of resource mobilization being faced by modarabas. The characteristics of term equity certificates are akin to the modaraba certificates and structured in line with the overall concept of modarabas. Furthermore, new limits regarding holding of modaraba

company and its related parties in modaraba have been proposed to encourage and maximize equity participation by the public. The SECP has already suggested other amendments such as empowering the certificate holders of modaraba to hold annual general meeting, appointment of Sharia advisors to ensure Sharia compliance in day-to-day affairs, performance-based remuneration of the "modarib" to incentivize the modaraba company to perform better.

## Drastic measures by SECP to facilitate corporate sector

The Securities & Exchange Commission of Pakistan (SECP), in order to facilitate registration of companies, has been introducing various facilitative measures from time to time. SECP has made drastic reductions in registration fee for small companies and filing fee of companies with small capital base, SECP provides complimentary certified true copy of company formation documents and other statutory returns to the companies upon its registration. The time of incorporation has been reduced from minimum 4 hrs to 2hrs under Fast Track Registra-

tion System. SECP, expanded its outreach through establishing Company Registration Office at Gilgit and Facilitation Counters at Sialkot, Abbottabad and Gwadar. Online payment of fee through online funds transfer and credit cards, and obtaining of Digital Signatures from NIFT online was provided to facilitate foreigner. The Commission, also enabled same day online incorporation without charging any additional fee subject to adoption of short memorandum of association, available on SECP's website at <https://www.secp.gov.pk/company-formation/>

memorandum-and-articles-of-association/short-memorandum-of-association/Among other things short memorandum of association of 68 sectors are available on the website which made it easier for the promoters to incorporate the company by adopting the same. Despite the introduction of all the aforesaid facilitative measures, it has been observed that promoters don't directly apply to the Commission for the incorporation of the companies, as a result of which time and cost of doing business increases in Pakistan.

## SECP consults stakeholders on reforms in insurance regulatory framework

The Securities and Exchange Commission of Pakistan has held a roundtable at the Institute of Chartered Accountants of Pakistan, Karachi, on the proposed reforms in the insurance regulatory framework. Representatives of insurance companies, insurance brokers, associations of insurance surveyors, Pakistan Societies of Actuaries and the Institute of Chartered Accountants of Pakistan attended the

roundtable. Mr. Farrukh Rehman, the chairman of the subcommittee on insurance and an ICAP Council Member, emphasized the need for upgrading insurance law to bring it in line with the best international practices. The executive director, Insurance Division SECP, gave an overview of the insurance industry in Pakistan and briefed the audience on the proposed amendments. He said the amendments are ex-

pected to improve the financial soundness of insurance companies and help develop a robust and financially stable insurance sector where policyholders' interests are better protected. They will provide a conducive regulatory environment to encourage market development and ensure alignment with the Insurance Core Principles (ICP) of the International Association of Insurance Supervisors (IAIS)

## Investor Awareness: SECP organizes a day-long seminar

The Securities and Exchange Commission of Pakistan under its initiative of educating potential investors organized a day-long seminar for the trainees and employees of EY Ford Rhodes at Royal Palm Golf and Country Club, Lahore. During the event experienced professionals of the financial markets as well as students shared their valuable views about the topics under discussion. Opening the session Ms. Khalida Habib, Director, Investor Education and International Relations Department reiterated the vision of the Chairman SECP to make a paradigm shift in Pakistani society from its current consumption mode to adopting saving and investment as a culture and norm and this is only possible when the individuals make informed investment decisions. Ms. Habib further expressed SECP's commitment in contributing with all possible efforts to achieve a milestone in the journey to implement an agenda of improving the financial capabilities of investors and protecting them.

# SPOTLIGHT ON SECP ACTIVITIES

## SECP employees celebrated Independence Day

As part of the Independence Day celebrations, the SECP employees arranged a special event at its head office in Islamabad on Friday. A special documentary was shown to highlight the struggle for a separate Muslim homeland. The younger employees of SECP were very excited to see the powerful scenes in the documentary depicting various political phases of the Pakistan movement and the passionate struggle of the common people led by Quaid-i-Azam and other leaders of the Pakistan movement.

Glowing tributes through speeches and patriotic songs were paid to the heroes of the Pakistan movement. Speakers passionately talked about the sacrifices made in order to create Pakistan. Moved by the spirit of the occasion many SECP employees came to the stage, sang patriotic songs and recited the poetry of Allama Iqbal and other celebrated poets of Pakistan to highlight the struggle for Pakistan. They talked of all the things that this country has in store for the younger generation. A video was shown on Pakistan's resources, tourist attractions and achievements in various fields such as agriculture, sports, economy and defense, creating a feeling of elation and pride among the audience. The SECP chairman, Zafar Hijazi, was overwhelmed and made a highly emotional speech.

He said that the younger generation just cannot imagine the sacrifices that were rendered for the creation of Pakistan. He told the audience that 17 members of the family of his parents were martyred during the largest migration in human history. He said that he is very happy to feel the younger SECP employees fully realize the significance of the sacrifices of Muslims made for the creation of Pakistan. He asked the representatives of the younger generation to remember these sacrifices and the struggle by our forefathers including the writers, poets and political figures. He said every individual has to play his due part in order to enable Pakistan to play a leading role in the Muslim world. He urged the audience to instill the love of the country in their children.









# Workshop on the enforcement action by Surveillance, Supervision and Enforcement Department



An informative session was organized by PDD on the enforcement action on an illegal brokerage house conducted by the Commission. SSED shared their experience of the action along with key success factors, to assist the fellow colleagues to discharge similar duties in future. Employees from almost all departments attended the sessions and very positive feedback was received.

## Workshop on SECP Amendment Bill, 2016 held in August 2016

The Professional Development Department organized a workshop on the Amendment Bill 2016 in September. Muzzafar Ahmed Mirza conducted two sessions for SECP employees. Important provisions of the bill were discussed in detail. These sessions greatly improved the understanding of the employees about the bill.





## Training on legal drafting held in August 2016

The Professional Development Department organized a training session on legal drafting for senior management of the Commission in collaboration with Prosecution and Legal Affairs Division (PLAD). Mr. Hamid Ali Shah, a renowned judge and an advocate of the Supreme Court of Pakistan, conducted the session. This session covered in detail the drafting of showcause notices, investigation reports, correspondence during proceedings, final judgements, comments for appellate authorities and seeking advice from internal/external legal consultants etc.





# Awareness session on the Protection Against Harassment of Women at Workplace Act, 2010

The Parliament passed the Protection Against Harassment of Women at Workplace Act, 2010. It is mandatory for the public and private sector organizations to adopt a code of conduct that the act prescribes. In this regard PDD organized an awareness session on the Act. The session provided conceptual clarity on the issue of harassment, responsibility of the committee as prescribed in the law for effective implementation, how to deal with harassers, how to prevent cases of harassment and ways to discourage harassers. It also gave an understanding of how to report cases and use the mechanisms instituted. Mehargarh's trainer, Ms. Maliha Hussain conducted the above mentioned session for all SECP employees.





## Training session on role of auditors held at SECP



Auditors play a pivotal role in the accounting industry, it is extremely important that as a regulator, the SECP is well aware of the scope of audit assurance and non audit assurance. In this regard, PDD held a full day training session on role of auditors. Mr. Haroon Tabraze, fellow Member of institute of Chartered Accountants of Pakistan (ICAP) and faculty member of Institute of Business Administration (IBA) delivered the training session on the subject topic.

## Orientation session for new employees



An in-depth orientation session was organized by the Professional Development Department in collaboration with HR for newly inducted Management Executives. Senior colleagues from all departments made brief presentations on their areas of work. Participants were also informed about the HR policies and code of conduct in detail. New joiners from regional offices also attended the session via video link.



## Session on motivation and stress management

The Professional Development Department organized a capsule training session on motivation and stress management by a renowned corporate/self-help trainer, professional speaker and writer, Mr. Qasim Shah. The session was aimed at improving the overall stress management and motivation level of the workforce at the Commission. It lasted for two hours session for all employees of the SECP.







## Dua for the deceased employees of the SECP

On October 14, 2016, all employees gathered in the NICL Auditorium to pray for the souls of those two employees who have recently passed away. Their passing is a great loss not only to their families but also to the SECP. The SECP Chairman spoke about the assistance package for the families of deceased employees. The employees stationed at other locations were connected through video link.



## Training program by COMSATS for SECP employees

IS & T provides essential backend support to the Commission. To create awareness about the Information and technology products and services, an informative session for senior management on procurement was held where contents such as Data Center Hardwar, Data Center Management and issues and Data and Software Stack were discussed.





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