

## Press Release

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*For immediate release*

### **SECP approves Employee's Contributory Funds (Investment In Listed Securities) Regulations, 2018**

ISLAMABAD, June 13: The Securities and Exchange Commission of Pakistan (SECP) has introduced Employee's Contributory Funds (Investment in Listed Securities) Regulations, 2018. The new regulations are aimed at improving safety regime for the employees contributing to various contributory funds while keeping in view the growth perspective of the return on such funds.

Previously, the employees' contributions were regulated under the Employee's Provident Fund (Investment in Listed Securities) Rules, 2016. The Companies Act, 2017, enhanced the scope of investment out of various contributory funds, instead of just provident fund. This necessitated the notification of the Employee's Contributory Funds (Investment in Listed Securities) Regulations, 2018. The new regulations were prepared after extensive consultations.

With continuous innovation in equity and debt markets and development of new products by non-banking finance companies for better returns, contributory funds now have better choices available in the market. As risk and return go hand in hand, the SECP with a view to protecting the hard-earned money of the employees' has notified these regulations. The new regulations prescribe requirements regarding investment out of contributory funds maintained by the companies. They have also addressed major issues of the market participants comprehensively.

With respect to risk coverage and enhancement of employees' wealth, the average total return formula has been replaced with dividend payment of 15% in 2 out of 3 preceding consecutive years. Moreover, three separate asset classes have been introduced, i.e. money, debt and equity market.

In the new regulations, the sector-wise investment limits have been introduced along with security-wise limits on investments other than investment through collective investment schemes. The assigned minimum rating of AA on bonds, redeemable capital, debt securities or instruments issued by a statutory body or listed debt securities has also been reduced/revised to A instead of AA.

A sub-regulation regarding appointment of investor advisor for direct equity investment of Rs50 million and above has been introduced. In addition, the trust or funds are advised to amend the trust deed and include a clause providing one time option to the new employees for either allowing or not allowing the fund or the trust to make any investment out of their contributory fund or trust under these regulations.

The duly approved regulations has also been placed on the SECP's website, which can be

downloaded from the following link [www.secp.gov.pk/document/sro-731-i-2018-notification-to-employees-contributory-fund-investment-in-listed-securities-regulations-2018](http://www.secp.gov.pk/document/sro-731-i-2018-notification-to-employees-contributory-fund-investment-in-listed-securities-regulations-2018)