



SECURITIES AND EXCHANGE
COMMISSION OF PAKISTAN

NEWS BULLETIN

J U L Y - S E P T E M B E R

GENDER BOND LAUNCHED FOR CAPITAL MARKET INVESTORS

July 3 - InfraZamin Pakistan and Kashf Foundation have signed an agreement to bring Pakistan's first gender bond to institutional capital market investors. The 3-year gender bond will raise Rs2.5 billion under an initial private placement and subsequent OTC (over the counter) listing to capital market investors thereby making it eligible for a large number of capital market participants. The gender bond is a subsequently listed privately placed term finance certificate whose proceeds will go towards enhancing Kashf's portfolio towards lending exclusively to women to develop micro-infrastructure, which includes rural area school construction, flood rehabilitation of damaged homes and expansion of women-led micro businesses. As such the bond fully subscribes to the guidelines of gender bond issuance by the SECP, which are based on the UN Sustainable Development Goals and UN Women's principles for women empowerment.

SECP AMENDS RULES FOR ELECTION OF INDEPENDENT DIRECTORS, WOMAN DIRECTORS

July 16 - To address practical difficulties faced by the listed companies in election of directors, and to promote diversity in boards of the companies, the SECP has introduced amendments in the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Companies (Postal Ballot) Regulations, 2018. The notified amendments aimed to facilitate listed companies in meeting their

regulatory requirements relating to the election of independent and female directors on their boards. The new regulations will also strengthen corporate governance framework by introducing the concept of voting in categories on proportionate basis. Under the category voting, a three-tier voting structure for listed companies is being prescribed whereby votes shall be cast separately for the three categories of directors i.e. female, independent and others. The division of maximum votes available to each member for a category shall be in proportion to the number of seats of directors under such category.

COUNTRY'S FINANCIAL LANDSCAPE REVOLUTIONIZED: CLOUD SERVICES LAUNCHED

July 12 - Powered by Huawei, Khazana Enterprise launched first Fintech and national in-country cloud services, revolutionizing the financial landscape in Pakistan. Khazana Enterprise is planning to invest \$10 million first phase in Pakistan and more is planned for second phase. Pakistan data must be resided inside the country. Huawei Technologies Ltd and Khazana Enterprise have taken the monumental step to build the first of its kind, hyper-scaler financial cloud in the country. While giving his key note address, Akif Saeed, Chairman SECP, said the Commission is actively working on the development of a conducive investment ecosystem to provide digital financial solutions gaining mainstream momentum. The SECP chairman urged the financial sector as well as regulator alike to keep track of emerging technologies, regulatory changes, cyber threats, and the introduction of new international standards.

AMALGAMATED SECURITIES, FUTURES MARKET BILL: SECP OFFICIALS BRIEF NA BODY



July 19 - The SECP has informed that the process of amalgamation of the Securities Act, 2015 and the Futures Market Act, 2016 has been undertaken to transform and modernize the legal structure of the capital market. The SECP officials informed the sub-committee of the National Assembly Standing Committee on Finance that the amalgamated Securities and Futures Market Bill is under review and would be awaited to be approved by the National Assembly. The sub-committee meeting was held at the SECP Headquarters on July 19. The sub-committee reviewed in detail the amendments in the draft bill. NA Standing Committee on Finance has constituted a sub-committee to review the legislation related to the SECP. After review, the report will be submitted to the main committee for consideration. The SECP officials informed that the bill will consolidate

law for the regulation of securities and futures markets, protection of investors and matters connected or ancillary therewith.

SECP AMENDS FUTURES EXCHANGES (LICENSING AND OPERATIONS) REGULATIONS 2017

ISLAMABAD, July 18: The SECP has amended Futures Exchanges (Licensing and Operations) Regulations 2017 through an SRO 1913 (I)/2022 issued on July 18. Under the revised regulations, the SECP has explained the obligations pertaining to handling of money and assets of futures brokers and their customers. The futures exchange shall open one or more designated bank accounts with a scheduled bank in Pakistan for deposit of money belonging to

futures brokers and their customers in such form and manner as may be specified by the futures exchange from time to time. The futures exchange shall not use assets belonging to futures brokers and their customers for any purpose other than as allowed under the law. The futures exchange shall ensure that the assets belonging to futures broker or their customers shall not form part of the assets of the futures exchange for any purpose and keep records of all amounts deposited into and paid from the designated bank accounts on behalf of each futures broker and customer.

COLLABORATING WITH GOOGLE TO CURB ILLEGAL LENDING APPS: SECP

July 20 - The SECP has said that it is proactively engaged with Google to counter the proliferation of illegal apps as the search engine has removed 84 illegal lending apps from its Play Store. Google has introduced the Personal Loan App Policy for Pakistan, which

is effective from May 31, 2023. Pakistan is the sixth country in the world, after India, Indonesia, the Philippines, Nigeria and Kenya, where Google has introduced additional requirements for digital lending Apps. The SECP announced on July 19 its commitment to continuously reviewing and reforming policies to foster the development of capital and financial markets. It promotes ease of doing business through technology, enhances financial inclusion, reduces entry barriers, and enforces laws transparently to protect people's rights. In response to SECP reports, Google has removed 84 illegal lending apps from its Play Store. The policy incorporates measures to prevent the listing of such apps and imposes strict requirements regarding access to consumers' personal data. Notably, in December 2022, the SECP implemented borrower protection requirements for digital lending non-banking financial companies (NBFCs). These requirements include the transparent disclosure of fees and loan terms to customers prior to disbursement.

SECP, PTA TO TAKE JOINT ACTION AGAINST ILLEGAL LENDING APPS



July 23 - The SECP and Pakistan Telecommunication Authority (PTA) have decided to sign a Memorandum of Understanding (MoU) to set up a joint monitoring and reporting mechanism for taking timely action against illegal lending Apps. In

this regard, the Chairman, SECP Akif Saeed, held a meeting with the Chairman PTA Major General Hafeez Ur Rehman (retd), aimed at fostering effective collaboration and exploring areas of mutual interest between the two institutions. The Chairman SECP was accompanied by Commissioner Mujtaba Ahmad Lodhi and Head of Specialized Companies Division Khalida Habib. The high-level meeting held on July 23 at PTA head office witnessed constructive discussions and deliberations on several key areas of mutual interest. Both organizations firmly expressed their commitment to enhance collaboration to make Pakistan's digital/ cyber landscape more secure.

SECP COMMISSIONER CALLS FOR TECH-DRIVEN FINANCIAL REVOLUTION IN PAKISTAN

July 25 - Mujtaba Ahmad Lodhi, Commissioner, SECP, has urged the industry to focus on tech-based financial innovation to serve the underserved and un-served businesses in Pakistan.



He was speaking at the launching ceremony of the thirteenth edition of the Year Book 2022 of the NBF and Modaraba Association 2022. In his keynote, Lodhi highlighted the importance of the NBF and Modaraba sectors in Pakistan and stressed that the sector has enormous untapped potential and is critical for advancing financial inclusion; therefore, by focusing on

these sectors, it can contribute to Pakistan's economic growth and development. He also lauded the association for being active in spreading awareness while encouraging it to work together on the development of innovative products, targeting underserved micro and small businesses.

SECP REGISTERS IGI LIFE INSURANCE AS PENSION FUND MANAGER

July 30 - Promoting healthy competition in the pension management field, the SECP registered M/s IGI Life Insurance Limited as a Pension Fund Manager under the Voluntary Pension System Rules, 2005. The Pension Funds established under the VPS Rules are professionally managed savings-cum-

investment vehicles that enable salaried and self-employed individuals to contribute during their employment period, to accumulate savings available after retirement. The employer can also contribute in the pension funds for their employees. The SECP believes that being long term products, Pension and Insurance can have natural synergies, and it is encouraging to see life insurance companies entering Pension.

SECP ISSUES MOTOR INSURANCE STUDY

August 1 - The SECP has published a diagnostic study on motor third-party insurance in the country to present an in-depth overview of the legal framework applicable to the insurance, a statement said on Monday. The study is also aimed at presenting current state of motor insurance, impediments in implementation and enforcement, recent initiatives taken by SECP, and a way forward containing recommendations. It would serve as a starting point for discussion and collaborative action planning on the implementation of motor third-party insurance among key stakeholders, including central and provincial authorities, SECP, and the insurance sector, SECP said. As per the study, motor insurance coverage in Pakistan is merely 3 percent, which is way lower compared to other major countries within the region.

SECP ISSUES PROMOTERS' GUIDES IN GERMAN AND KOREAN

August 4 - The SECP in line with its agenda of facilitating foreign investors, published promoter guides in German and Korean languages. The SECP has already published promoter guides in different foreign languages, i.e., English, Chinese, Turkish, Spanish, Urdu, and Arabic, to facilitate investors. The guidebooks would help potential investors from these countries/origins understand the procedure for company registration and other requirements in their native languages. The promoter's guide contains necessary details in a comprehensive manner regarding registration of a company in Pakistan.

SECP IMPOSES EXPOSURE

LIMITS ON DIGITAL LENDERS TO PROTECT BORROWERS

August 8 - The SECP has imposed exposure limits on digital lenders and borrowers to curb predatory practices and ensure financial sustainability in the digital nano-lending sector. The SECP said in a circular that individual borrowers can borrow up to Rs25,000 from a single loan app, and the aggregate amount of loans from multiple apps cannot exceed Rs75,000. The loan period for a nano-loan through personal loan apps has been restricted to not more than 90 days. "The exposure limits on borrowers shall promote responsible lending behaviors and prevent borrowers from being trapped in debt cycles due to multiple loans," the regulator said in a statement. The SECP also said that personal loan apps must obtain a certificate from a cyber security audit firm approved by the Pakistan Telecommunication Authority (PTA) to ensure cyber security and protect sensitive data of borrowers. Moreover, apps must display a pop-up alert before the sign-up process to inform app users about the terms, conditions, and potential ramifications of borrowing. "An in-app calculator for accurate loan repayment computations and associated charges is also mandated," it added.

SECP STANDARDIZES THE STRUCTURE FOR THE ISSUANCE OF SUKUK

August 9 - The Shariah Advisory Committee (SAC) of the SECP has approved standardization of the Shariah Structure based on Musharakah (Shirkat ul Aqd) for the issuance of sukuk, along with draft agreements for Sukuk issuance, Sukuk subscription, Issue agency agreements, and Musharakah. The standardized requirements shall facilitate the

preparation of requisite documentation for seeking approval for the issuance of Shariah-compliant securities under the Shariah Governance Regulations, 2018, and the subsequent issuance of sukuk, promoting consistency in practice and transparency in disclosures. Notable interest is being observed in the issuance of Sukuk by companies to meet short-term working capital requirements as an avenue to fund their financial resource requirements. However, different extents and manners of disclosure were being used by issuers. Therefore, standardized documentation with the flexibility to make changes has been introduced aimed at reducing regulatory burden, encouraging harmonized disclosures, and facilitating the grant of Shariah compliance certificates by the SECP and subsequent issuance of Sukuk by the companies.

CEOS, DIRECTORS IN CMIIS: SECP INTRODUCES MAXIMUM TERMS LIMITS

August 15 - The SECP, in order to promote best governance practices and maintain focus on core operations, has introduced maximum terms limits for the Chief Executive Officers and Independent Directors to serve in the Capital Market Infrastructure Institutions (CMIIs), ie, PSX, NCCPL, CDC and PMEX. The SECP has issued four notifications here on Friday to amend the relevant regulations. The SECP has introduced tenure limits upon CEO of a CMI to a maximum of three terms with the third term to be allowed only in case of exceptional performance and subject to a competitive selection process. Moreover, the tenure limits for independent directors have been capped at maximum three terms across all CMIIs.

120 ILLEGAL LOAN APPS REMOVED FROM GOOGLE, APPLE STORES

August 17 - To protect the public from falling into debt traps of illegal loan apps, around 120 illegal loan apps that were previously available on Google Play and Apple stores. The measures was taken by the SECP, in collaboration with Google, Apple, and the Pakistan Telecommunication Authority (PTA), in view of the recent proliferation of illegal personal loan apps, raising concerns of misuse, data privacy violations and coercive recovery practices. According to the SECP, it has not only strengthened its regulatory framework for licensed Non-Banking Finance Companies (NBFCs), but has also taken effective measures in coordination with relevant authorities to shut down unauthorized and illegal loan apps. Through vigilant surveillance and complaints received via the SECP's dedicated complaint site, the regulator identified 120 unlawfully operating personal loan apps. It promptly reported these apps to Google, Apple, and the PTA for blocking, and also referred them to the FIA for further action in accordance with the Prevention of Electronic Crimes Act of 2016.

SECP PROPOSES CHANGES TO TAKEOVER REGULATIONS TO IMPROVE TRANSPARENCY

August 18 - The SECP has notified draft amendments to the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 soliciting public comments. The proposed amendments are focused on creating a conducive environment for takeover transactions through the acquisition of shares of listed companies in a fair, transparent and competitive manner. As part of SECP's progressive review of regulatory requirements, the subject amendments also address key observations emanating from feedback provided by various stakeholders in relation to prevalent takeover regulatory regime. The subject amendments provide greater flexibility to the minority shareholders

of the target company in exercising their rights, whereby an option is being inserted for consideration to such shareholders to be paid either wholly in cash or if consideration is being offered in the form of securities, the same to be accompanied with a wholly cash alternative.

SECP ISSUES FIRST SHARIAH COMPLIANCE CERTIFICATES TO REITS

August 26 - The SECP has issued the first-ever certificate of Shariah compliance to two Estate Investment Trusts (REITs), namely Signature Residency REIT and Rahat Residency REIT, according to a press release issued by the regulatory body on Friday. Earlier this year, in pursuance of Pakistan's Federal Shariah Court (FSC) judgment, wherein the FSC directed the government to facilitate all lending activity under an interest-free system, the SECP issued Guidelines for Offering Islamic Financial Services 2023. These guidelines facilitate conventional financial institutions intending to convert themselves into Shariah-compliant business models. Since the issuance of the guidelines, a number of entities have applied for certification as Shariah-compliant companies. The Signature Residency REIT is a close-end developmental REIT with a fund size of Rs825 million and a 4-year indicative life. It aims to build apartments and retail units on land, generating income for investors through the sale of these units to customers.

COMMITTEE FORMED TO BOOST CORPORATIZATION

September 13 - The SECP has formed a committee in collaboration with the Institute of Chartered Accountants of Pakistan (ICAP) and the Pakistan Institute of Development Economics (Pide) to promote corporatization. It will be headed by SECP Executive Director Mussarat Jabeen and will have two more

officers from the commission. Dr Nadeem-ul-Haq will head the committee from Pide. The committee is tasked to review the existing regulatory structure and identify impediments to the registration of companies. While PIDE was involved in supporting policy formations and the ICAP represented the functionaries at business operations, the SECP was the corporate sector regulator. The committee aims to provide practical recommendations including fiscal reforms to encourage corporatization for sustainable economic development. The initial working paper of the SECP has said that the total number of registered companies in Pakistan has reached 200,000 by the end of August. However, it was insignificant given the number of businesses operating across the country.

SECP ISSUES SHARIAH GOVERNANCE REGULATIONS, 2023

September 20 - The SECP has restrained the Shariah compliant companies/securities from carrying out non-permissible business activities including interest based-lending. The SECP has issued Shariah Governance Regulations, 2023 through SRO 1314 (I)/2023. The SECP has also notified the minimum Shariah screening criteria for Shariah compliant companies and securities. The core business activities of the company shall not include Shariah non-permissible business activities. Under the new regulations, Shariah non-permissible business activities shall include but not be limited to conventional financial institutions including conventional banks, and insurance, interest based-lending, gambling and betting, liquor and liquor-related activities, pork and pork-related activities, non-halal food and beverages, Shariah non-compliant entertainment, tobacco and tobacco-related activities, and other activities that are deemed Shariah non-permissible.

SECP, IGNITE INK MOU FOR SUPPORTING PAKISTAN'S FINTECH ECOSYSTEM



September 21 - The Federal Minister for Information Technology and Telecommunication, Dr. Umer Saif, envisaged setting up a government-backed Venture Capital (VC) Fund to strengthen the startup and fintech ecosystems by providing financial support to new ventures and startups. During his visit to the Securities and Exchange Commission of Pakistan (SECP), the minister witnessed the signing of a Memorandum of Understanding (MoU) between SECP and IGNITE, focusing on awareness sessions, regulatory compliance education, addressing challenges faced by Pakistani startups, fostering fintech innovation, and fostering investment-friendly environments. Dr. Saif showed a keen interest in the SECP's Regulatory Sand Box and the cutting-edge business models being considered, such as asset fractionalization. Akif Saeed, Chairman of SECP, presented a detailed briefing to the Federal Minister, outlining the organization's significant efforts in digitalization, innovation,

regulatory support, capacity building, investment facilitation, and policy advocacy.

SECP INTRODUCES SHARIAH GOVERNANCE FRAMEWORK 2023

September 22 - The SECP has notified the Shariah Governance Regulations, 2023, revamping the regulatory framework by combining and repealing the earlier Shariah Governance Regulations, 2018 and the Shariah Advisors Regulations, 2017. The new regulations, issued under Section 512(1) read with Section 451 of the Companies Act, 2017, have introduced the concepts of voluntary Shariah supervisory boards and separate requirements for Shariah stock screening of listed securities. In addition, jurisdiction of Section 451 of the Act to cover all securities has also been restored, said a press release. New regulations replaced the requirements of renewal of Shariah-compliant securities and qualification & experience requirements for

Shariah advisors have been further strengthened. In addition, powers and functions of Shariah advisors have been redefined by allowing them to offer services within all regulated sectors. The format of the independent assurance report by the external Shariah auditor on the format agreed with by ICAP has also been added.

SECP NOTIFIES AMENDMENTS TO NON-BANKING FINANCE COS RULES

September 24 - The SECP has revised regulatory framework for the non-banking finance sector. The SECP, with the approval of the federal government, has notified amendments to the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003. The amendments, which have been introduced after a comprehensive stakeholder consultation process, aim to revitalise growth in the non-banking finance sector and facilitate establishing a contemporary and conducive regulatory framework. Ease of doing business has been provided by eliminating redundancies and requirements such as submission of certified copies of the memorandum, articles of association, and certificate of incorporation, providing reasons for selecting the proposed place of business, statistical data, and additional facts in support of the application, etc. Additionally, directors and chief executive officers are no longer required to submit affidavits with respect to the correctness of information and instead can only submit a declaration to this effect. Moreover, the term "investment company" has been deleted from the rules as the structure no longer exists.

SECP WARNS PUBLIC AGAINST INVESTING IN ISMMART GROUP

September 26 - The SECP has warned the public

against investing in a fraudulent scheme run by Ismmart Group, owned by Shaukat Ullah Khan, who is facing an inquiry by the anti-corruption agency. "The SECP has noticed that an entity, namely Ismmart Group, owned by Shaukat Ullah Khan, is prima facie raising deposits from the public by promising them unrealistic monthly returns," it said in a statement. "It is clarified that the said entity does not hold any license to collect deposits from the public." It is pertinent to mention here that SECP had imposed penalties on Shaukat Ullah Khan for marketing such illegal investment schemes through companies of Shaukat Marwat Group. In addition, Khan has been disqualified from becoming chief executive or director of any company in Pakistan, and matter has been referred to the National Accountability Bureau (NAB), which has already initiated an inquiry against him and his companies.

SECP INTRODUCES AMENDMENTS TO AML LAWS

September 26 - The SECP has introduced amendments to the Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Regulations 2020. The notified amendments aim to enhance the scope of regulations to effectively combat financial crimes, control money laundering and combat terror financing while ensuring the integrity of its financial system. The amendments are the outcome of the National Risk Assessment 2023, in which SECP conducted a self-assessment of its regulatory framework against the criteria used in the FATF Assessment Methodology for assessing technical compliance of its AML/CFT regulatory framework. The amendments, introduced post-stakeholder consultation, demonstrate SECP's commitment to enhancing the country's regulatory framework and aligning it with international best practices. The amendments primarily focus on expanding the regulatory framework to encompass measures specifically tailored for Customer Due Diligence (CDD) requirements related to bank

account opening of mentally disordered persons. Under the revised regulations, an account will be classified as dormant after three years of inactivity, as opposed to the previous threshold of five years.

SECP IMPOSES NEW CONDITIONS FOR LISTED COMPANIES ISSUING RIGHT SHARES

September 28 - The SECP has placed additional requirements/conditions for the listed companies for issuance of the right shares. The SECP issued a notification to propose amendments to the Companies (Further Issue of Shares) Regulations, 2020. ALSO READ: SECP Amends AML/CFT Regulations: In addition to compliance with the general conditions provided, a listed company issuing right shares shall comply with the following additional requirements: Under the new regulations, the board of directors of the issuing company shall, prior to the announcement of the right issue, ensure that the issuing company, its sponsor(s), promoter(s), substantial shareholder(s) and directors shall not have overdue or defaults irrespective of the amount appearing in the report obtained from Credit Information Bureau. The company shall prepare and its board shall approve the draft offer document in easily understandable English and Urdu language. The offer document shall contain all disclosures, as referred to in Schedule I of these regulations, and such disclosure should be true and adequate and enable the applicants to make an informed investment decision.

CAPITAL MARKET REFORMS CRITICAL TO ECONOMIC REVIVAL: DR SHAMSHAD AKHTAR

September 30 - Caretaker Federal Minister for Finance, Revenue, Economic Affairs Dr Shamshad Akhtar Saturday said that capital market reforms are critical component of the caretaker government's economic revival programme.



The initiatives are aimed to promote growth and development by harnessing the potential of capital market institutions to diversify sources of financing and exploiting innovative financing modalities, she said while chairing a meeting with the SECP chairman, bankers and heads of development finance institutions (DFIs), says a press release. The bankers and DFIs agreed on the need for establishment of private equity and venture funds to serve as a catalyst for economic revival. The SECP chairman reinforced the commission's commitment and for creating an enabling regulatory environment.

The finance minister appreciated SECPs' active engagement and encouraged banks and DFIs to set the stage for this collaborative effort and fast track the setting up of the private funds to support industrial development.

The caretaker finance minister appreciated initiatives for seeking investments from local financial institutions, institutional investors, government DFIs, and corporates, with the potential to attract foreign capital, particularly from climate and ESG-focused international institutional investors.

She emphasised that the time is of the essence and hectic efforts should be made to bring these propositions to fruition. She underscored that these ground-breaking initiatives would contribute to restoring market confidence and send a clear message to the global market and foreign investors that Pakistan is open for business and poised for economic growth. Moving forward collaboratively there will be an effort to remove the impediments facing the establishment of these funds, Dr Shamshad added.