



SECURITIES AND EXCHANGE OF PAKISTAN
Specialized Companies Division
Policy, Regulation and Development Department

No. SCD/CIRCULAR/138/2022

November 28, 2022

Circular No. 12 of 2022

Subject: AMENDMENT IN INVESTMENT AND ALLOCATION POLICIES FOR PENSION FUNDS AUTHORIZED UNDER THE VOLUNTARY PENSION SYSTEM RULES, 2005

The Securities and Exchange Commission of Pakistan in exercise of powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with sub-rule (3) of rule 24 of Voluntary Pension System Rules of 2005 in furtherance to Circular No. 12 of 2021 dated April 6, 2021 is pleased to substitute clause h) under the heading Equity Sub-fund as follows:

- "h) A PFM shall ensure that the investment in equity securities of the following companies shall not exceed 10% of the net assets of the equity sub fund on monthly average basis:
- i. Company is not traded on regular trading counter of the Pakistan Stock Exchange;
 - ii. The minimum free float of the company is less than 15% of total outstanding shares
Provided that this clause shall not be applicable on equity securities which are part of KSE-30 index or KMI-30 index at the time of investment. However, in case an equity security is subsequently excluded from KSE-30 index or KMI-30 index, the PFM shall rebalance the portfolio and ensure compliance within six months of such index recomposition;
 - iii. The securities of the company are traded less than 50% of the total trading days during the last six months or from the date of listing as the case may be; and
 - iv. Company's paid up capital is fully eroded owing to accumulated losses as per the annual audited accounts or half yearly limited scoped reviewed accounts, whichever is latest.

The PFM shall not invest the net assets of the equity sub fund in any company against which winding-up proceedings have been initiated and / or a qualified opinion on the going concern assumption has been issued by its statutory auditor.

For the purposes of this Circular, following events shall be considered as winding-up events:

- i. A show-cause notice for winding up has been issued to the Company by the Commission.
- ii. Winding-up petition is filed by creditors with a claim equivalent to at least 10% of the equity of the company as per latest accounts.
- iii. Winding-up petition is filed by the shareholders who own at least 10% of the company's paid-up capital.
- iv. Voluntary winding-up proceedings have commenced through passing of special resolution."

The Circular shall come into force with immediate effect and existing Pension Fund Managers shall ensure compliance with these requirements within 60 days of issuance of this circular.

(Aamir Khan)

Chairman/Commissioner (SCD)

Distribution:

1. Chief Executive Officers of All Pension Fund Managers
2. Mutual Funds Association of Pakistan
3. Trustees of Pension Funds