

IN THE NAME OF ALLAH ALMIGHTY, THE MOST MERCIFUL, MOST BENEFICENT



DETAILED PROFESSIONAL COMMENTARY EMPLOYEES CONTRIBUTORY FUNDS (INVESTMENT IN LISTED SECURITIES) REGULATIONS, 2018



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**DETAILED PROFESSIONAL COMMENTARY EMPLOYEES
CONTRIBUTORY FUNDS (INVESTMENT IN LISTED SECURITIES)
REGULATIONS, 2018**

S.R.O. 491 (I)/2019 dated April 15th 2019

INTRODUCTION

The Securities and Exchange Commission of Pakistan (SECP) issued the Employees Contributory Funds (Investment in Listed Securities) Regulations, 2018 (Afterwards referred as “Regulations”) vide S.R.O. 731 (I)/2018 dated June 6th 2018 now amended vide S.R.O. 491 (I)/2019 dated April 15th 2019.

Employees Contributory Funds (Investment in Listed Securities) Regulations, 2018 apply to all provident funds or any other contributory retirement funds constituted by a company or where a trust has been created by a company to manage such funds, except a pension fund governed under Voluntary Pension Systems Rules, 2005.

Further to above, Rule # 1(6) of the Regulations requires that; “the fund or trust shall 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.”

Khilji & Co (Chartered Accountants) is pleased to present Firm’s Professional Commentary. The only purpose of this document is to provide updated information to our clients about recent subject SRO. The information provided in this document should only be used in conjunction with professional opinion from tax/ legal advisor and checked for updated position of law. This document as a whole or its any part should not be reproduced in any form without prior written approval from Khilji & Co.

COMMENTARY

Amendments are notified in Regulation 3 of the Regulations and regulation 3 deals with the “Limits for investment in listed securities” while all other regulations remain same. Please Note that amendments / insertions / deletions are duly highlighted through Bold & Italic Text in below comparative statement.

Comparative Statement with Respect to Amendments Notified Vide SRO#491 (I)/2019 Dated April 15th 2019 is as Follows: -

Rule No.	Existing Clause	Amended Clause / New Insertions
3 – Limit for investment in listed securities	This regulation defines limit for investment in listed securities and states that Where the company or Trust decide to make an investment out of the Fund or Trust, as the case may be in-	
	(i) bonds, redeemable capital, debt securities or instruments issued by a statutory body or;	No Change
	(ii) securities listed on Pakistan Stock Exchange, including shares of companies, bonds, redeemable capital, debt securities, equity securities and collective investment schemes registered as notified entity with the Commission under Non-Banking Finance Companies and Notified Entities Regulations, 2008,	(ii) securities listed on Pakistan Stock Exchange, including shares of companies, bonds, redeemable capital, debt securities, equity securities and collective investment schemes (other than money market collective investment scheme) registered as notified entity with the Commission under Non-Banking Finance Companies and Notified Entities Regulations, 2008,

	such investments shall not exceed fifty per cent of the size of Fund or Trust, as the case may be, subject to following sub limits namely:-	No Change
Sub-Limits of Rule No. 3(1)	(a) total investment, at the time of making investment in debt collective investment schemes and money market collective investment schemes registered as notified entity with the Commission under Non-Banking Finance Companies and Notified Entities Regulations, 2008, shall not exceed fifty per cent of the size of the Fund or Trust, as the case may be;	(a) total investment, at the time of making investment in debt collective investment schemes registered as notified entity with the Commission under Non-Banking Finance Companies and Notified Entities Regulations, 2008, shall not exceed fifty per cent of the size of the Fund or Trust, as the case may be;
	(b) total investment at the time of making investment in bonds, redeemable capital, debt securities or instruments issued by a statutory body or listed debt securities, shall not exceed thirty per cent of the size of the Fund or Trust, as the case may be;	No Change
	(c) total investment, at the time of making investment in listed equity securities and equity collective investment schemes, registered as notified entity with the Commission under Non-Banking Finance Companies and Notified Entities Regulations, 2008, shall not exceed	No Change

	thirty per cent of the size of the Fund or Trust, as the case may be.	
Rule # 3(2)	Total investment, at the time of making investment in bonds, redeemable capital, debt securities or instruments issued by a statutory body or listed debt securities, of a particular sector, as per the sector classification made by the Pakistan Stock Exchange, shall not exceed twenty per cent of the investment limit provided in clause (b) of sub-regulation (1).	No Change
Rule # 3(3)	Total investment, at the time of making investment in bonds, redeemable capital, debts securities or instruments issued by a particular statutory body or in listed debt securities of a particular company shall not exceed ten per cent of the investment limit provided in clause (b) of sub-regulation (1) or five per cent of that issue, whichever is lower	No Change
Rule # 3(4)	Total investment, at the time of making investment in bonds, redeemable capital, debt securities or instruments issued by a constituting statutory body or listed debt securities of constituting company or its associated companies, as the case may be, shall not exceed ten per cent of the investment limit	No Change

	provided in clause (b) of sub-regulation (1).	
Rule # 3(5)	Total investment, at the time of making investment in listed equity securities of a particular sector, as per the sector classification made by the Pakistan Stock Exchange, shall not exceed twenty per cent of the investment limit provided in clause (c) of sub-regulation (1)	No Change
Rule # 3(6)	Total investment, at the time of making investment in listed equity securities of a particular company shall not exceed ten per cent of the investment limit provided in clause (c) of sub-regulation (1) or five per cent of the outstanding shares in the paid up capital of the investee company whichever is lower.	No Change
Rule # 3(7)	Total investment, at the time of making investment in listed equity securities of constituting company or its associated companies out of Fund or Trust, as the case may be, shall not exceed ten per cent of the investment limit provided in clause (c) of sub-regulation (1).	No Change
Rule # 3(8)	Total investment, at the time of making investment in debt collective investment schemes and money market collective investment schemes managed by a single asset management	Total investment, at the time of making investment in debt collective investment schemes managed by a single asset management company, shall not exceed fifty per cent of the investment limit

	company shall not exceed twenty per cent of the investment limit provided in clause (a) of sub-regulation (1).	provided in clause (a) of sub-regulation (1).
Rule # 3(9)	Total investment, at the time of making investment in any single equity collective investment scheme shall not exceed ten per cent of the investment limit provided in clause (c) of sub-regulation (1).	Total investment, at the time of making investment in any single equity collective investment scheme shall not exceed thirty per cent of the investment limit provided in clause (c) of sub-regulation (1).
Rule # 3(10)	Total investment, at the time of making investment in Initial Public Offers (IPO) of equity securities shall not exceed five per cent of the investment limit provided in clause (c) of sub-regulation (1), every six months in a calendar year: Provided that, total investment, at the time of making investment in one IPO of equity securities shall be restricted to one per cent of the outstanding shares in the paid-up capital of the investee company or two per cent of the investment limit provided in clause (c) of sub-regulation (1) whichever is lower.	No Change
Rule # 3(11) – New Insertion	None	Where the company or Trust, as the case may be, decide to make an investment out of the Fund or Trust in the money market collective investment scheme

		<p>registered as notified entity with the Commission under Non-Banking Finance Companies and Notified Entities Regulations, 2008, such investment can be made up to hundred per cent of the size of the Fund or Trust, as the case may be, subject to following sub-limits namely, -</p> <p>(a) total investment, at the time of making investment in any single money market collective investment scheme shall not exceed twenty per cent of the size of the Fund or Trust as the case may; and</p> <p>(b) total investment, at the time of making investment in money market schemes managed by a single asset management company, shall not exceed fifty per cent of the size of the Fund or Trust as the case may be.”</p>
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LINK OF DOCUMENT

<https://khilji.net.pk/wp-content/uploads/2019/04/Amendments-to-Employees-contributory-Funds-Regualtions.pdf>

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